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DIPLOMA THESIS

Problems of Poverty in Karnataka state of India –

Case study of Guma village in Bidar District

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Declaration of Integrity:

I declare that the Diploma thesis "*Problems of Poverty in Karnataka state of India - Case study of Guma village in Bidar District*" was made solely by myself including the survey in village.

All the literature and underlying materials are introduced in the "sources" section.

Prague, 8th April 2011

Signature

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**Problems of Poverty in Karnataka state of India –
Case study of Guma village in Bidar District**

**Problémy chudoby v statě Karnataka (Indie) –
případová studie ve vesnice Guma v oblasti Bidar**

SUMMARY

The Diploma Thesis is focused on finding social and economic situation of Guma village of Bidar district and also the effect of Child Sponsorship Program (CSP), run by Non-profit organisation of Prague - "Adopce na dalku" in the village. The thesis analysis: the causes of poverty in the village, the aim and activities of non-profit organization in the village and as a whole the effect of the project on the participants of the project. (Participants are the sponsored children in the project).

The main objective here is to show that the CSP, which is mainly focused on the motto "Education is the powerful instrument to fight poverty", has succeeded in changing the life situation of the sponsored children of the village, their family and also to the non-sponsored children during the past 3 years (2007-2010). To fulfill this, research was conducted on both sponsored children and non-sponsored children of the village. The questionnaire was used as a tool, to collect the information on school performance and attendance of the children in the school. As a result it is found that the CSP has benefited to the beneficiaries to some extent. While it has made noticeable impact on the sponsored children and their families; its impact was to a very small extent for the non-sponsored families. Due to the various economic and social problems in the village, the impact of the CSP is limited. Some solutions are being recommended for these problems, which could be carried out under the guidance of Non-profit organization as a part of development project.

Key word:

Poverty, child sponsorship program, education, development project, economic problems, benefits, living standards.

SOUHRN

Diplomová práce je zaměřena na zjištění sociální a ekonomické situace ve vesnici Guma v okrese Bidar a také na efekt programu "Adopce na dálku" (CSP), organizovaném neziskovou organizací z Prahy. Diplomová práce analyzuje příčiny chudoby v obci, cíle a aktivity neziskové organizace v obci, a jako celek zkoumá dopad projektu na jeho účastníky. (Účastníky jsou sponzorované děti projektu).

Hlavním cílem je zde ukázat, že program CSP, který je zaměřen především na vzdělání motto "Vzdělání je účinným nástrojem k boji proti chudobě ", úspěšně mění životní situaci sponzorovaných dětí z vesnice, jejich rodin a také nesponzorovaných dětí za poslední 3 roky (2007-2010). Ke splnění tohoto cíle byl výzkum prováděn jak na sponzorovaných, tak i na nesponzorovaných dětech z vesnice. Jako nástroj byl využit dotazník pro sběr informací o školní výkonnosti a docházce dětí do školy. Bylo zjištěno, že program CSP je prospěšný příjemcům do určité míry. Zatímco vliv programu na sponzorované děti a jejich rodiny byl znatelný, dopad na nesponzorované rodiny byl jen velmi malý. Vzhledem k různým ekonomickým a sociálním problémům v obci je dopad CSP omezený. Pro tyto problémy jsou doporučena řešení, která by mohla být prováděna pod vedením neziskové organizace jako součást rozvojového projektu.

Klíčová slova:

Chudoba, dětský sponzorský program, vzdělávání, přínosy, životní úroveň, rozvojové projekty, ekonomické problémy.

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1. Introduction

1.1 Coverage of the study

The World is divided into rich and poor countries. Poor countries also called as Developing countries need support. Support, that directly reaches the poor and the deprived people of the country. All around the world there are many Non-profit Organisations that carry on the work of fulfilling this need. The fulfilment of this need is done by passing on the resources from rich to the poor in their own way, to improve the living standards of poor in developing countries. But how effectively the resources are being used by Non-profit Organisation to help poor? When their main aim is to alleviate poverty through education; how effectively the poor benefit from it? This area has to be explored by research and studies to make sure that the resources are not going in vain. Also for the possibility of shifting support to other areas with more poverty, once it's proved that the poor families have reached average living standards and are able to maintain and improve it on their own.

This study entitled as "Problems of Poverty in Karnataka state of India - Case study of Guma village in Bidar District" is concerned with examining the effective result of education support provided by Czech Republic Non-profit Organisation, Archdioecesan Carita Praha in eradicating poverty, in a small village named Guma in Bidar district of India. And also to recommend some solutions to the other problems of the village, which could be taken care through development project of the organisation. The study has mainly 9 parts. It starts with the Introduction with a brief significance of the study. The second chapter deals with the main objectives of the study, while with the third chapter explaining the scientific and sociological method used to drive the result and also the limitations faced while using these methods. The fourth part gives some general idea derived from the literatures about the meaning poverty, generally accepted definition

of poverty, methods used to measure poverty and discussion about relationship between economic growth and poverty from experts. The fifth part speaks about the causes of poverty in the village based on graphs and tables, drawn from the information collected during the research. It also includes a brief introduction about the functioning of Non-profit organisation in the village, followed by an evaluation of benefits gained by beneficiaries directly and non-beneficiaries indirectly. The final part of the study summarizes briefly the main research findings and indicates some recommendations to the problems of the study. Finally at the end, conclusion drawn from the thesis, followed by bibliography and questionnaire annexed.

1.2 Significance of the study

The importance of this study is “Education” used as the instrument to Poverty reduction. The main aim of this Non-profit organization is providing support in education. Even the World Bank, 2005 believes that “*Education is one of the most powerful instruments for reducing poverty and inequality*”. Among the 8 Millennium Development Goals set by United Nations in order to get rid of poverty by 2015, primary education is set as the second important goal (United Nations, Millennium Development Goals, 2005). Education is equally key to enhance India’s competitiveness in the global economy. Therefore, ensuring access to quality education for all, in particular for the poor and rural population, is central to the economic and social development of India. Therefore it is essential to know that the financial support in education indeed serves in getting rid of poverty effectively.

Government of India tries to solve problem of poverty by making education free and compulsory. But this is not enough to motivate poor to send their children to school. They also need financial support to provide the necessities of the school to relieve the burden. Especially to those dependent on seasonal work as agriculture,

with the lowest income which is not enough to fulfil their family needs. This financial support gap is filled in by Non-profit Organisation.

First of all, the study focuses on the benefits attained by the people of this village, through this organisation and also recommends other possible solutions to help improve economic condition of the people in the village for effectiveness of the programme. Secondly to see if the financial support provided by the organisation is effective enough to motivate parents to send their child to school and for the child to be willing to go to school and perform well in the school.

I too am linked to this study as I myself was one among the sponsored children of this organisation and I know this organisation very well. The reason for choosing this particular village is due to its poor economic situation. Secondly as the project started there in 2007 and it's high time to do research for further improvement. Other reasons are due to openness of the people to answer the questionnaire.

2 Objectives and Methodology

2.1 Objectives

The main objective of the study is to explore the economic situation of the village and the benefits of NGO activities through financial support in education.

Specific objectives of the study are:

- To find out if the Child Sponsorship Program (CSP) fulfills the aim of NGO
- To find out if the target group benefits through CSP
- To Identify the causes of poverty in Guma village
- To find some effective solutions to those problems
- To Support NGO in finding the level of success in their education program called as Child Sponsorship Program (CSP) in the village for past 3 years.
- To bring out peoples' opinion about the CSP program

The hypothesis of this study is stated as **“To prove that Participants of the NGO Project benefit and improve overall Living Standard”**.

2.2 Methodology

2.2.1 Selection of Respondents

This study seeks to explore the role of financial support in education by comparing two target groups. One group that receives financial support in education i.e. treatment group, and the other group which doesn't get support i.e. control group. The result is achieved on the basis of school attendance and school performance of both the groups.

The respondents are selected randomly. Sponsored children are selected from the existing list of sponsored group; whereas non-sponsored children are selected from the list of aspirant sponsors. Selection criteria of both the group are same.

Respondents are usually children between 5-18 years and from very poor family background as per the criteria of the organization.

2.2.2 Sources of data and limitations of the study

Questionnaire technique is applied for data collection. Questionnaire sample, which is found in the enclosure, was created based on the previous sample from Charles University research by Michael Bauer Ph.D., Asst. Professor & Head of Department of Institute of Economic Studies, Faculty of Social Sciences.

Our questionnaire consisted both quantitative and qualitative methods. However 90 percent of the questionnaire was based on quantitative method, as it gives exact idea about the problem and also clear view about the consequences. Balance 10 percent of the questionnaire was based on qualitative method because it's the hypothesis which is not countable and may change as per people's expectations. The village which was considered for research consisted of 200 household, and the questionnaire targeted 100 households. Out of 100, it targeted 50 sponsored children and 50 non-sponsored children.

Individually the questionnaire was taken to each selected household and filled in according to the information provided. The questionnaire was divided into two sections; one for Sponsored child and Parents and the second section for Non-sponsored child and Parents. Information was collected regarding the higher level studies of sponsored/non-sponsored children, source of income of parents and their occupation, child's attendance and performance in school and so on. The SPSS method was used for the Evaluation of the questionnaire. Different frequencies were used to show the strength in percentage regarding household size or type of employment and contingent coefficients were used to show the depth of dependency among two variables.

Limitations of the study:

- Since the language of the village was a mix of Hindi and Marathi language's the questionnaire was prepared in English and it was taken individually to the households and filled in by the researcher.
- As the research was carried out during rainy season and as the main occupation of the people of the village is agriculture, the researchers were forced to visit the household early in the morning before the farmers or cooli workers leave for work.
- No transportation facilities were available in the village. Private vehicle had to be arranged all the time.
- Unavailability of social worker who was in charge of that village, due to other personal activities.

3 Literature Review

3.1 Poverty definitions in various aspects

Poverty has many faces, which differ from place to place and from time to time. It is a multi-dimensional concept that denotes a universally undesirable human condition. Poverty is a complex problem because we see many human needs in society which may be only inadequately met or remains unmet due to multiplicity of causes. It is described in many ways as it is linked to economic, social, cultural and political factors. Today most economists, social workers and experts have different approaches to poverty. We will define three approaches of poverty used by experts.

1. Social definition of Poverty
2. Basic definition of Poverty
3. Empowerment definition of Poverty

Social Definition of Poverty: It's described by 'Copenhagen' 1995 at the UN's World summit on Social Development as " a condition characterised by severe deprivation of basic human needs or basic requirements such as food, clothing, shelter, safe drinking water and also sanitation facilities, health, education and information". But these requirements may vary according to location and environment an individual is living in.

Basic Definition of Poverty: It's distinguished between Absolute poverty and Relative poverty (Patrick J. Muzaale, 1987). Once established, an absolute poverty line is updated for price changes only, while a relative poverty line is updated for changes in the median or mean income or consumption of the general population. Both are based on income or consumption value.

- Absolute poverty is a level of poverty at which certain *minimum standards of living* -- for example nutrition, health and shelter -- cannot be met. It sets a "Poverty Line" at a certain income amount or consumption amount per

year, based on the estimated value of a 'basket of goods' (food, shelter, water, etc.) necessary for proper living. The poverty line is set as \$1.25 per day (Revised International poverty line by World Bank, 2005) or less as extreme poverty. People in absolute poverty suffer from chronic malnutrition and are chronically sick; they are poorly clothed, they lack educational facilities; they lack health care facilities; infants die in their infancy and childhood. Absolute poverty can be contrasted with relative poverty which is a low income or standard of living relative to the rest of society. Patrick J. Muzaale, calls it as physiological definition of poverty

- Relative poverty is defined as a level of poverty, which is measured on the basis of *poor living standards* or sustaining with low income relative to the rest of society (Patrick J. Muzaale, 1987). It is lack of access to many of the goods and services expected by the rest of the contemporary society. It refers to a state of human suffering which results from the inability of a person or group of people to meet the needs that other people in the society take for granted. The extent of poverty in individual country can be determined through relative poverty as it's the simplest method which is used to rank the entire population in order of income per capita. But the method has some drawbacks in global use. If say 10 percent relative poverty rate applied to global setting, it would appear that both an industrialised country like USA and labour country like India both had the same 10 percent poverty rate, even though the conditions of the poor in India are much worse than conditions in USA. Which means that in USA there is an acceptable standard of living is formally identified and anyone whose standard of living falls below it, whether or not he is able to satisfy his basic human needs, is considered poor and is assisted by state to raise his consumption to the national minimum. This is not much useful in India where the majority of the people are subject to absolute poverty. Patrick J. Muzaale, calls it as social definition of poverty

Empowerment Definition of Poverty: It refers to the ability of an individual to make choices regarding his or her life. Often, the poor are not empowered - they are forced to work at certain jobs or do certain things as there doesn't exist any other option (e.g: when the victim obtains income that is sufficient to purchase the basic necessities of life, but spends some of it on items which do not contribute directly to nutrition, health or good housing) and often, this state of existence can be linked to poverty. When people are disempowered, many times, they are in poverty. It also can be linked to political context, which refers to poverty as the lack of power to make decisions on matters that intimately affect one's welfare. (Patrick J. Muzaale 1987, Rowntree et. al. 1977), calls it as secondary poverty.

The World Bank's definition on Poverty is defined as living on less than US \$1.25 per day/person. This is the new official poverty line defined in 2005 by The World Bank. According to new estimation released on August 2008, The World Bank said that about 1.4 billion people around the World lived on less than \$1.25 per day in the year 2005, that is one - fourth of the population of so-called "Developing World". This means that around 1.4 billion people live under extreme poverty line of \$1.25 per day/person. This figure is 400 million more than the Bank's 2004 estimate of 985 million. Another 2.6 billion people live on between \$1.25 and \$2 per day/person¹. World Bank 2005 uses this poverty line to assess global poverty on comparable terms. In spite of increase in the poverty line of \$1.08 in 1993 to \$1.25 per person in 2005, we see global poverty rates fell from 52 percent in 1981 to 26 percent in 2005.

Definitions of poverty vary considerably among nations. Rich nations generally employ more generous standards of poverty than poor nations. Country like India

¹ The World Bank uses a purchasing power parity (PPP) figure: \$1.25 per day PPP is the amount of goods that could be purchased.

which is so-called developing nation² (P. Todaro and C. Smith, 2006) has its own way of measuring National Poverty Line.

The Planning Commission of India (1997) has been estimating the number and percentage of poor at national and state levels. It has its own criteria and defines Poverty Line as minimum nutrition intake required by person per day. Nutrition intake is set differently for rural areas and urban areas. It is measured in monetary terms for the minimum food intake required by a person. For rural areas the intake norms are set to 2400 calories per capita per day due to their nature of work, which is mainly agricultural and the set intake norms for urban areas is 2100 calories.

The Planning Commission rely on the Expert group method to estimate the poverty of the country. According to this method the estimates of poverty are made from the large sample survey data on household consumer expenditure conducted by the National Sample Survey Organization (NSSO) of the Ministry of Statistics and Programme Implementation since 1997.

While the estimates of poverty for 1999 - 2000, had been noted that these estimates were not strictly comparable with the estimates for the previous years, therefore the state-wise rural and urban poverty lines for the year 2004 - 2005 were amended as shown in Table no.1. These are estimated using the original state-specific poverty lines identified by the Expert Group and updating them to 2004 - 2005 prices using the Consumer Price Index of Agricultural Labourers (CPIAL) for rural poverty lines and Consumer Price Index for Industrial Workers (CPIIW) for urban poverty lines.

² The International Bank for Reconstruction and Development (IBRD), more commonly known as World Bank classifies countries into low-income (LICs), lower- middle-income (LMCs) and upper-middle- income countries (UMCs) and high income countries by their levels of gross national income (GNI) per capita.

**Table no. 1: State-specific Poverty Lines in 2004 – 2005, India
(Rs. Per capita per month)**

Sl. No.	State/Union Territories	Rural	Urban
1	Andhra Pradesh	292.95	542.89
2	Assam	387.64	378.84
3	Bihar	354.36	435.00
4	Chhattisgarh	322.41	560.00
5	Delhi	410.38	612.91
6	Goa	362.25	665.90
7	Gujarat	353.93	541.16
8	Haryana	414.76	504.49
9	Himachal Pradesh	394.28	504.49
10	Jammu & Kashmir	391.26	553.77
11	Jharkhand	366.56	451.24
12	Karnataka	324.17	599.66
13	Kerala	430.12	559.39
14	Madhya Pradesh	327.78	570.15
15	Maharashtra	362.25	665.90
16	Orissa	325.79	528.49
17	Punjab	410.38	466.16
18	Rajasthan	374.57	559.63
19	Tamil Nadu	351.86	547.42
20	Uttar Pradesh	365.84	483.26
21	Uttarakhand	478.02	637.67
22	West Bengal	382.82	449.32
23	Dadra & N.Haveli	362.25	665.90
	All-India*	356.30	538.60

*The poverty line at all-India level is worked out from the expenditure class-wise distribution of persons (based on URP-consumption, that is, consumption data collected from 30 day recall period for all items) and the poverty ratio at all-India level. The poverty ratio at all-India is obtained as the weighted average of the state-wise poverty ratio.

* Rs. – Its Indian currency Rupees. (1Rs. = 100 paisa or 1 USD = 45 Rs.)

Source: GOVERNMENT OF INDIA, – Poverty Estimates for 2004 - 2005, New Delhi, March, 2007

The 61st round of NSSO in 2004 - 2005 survey is being distributed into two consumption expenditure. The first group is called Uniform Recall Period (URP), where the data is collected based on 30 days recall period for all the items and the

second group is called Mixed Recall Period (MRP) obtained from the consumption expenditure data collected using 365 days recall period for five infrequently purchased non-food items, namely clothing, footwear, durable goods, education and institutional medical expenses.

Previously the monthly expenditure for this food intake was set at Rs. 356.3 per month in rural areas and Rs. 538.6 per month in urban areas. A person who couldn't afford to spend this monthly expenditure was considered as living Below the Poverty Line (BPL). According to the Report submitted on December 10, 2009 by the expert group the poverty line for rural areas has been increased from Rs. 356.3 to Rs. 446.68 per month and for urban areas from Rs. 538.6 to Rs. 578.8 at 2004 - 2005 prices (Minocha, 2010).

According to the new World Bank's estimates on poverty based data of 2005, India has 456 million people i.e. 41.6 percent of its population, living below the new international poverty line of \$1.25 (PPP) per day. The World Bank further estimates that 33 percent of the global poor now reside in India. Moreover, India also has 828 million people, or 75.6 percent of the population living below \$2 a day, compared to 72.2 percent for Sub-Saharan Africa.

This indicates that even though India's economic growth is reaching the peak, its social evil of poverty is not falling. One of the reasons is because the growth has been uneven when comparing different social groups, gender, economic groups, geographic regions and rural and urban areas. To achieve a higher rate of poverty reduction, India will need to address the inequalities in opportunities that impede poor people from participating in the growth process.

However according to India's Planning Commission estimation, which is based on National Poverty line of URP (Uniform recall period) consumption distribution data of the 61st Round, yields a poverty ratio of 28.3 percent in the rural areas, 25.7 percent in the urban areas and 27.5 percent for the country as a whole in 2004 - 2005. The poverty estimates in 2004 - 2005 based on URP consumption distribution

(27.5 percent) is comparable with the poverty estimates of 1993 - 1994, which was 36 percent as shown in Table no. 2 below.

Table 2: Comparison of Poverty Estimates Based on Uniform Recall Period (URP), India in Percentage

	1993-94	2004-05
Rural	37.3	28.3
Urban	32.4	25.7
Total	36.0	27.5

*These figures are based on the previous prices of consumption expenditure that is Rs. 356.3 per capita for rural areas and Rs. 538.6 per capita for urban areas.

Source: Poverty Estimates for 2004-05 - Govt. of India, 2007

Income poverty statistics of India shows that the extremely poor are concentrated more in central and eastern states of India. But if poverty is seen from the perspective of non-material deprivation, it spreads to many other states. For instance, Tamil Nadu, Andhra Pradesh and Karnataka, which are better off in terms of income, but are worse-off in terms of human development and gender development indices (doesn't apply to all rural areas in Karnataka e.g. Bidar).

Indian poverty is linked to social, cultural, economic and political factors that interact to maintain long-term structural differences in opportunities and resources. Poverty has ethnic, caste and gender dimensions. Fifty per cent of the tribal population belongs to the category of poor. They also suffer from non-material deprivation such as high illiteracy and dropout rates and bad infrastructure. Dalit's³ account for 15 per cent of India's poor. Most of the poor belonging to these communities are either landless or marginal farmers. 75 percent of the poor people reside in rural areas, where main occupation is agriculture. Most of them are self-employed householders, daily wagers and landless

³ People belonging to low castes

labourers. Due to the difficulties faced in rural areas in meeting even the basic requirements, people are steadily migrating from rural to urban areas. This is a clear signal to help rural areas in getting rid of poverty, so that the urban areas are not over populated with slums.

3.2 Methodology used in measuring poverty

In order to have a good outcome of methodology used, first of all we need to define or choose Welfare indicators (Diewert, 1976, Musgrave, 1990). While Welfarist focuses on per capita consumption expenditure or income as inputs, the nonwelfarist (Sen, 1998, Streeten et al, 1981) focuses on calorie intake per capita, housing conditions, life expectancy, infant mortality rates in the region, the proportion of spending devoted to food or child schooling, which are thought to be measures of utility reflections as outputs.

- a. **Welfare indicator:** If poverty is assessed based on Household consumption then we take into account, the size of the household, number of adults and children in household, prices of goods and services consumed by household and quantity consumed by them. Since every household is of different size and composition we convert household consumption to individual consumption by dividing according to the number of households. Then the total consumption of household expenditure per capita is the measure of welfare assigned to each member of household. But in this case it is assumed that consumption is shared equally among household members. Whereas in fact the per capita expenditure for children is different from adults as they consume less than adults and also their needs are different. Even a manual labourer consumes more food than an office worker and they have different needs. The solution to this problem says Haughton and Khandker, 2009 is to apply a system of weights.

We need to use an Equivalence scale, which indicates the poverty status of families of various sizes and compositions to be compared on an equal basis. Each member of the household, counts as some fraction of an adult male. Adequately, sum of these fractions is the household size, which is not measured in number of persons but in numbers of adult equivalents.

Consumption expenditure per capita, is very often used method to measure the welfare to make it more meaningful and precise. Some analysts use consumption per adult equivalent, so that they are able to capture not just consumption per capita but consumption per capita as per their need and age, and economies of scale in consumption.

Most often used equivalence of scale is of OECD (The Organisation for Economic and Co-operation and Development), which was introduced in the year 1982. "OECD equivalence scale" assigns value to the household members. The first household members are assigned value of 1 and 0.7 to each additional adult, 0.5 to each child. This scale is been modified in 1994 by Haagenars et al., and was used by EUROSTAT. The modification was that the first household head was assigned value of 1 and of 0.5 to each additional adult member and 0.3 to each child (OECD-Organisation for Economic and Co-operation and Development, 1994).

OECD scale can be written as:

$$AE = 1 + 0.7 (N_{adults} - 1) + 0.5 N_{children}$$

Where *AE* refers to "Adult Equivalent." As we mentioned before that OECD scale assigns value per household as per need and age. Therefore 1 refers to adult equivalent, and a second adult household would have an adult equivalent of 1.7 (1+0.7), and third adult equivalent will be (1+0.7+0.7) 2.4, thus 0.7 value reflects economies of scale; the smaller this parameter the more significant

economies of scale are considered to be. The 0.5 is the weight entrusted to children, and obviously the value itself reflects the lower needs than adult equivalent. Despite of so elegance of the formulation there are some cons which are obstacles in obtaining satisfactory measures of the degree of economies of scale (Haughton and Khandker 2009).

Other popular measures as focused by nonwelfairst include calorie consumption per person, which is used in India. Also measures such as health and nutrition, life expectancy, birth rate etc. Although there are so many measures none of it is ideal measure and therefore analysts need to be very careful and aware of pros and cons before they use any measure.

Expenditure on consumption per capita is taken as a welfare indicator because in developing countries it's difficult to see the poor people's source of income. That can be, by selling their assets or self-employment or borrowing or from savings for a farmer due to a good season and so on. But with regard to consumption people will be willing to express about their consumption during last 7 days or 30 days without any hesitation. As per economic theory increase in income also increases consumption but at a rate lower than income increase rate. Therefore consumption welfare indicator is far better than income.

b. **Poverty line:** Second step in methodology, is to define or differentiate between rich and poor through a poverty line or minimum standard of living. People will be regarded as poor if they fall below this minimum level and will be regarded as rich if above this level. Constructing a poverty line is the difficult step in the practical measurement of poverty.

Actually we can say that household whose consumption expenditure (measure for welfare) falls below this poverty line is poor. Now there are three ways of defining poverty line:

1. Cost of basic needs,
2. Calorie intake
3. Subjective evaluation

Cost of basic needs: This is the method which is used very often and is closely related with Consumption expenditure indicator of welfare. In this method we estimate the cost of acquiring food stuffs which has nutrition of 2100 calories per day per person as set by UN Food and Agriculture Organisation's recommendation, and as well as non food stuffs like basic clothing and shelter. There are different calorie requirements in India; for rural area it is 2400 calorie due to their nature of work and 2100 calories for urban areas. This method has a drawback when data or information on prices is unavailable.

Calorie intake method: Due to unavailability of data on prices, analysts recommend Calorie intake method. This method estimates the expenditure per capita on food consumption to determine the expenditure level at which the household satisfy their basic need of enough food. Unfortunately this method has many flaw and cannot be used for comparison across time, region or between rural and urban. This is because urban and rural tastes in food may differ, food is typically less expensive or people are willing to buy foodstuffs that are cheaper per calorie in rural compared to urban areas.

The Subjective evaluation: This is based on asking people, what is the minimum level of income needed for them to meet their basic needs. Usually people demand for higher poverty line when asked for this. G. Datt, 2002 in Poverty and inequality handbook of the World Bank, who analysed this method in Filipino found that Self-rated poverty lines are higher and perhaps a surprise he says that the self-rated poverty line given by poor households is only slightly lower than that of non poor households.

India usually applies the cost of basic needs and calorie intake method to define the poverty line.

- c. **Measures of poverty:** Now having given information on Welfare measure such as consumption per capita and a poverty line as per cost of basic needs, we come to the next step, which is deciding on an appropriate measure to aggregate welfare indicator (consumption expenditure per capita) to the relative poverty line.

There are different measure of aggregating: The Headcount Index (P_0), the poverty gap index (P_1), poverty severity index (P_2), The Sen-Shorrocks-Thon index and other measures. Here the focus will be on the Headcount Index and the poverty gap index which are very often used in every country.

Headcount Index (P_0): is measured as $P_0 = \frac{Np}{N}$

P_0 measures the proportion of the population that is poor. Np is the number of poor and N is the total population. For some reasons, it is often helpful to rewrite as

$$P_0 = \frac{1}{N} \sum_{i=1}^N I(y_i < z)$$

Here, $I(\cdot)$ is an indicator function. If the bracketed expression is true, it takes the value of 1 and 0 otherwise. So y_i is the expenditure and z is poverty line. So if $y_i < z$, then $I(\cdot)$ equals 1 and the household could be counted as poor. The headcount index is simple to understand and construct but it has few draw backs as a welfare function it is unsatisfactory because it violates the principle of transfer (Dalton, 1920) which states, that the transfer from richer to the poorer should improve welfare measure. Secondly it doesn't indicate how poor the poorer is. Thirdly the poverty estimates have to be calculated per individual and not per households.

Poverty Gap Index: In this we see to what extent the individuals on an average fall below the poverty line and express it as a percentage of the poverty line. The index function is given as below:

$$Gi = (z - yi) \times I(yi < z)$$

This defines more specifically the poverty gap (G_i) as the poverty line (z) less than actual income (y_i) for poor individuals, and for everyone else the gap is considered as zero.

Then the poverty gap index (P_1) may be written as

$$P_1 = \frac{1}{N} \sum_{i=1}^N \frac{G_i}{z}$$

Through this Poverty gap index we can see the non poor with zero poverty gaps and it also shows how much would have to be transferred to the poor to bring their incomes or expenditure up to the poverty line. For this reason it is also taken as a measure of minimum cost of eliminating poverty (G_i). But one drawback is that even Poverty gap index violates Delton's transfer principle (Haughton and Khandker, 2009).

Short Brief on India's system of Poverty estimation:

NSS (National Sample Survey) conducts two kinds of surveys, namely thin and thick. Thin survey is over a period ranging from 6 months to 1 year and thick survey over a period of 5 years. Survey is conducted on state level as suggested by the Expert group. The NSS collects data by dividing the rural and urban areas as India has different calorie requirements set as base for rural and urban areas as per their locations, type of work and the market structure.

India uses welfare indicator as Consumption expenditure due to its non availability of clear data on prices and it follows the poverty line of calorie requirement and follows the method of poverty gap index to get the poverty gap

ratio so that the country knows how much is to be transferred to the poor to bring them up to the poverty line.

The survey is conducted on 3 levels by NSS.

- (i) 7-day for food, pan, tobacco and intoxicants
- (ii) 30-day for fuel and light, miscellaneous goods and services, and medical
- (iii) 365-day for educational, medical, clothing, footwear and durable goods

The national level poverty lines are worked out from the data obtained from NSS on consumer expenditure. The national level poverty ratio on the other hand is estimated as a weighted average of state-wise poverty ratios (Sharma, 2004)

3.3 Economic growth and poverty

To traverse how the relationship between economic growth and poverty reduction is affected by other factors, we resolve changes in poverty into an inequality and a growth component. We are talking about the factors of raising income of those people who live in rural areas and have agriculture as their only occupation and source of income.

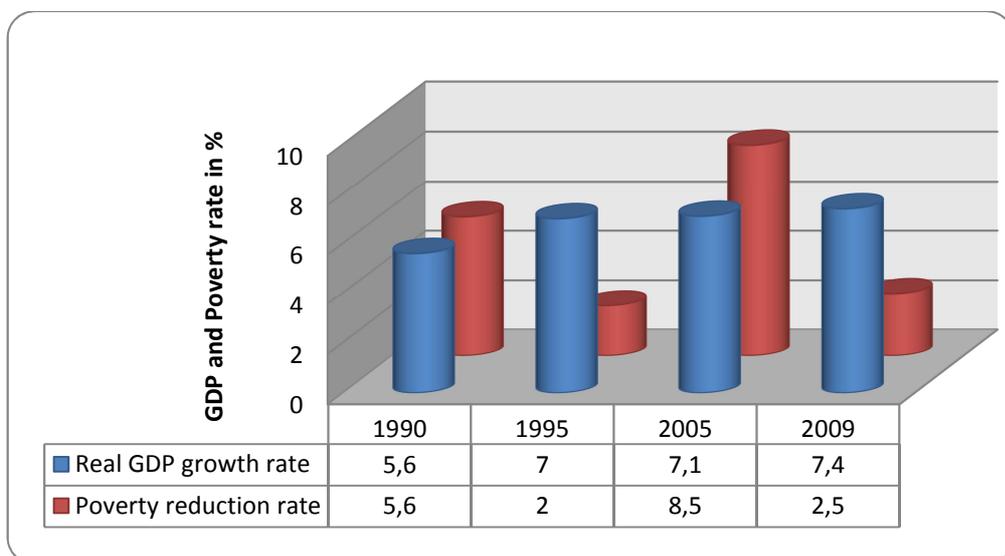
John Farrington and Jonathan Mitchell, 2006 says that the rural poor have to be encouraged to participate in global economic processes by reducing cost of mass consumer goods including food. Supporting regular work in casual wage labour markets, where growth is labour intensive⁴ and also by increasing consumer's social and environmental awareness. But wage labour is not the only thing, what many of the poor in the local economy want; it is also an effective mechanism for reducing poverty. They also mentioned that the policy

⁴ labour intensive means where large amount of workers are required to work eg. In agriculture during the time of harvesting or sowing or in large industries where higher cost for the company is on hired labourers on their wages and salaries

of rapidly tightening rural labour markets and the associated rising wage levels, were the principal routes out of poverty in Asia.

First of all lets us see how India's GDP growth has been from past decades in comparison to its poverty reduction. Graph no.1, Consists data of India's Real GDP growth and poverty reduction rate from 1990 till 2009.

Graph no. 1: Real GDP growth vs Poverty reduction rate in India 1990-2009



*Data on Poverty reduction rate is based on National level poverty line definition. Data are from NSS report published by Planning Commission of India on its website.

* Poverty reduction rates are difference between percentages of 2 periods

Source: Calculations using the National Accounts Statistics 2009 to compute the Real GDP growth rate and Poverty reduction rate in India - Data collected from Ministry of Statistics and Programme Implementation India, 2009 - own computation

As we can observe from the table above, real GDP⁵ of India is rising continuously more than 5.5 percent in every period mentioned from 1990 to 2009, but contrary to that, we also see poverty reduction rate which is far lower in the year

⁵ Inflation changes are taken into account

1995 at 2 percent and highest reduction at 8.5 percent in 2005. The reasons might be many. In the late 1980s India had large current account deficit and currency over valuation which was caused due to increased borrowing from foreign sources. This problem came a head when Gulf war on oil price started, due to which India's oil import swelled and export slumped. Many Indians who were in Persian gulf state lost their jobs and had to return back to India, thereby reducing the flow of remittance. By the end of 1990 India was in a big crisis. At the same time there was another domestic issue going on in India; that was violence between Hindus and Muslims on Ayodhya temple, when the central government fell. Due to all these issues and mainly due to large deficit inflation rate rose to 17 percent in 1990 and then fell in 1991 to 9.5 percent but then again rose to 11 percent in 1994. Due to this reason in 1994 - 1995 we had lowest percentage of poverty reduction as there were hardly any chances to focus on development of poor than to retain country's economic health.

As the new government came into power strict measures were taken to get an emergency loan by keeping 67 tons of India's gold on reserves as collateral. In 2004 - 2005 India became the fourth largest economy in terms of PPP (Purchasing power parity) even after going under such a big crisis. The growth was driven mainly by increased consumption, Investments and exports (Debroj, 2009). Inflation rate was 6 percent in 2004-2005. And that is how India was able to reduce 8.5 percent of poverty due to its fast economic growth. The effect of economic growth was more visible in urban areas than in rural areas.

Again in 2008-09 the global financial crisis which gave rise to many other problems such as decline in exports, foreign investments and also government revenue was adversely affected limiting the fiscal space available to governments. As a result poverty reduction effect of growth also suffered. But there is a consensus that India didn't suffer as much as other countries through this crisis. Poverty reduction at 2 percent during such a recession is really good enough.

During this periods India was also suffering with inflation at double digit up to 10 percent. Due to this the purchasing power parity of consumers declined by 14.3 percent as a result of higher food prices especially cereals (UNDP⁶ / 2008).

Datt and Ravallion (2002) don't agree with NSS⁷ report on reduction poverty percentage, as they have found some defects in the method and questionnaire used for survey. On the basis of their own estimates and estimates of alternative literature review they have come to the conclusion that India's incidence of poverty reduction is a bit less than one percent, point over the main post-reform period. This might be or might not be true as each country uses its own method according to its situation. However reduction of poverty is true but in different proportions in each state. The reason for this is because growth in India has not been occurring in he states where it would have the most impact on poverty nationally (Datt and Ravallion, 2002). For India, Ravallion says that higher growth is just one of the elements of an effective strategy for poverty reduction in India.

3.4 Is Growth good for poor?

This is a question which is in debate. Few economists' view over it is that, they doubt that economic growth is necessary for the long-term reduction of poverty. Henceforth we will give more importance to what these authors Ravi Kanbur, David Dollar and Aart Kraay and also Martin Ravallion say about it.

Kanbur (2001) disagrees with this statement. He says that "much of the difference can be traced through these 3 key features namely aggregation, time horizon and market structure." With regard to aggregation, decline in poverty reduction is measured as percentage of population that live below poverty line and through this, it's estimated that poverty is gone down in many countries. But it's not true, says Kanbur, according to him the value of market services and access is not taken

⁶ United Nations Development Programme.

⁷ National Sample Survey Report of India – Survey on poverty head count

into account. National poverty figure is composed from different segments such as region, urban-rural area, gender. For example National poverty drop can be in opposite direction i.e. drop in rural areas but rise in urban areas. Those working with poor usually think in absolute number rather than percentages e.g. NGO (Non-profit organisations).

Kanbur makes two groups to better understand his arguments. Group A which, has all economists and finance ministry and Group B which is comprised of civil society like NGO's. With regard to the length of time horizon, he says it is thought on medium-term basis by Group A, i.e. 5-10 year time horizon. But when Group B thinks of it they think on both more short-term and more long-term. Why is this, he explains that people those who work with poor day to day, really know what is meant to be poor and also understand that short-term consequences of economic policies can drive the poor into family starvation, or force them to pull their children out of school or sell their assets at fire sale prices. It doesn't make them difference by giving hope of future, that in 5-10 years you will be in good living standard, while there is no hope of surviving at all presently.

In the area of market structure he argues group A's suggestion to openness of market which will be good and benefit the abundant factor in the country. Most of the abundant factors are unskilled labour in poor countries. But he argues that, local product and factor markets are segmented, due to poor infrastructure or lack of the local monopoly power of middlemen and moneylenders.

However Kanbur believes and agrees in some areas like, empowerment and participation should be treated on par with health, education and income. Secondly that public intervention is needed in global economic. Actually his main concern is that the real debate should focus on finding alternative policy packages (growth oriented policies) and their consequences for redistribution and poverty reduction (increase in per capita income).

Dollar and Kraay (2000) discussed on the same issue and agreed to the statement that 'Growth is good for poor'. To prove this they carried out research on 137 countries, on two variables. One variable being, logarithm of per capita income of the poor and other variable is logarithm of average per capita income. Importance was given to make at least one observation on the share of income accruing the bottom quintile and also per country 3 median observations. The result of this research was a strong, positive, linear relationship between the two variables was observed with a slope of 1.07 which doesn't differ significantly from 1. Author's views were that since both were measured in logarithm it means that the average incomes of the poor rise equiproportionately with average incomes. In the bottom line they took one variable as average annual growth in incomes of the poor and the other variable as average annual growth incomes. This was carried on in 92 countries and as median number of growth per country was taken as 3. Both variables had a gap of at least 5 years observations on incomes of the poor per country. The result of this was again a strong, positive linear relationship between these two variables with a slope of 1.19. Through these observations they proved that there is no systematic relationship between average incomes and the share of income accruing to the poorest fifth of the income distribution. But later it's added that it holds across regions, time periods, growth rates and income levels. Overall their view is that growth-enhancing policies and institutions tend to benefit the poor and everyone else in society equiproportionately that is as one-for-one.

Ravallion (2001) speaks not only about growth and poverty but also inequality. His researches have shown that in the countries in which inequality is rising with growth in average living standards, poverty is falling on average. But typically it falls at a much slower rate than in countries experiencing more equitable growth. In his research, he uses Gini index to measure inequality.

As Dollar and Kraay's (2002) study found that average incomes of the poorest quintile moved almost one-for-one with average incomes overall. However, finding that the income share going to the poor does not change on average with growth does not mean that growth raises the incomes of the poor as much as for the rich (Ravallion, 2001). Given existing or initial inequality, of course the income gains of the rich from distribution will be greater than the poor. The matter is not that it will be greater but that it will be greater at least four times higher than the gain to the poorest quintile. The relationship between growth, inequality and poverty is shown in Table no. 3 below. (Ravallion, 2001).

Table no. 3: The fact that changes in inequality are uncorrelated with economic growth.

		What is happening to average household income between the surveys?	
		Falling	Rising
What is happening to inequality between the surveys?	Rising	(16% of spells) Poverty is rising at a median rate of 14.3% per year	(30% of spells) Poverty is falling at a median rate of 1.3% per year
	Falling	(26% of spells) Poverty is rising at a median rate of 1.7% per year	(27% of spells) Poverty is falling at a median rate of 9.6% per year

Note: Based on 117 spells between two household surveys covering 47 developing countries in the 1980s and '90s. Poverty is measured by the % of the population living below \$ 1/day at 1993 purchasing power parity. Inequality is measured by the Gini Index.

Source: Growth, Inequality and Poverty - Looking beyond Averages, Martin Ravallion February 2001.

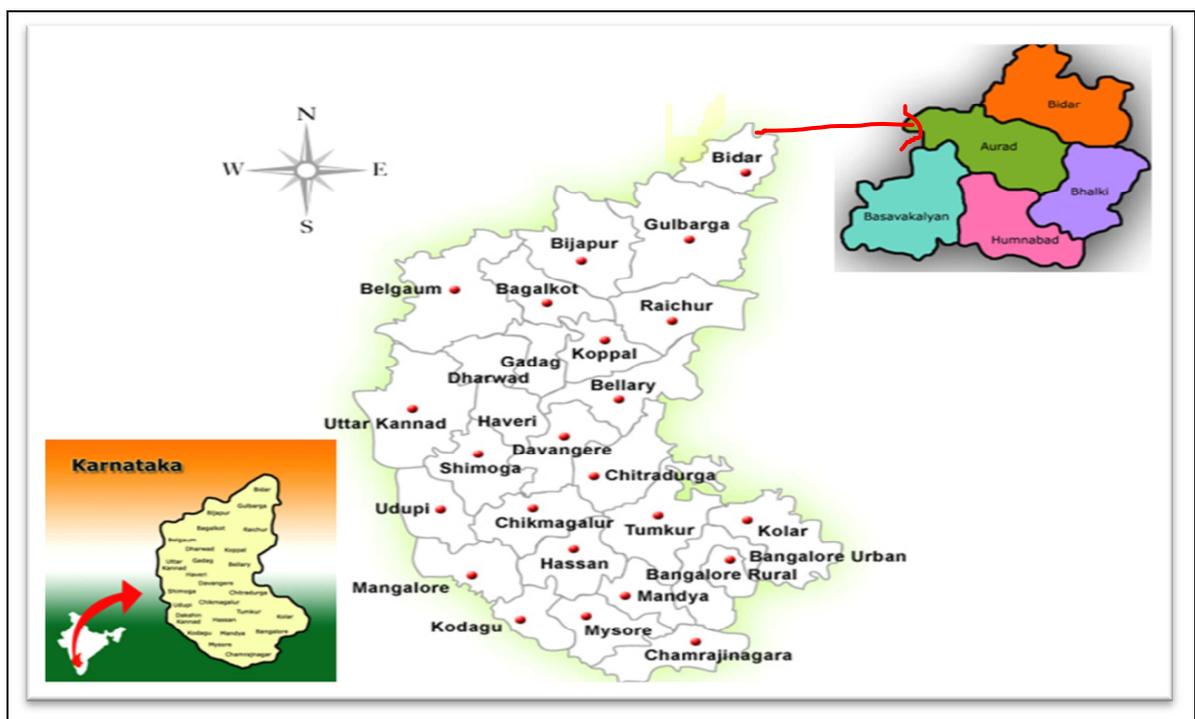
4 Case Study: Guma Village Description

India, the biggest democratic country in the World, comprised of 28 States and 7 Union Territories. Karnataka state is one among 28 states of India and Bidar is one among 27 districts of Karnataka state in southern India.

4.1 Outline of the village location

Bidar district belongs to Gulbarga division, which is one of the four administrative divisions. The district has five taluks⁸ with their respective headquarters located at Aurad, Basavakalyan, Bhalki, Bidar and Humnabad as shown in the graph no. 2 below.

Graph no. 2: Map showing the Bidar Taluk in Karnataka state of India



Source: Southindiaonline.com, google maps, 2009, own computation.

⁸ A subdivision of a Revenue district.

The district headquarter, Bidar, is a small town, with a majority Muslim population. Historically, Bidar was a part of the Bahamani Kingdom which comprised of Bijapur, Gulbarga, Bidar and Golconda. The ruler of Bidar was Barid Shah. Bidar was later ruled by the Nizams of Hyderabad. After the formation of Karnataka, Bidar was brought under Karnataka State.

4.1.1 Geographical location of the Bidar Taluk

The district extends from north latitude 17.35' to 18.25' and from the east longitudes 76.42' to 77.39'. The entire district forms a part of the Deccan Plateau and is made up mostly of solidified lava. The Bidar district is located in the northeastern corner of the state, near the borders with Andhra Pradesh to the east and Maharashtra to the north and west and Gulbarga district to the south. Bidar is 120 km from Andhra Pradesh's capital Hyderabad.

4.1.2 Weather and Climate

Bidar district is a dry place with temperatures ranging from 12 °C in winter and 42 °C in summer. Major area in the district is covered with lateritic rocks of frozen lava. However, northern part of the district is a vast stretch of levelled land and hilly area. The southern part is a vast plateau, which is situated at a height of 715 meters above the sea level and is well drained. The average elevation of the district is between 580 to 610 m above the sea level. It's one of the worst draught-prone districts in Karnataka. 8.5 percent of total geographical extent of the district is covered by forest.

In Bidar the summer season starts in the first week of February and lasts until June. May is the hottest month with average daily maximum temperature of 38.8 °C. The southwest monsoon continues from July till late September. The average annual precipitation at Bidar is 847 mm with most of the rainfall received during the monsoon season. The variation in rainfall from year to year is large and the district is prone to drought. And from September to end of January

is winter. December is the coldest with average daily minimum of 16.4 °C. The highest temperature recorded at Bidar was 43.3 °C on May 8, 1931 and the lowest 3.9 °C on January 5, 1901.

4.1.3 Demographic

According to the 2001 census, population of the Bidar district is 1,502,373 out of which just 23 percent of it lives in urban area and the rest in rural area. Average population density is 276.2 per square kilometre as given below in table no. 4.

Table no. 4: Population of Karnataka State and Bidar District - 2001

Karnataka Population				Bidar District Population			
	Total	Rural	Urban		Total	Rural	Urban
Persons	52,850,562	34,889,033	17,961,529	Persons	1,502,373	1,157,498	344,875
Males	26,898,918	17,648,958	9,249,960	Males	771,022	591,653	179,369
Females	25,951,644	17,240,075	8,711,569	Females	731,351	565,845	165,506

Source: Census of India 2001, own computation

Bidar district has total 621 villages. District has 1151 Primary schools and 145 High schools both private and non-private schools as per 2008-09 (H.M Rajesh Shekharappa, Kishore Kumar Dube 2008-09). District has a literacy rate of 60.9 percent. Bharatiya Jantadal Party is the political leader of this District, which is a Hindu oriented party.

Bidar taluk has an area of 926.0 square kilometre and population of 405540 among which 174257 (42.97%) lives in Urban areas and 231283 (57.0%) lives in Rural areas with a density of 438 per square kilometre as shown in table no. 5.

Table no. 5: Area and Population of five taluks of Bidar district

Sl. No	Taluks	Area in (Sq. Km)	Population (Census) 2001						
			Total	Male	Female	Rural	Urban	Density (per sq.km)	Sex Ratio
1	Aurad	1224.4	245294	125739	119555	229490	15804	200	950
2	B.Kalyan	1205.9	299910	152998	146912	241125	58785	249	960
3	Bhaliki	1117.3	257042	132016	125026	221949	35093	230	947
4	Bidar	926.0	405540	209230	196310	231283	174257	438	938
5	Humnabad	985.3	294587	151039	143548	233651	60936	299	950
	Total	5448.0	1502373	771022	731351	1157498	344875	276	949

Source: Bidar District at a Glance, H.M Rajesh Shekharappa, Kishore Kumar, Dube 2008-09.

Bidar taluk is compressed of 134 villages. Bidar taluk consists of 43,508 Scheduled Caste (SC)⁹ in rural area and 17,646 Scheduled Caste (SC) in urban areas. It also consists of 37,451 Scheduled Tribe (ST) in rural areas and 5069 Scheduled Tribe (ST) in urban areas. More than 1 million people come into the category of Scheduled Caste and Scheduled Tribe (SC and ST).

4.1.4 Occupation

Main occupation in Bidar taluk is Agriculture. Workers can be classified as Cultivators, Agricultural labourers, forestry, fisheries, plantation, hunting and other activities. As per Shekharappa, Dube 2008-09 report, out of total population of 405540 it has 133480 (33%) workers and 272060 (67%) non workers. From 33% (133480) it has 4 per cent (18297) cultivators and 9 per cent (40288) agricultural labourers and remaining are involved in forestry, fisheries, plantation and other activities.

⁹ Schedule Caste: It had been abolished since 1955 and social, economic, political, educational and cultural safeguards were given to this group of people as mentioned by the Indian constitution.

4.2 Present situation of Village - Causes of poverty

Guma is a very small village in Bidar taluk, where the research was conducted. It's 10 km away from the Bidar city. It has a total population of 1000 inhabitants with 200 household. Table no. 6 below shows, the total number of households as per religion in the village.

Table no. 6: Distribution of Household of the village, as per religion

Sl. No.	Households by Religion	No. of Households
1.	Hindu	125
2.	Christians	40
3.	SC and ST*	20
4.	Muslims	15
	Total	200

*SC and ST- Schedule Caste and Schedule Tribes

Source: Carmal Vikas Training Institute, 2010

The first and most important thing is that there is no proper transportation facility to this village. There are just 2 private vehicles to take people from village to city and that too doesn't have any fixed schedule and space is limited. One good thing about the Guma village was that there were enough water supplies from the Government and also free electricity (of course with some limitations of using only bulbs with 200 volts). But the worst thing was that the village doesn't have any kind of income generating activities other than agriculture or we say cooli work. As we know that agricultural work is seasonal, so do the workers could be said as having seasonal employment.

4.2.1 Sources of Income and Level of Education

According to our survey report, the main source of income in this village is Agriculture. During rainy or harvest season people go to work early in the morning from 7.00 am till 6.00 pm in the evening. However, agricultural land on which these people work, are not owned by them. They are been hired as per

the need of the land owner. In a family of 4 or 5 earners, only 1 or 2 may get the opportunity of earning with no guarantee of being called next day too.

Other source of income as seen in the village is having their own livestock, agricultural land or a small shop. As per the survey 17.5 percent of the village population has livestock as their other source of income and 2.9 percent have a small piece of agricultural land for self-sufficiency.

About 60.5 percent of the village population is illiterate, followed by 10.4 percent completed Basic higher secondary, 11.6 percent completed Pre-University preparation or Diploma, 12.6 percent completed secondary and 4.9 percent completed just primary studies.

Reaction to reason for non-completion of studies was no scope for any other occupation than Agriculture in the region.

4.2.2 Types of Employment and Level of Earnings in the region

As per economic theories we differentiate employment and unemployment as given in the table no. 7 below.

Table no. 7: Types of Employment and Unemployment

Sl. No.	Types of Employment	Types of Unemployment
1.	Full time employment	Cyclical unemployment
2.	Part time employment	Seasonal unemployment
3.	Casual employment	Frictional unemployment
4.	Fixed term or Contract employment	Structural unemployment

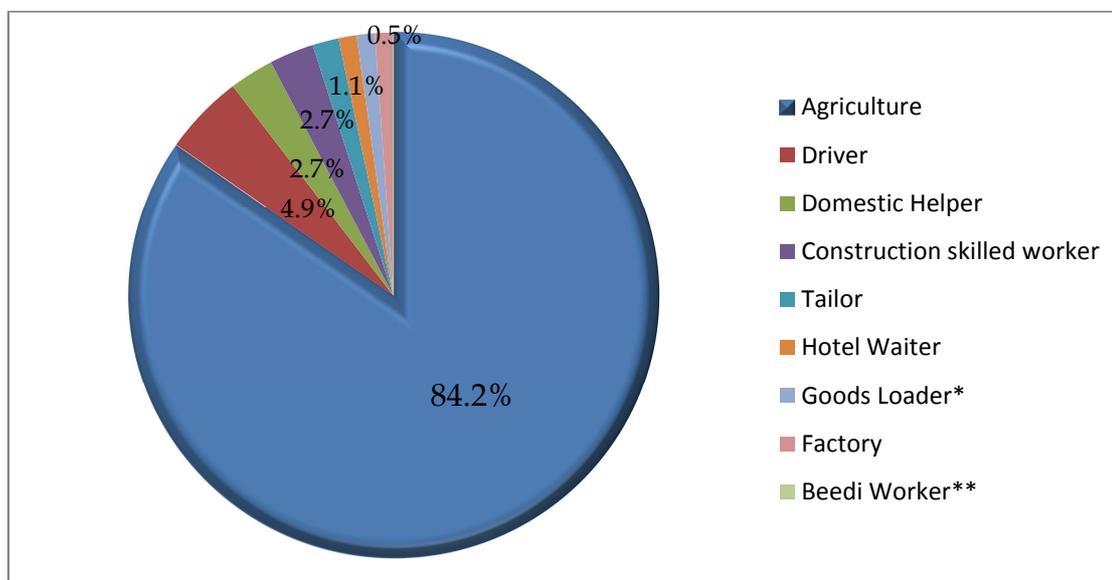
Source: Biz/ed.co.uk- study Hospitality and Department of Western Australia, own computation.

Now if we take our case study region, we can find just one type of unemployment suitable to this region i.e. seasonal unemployment¹⁰, which is a part time employment. All other types are not applicable to this region or even if applicable

¹⁰ Seasonal employment is Work which is only carried out during certain seasons of the year, e.g. Hotel and catering, tourism, fruit picking etc..

in a small percent they cannot be calculated or taken into consideration compared to majority.

Graf no. 3: Survey Report on Main Occupation of the people



*Goods Loader: Loading the goods to the goods carrier

** Beedi: It's same as cigarette but rolled in dried leaves instead of paper.

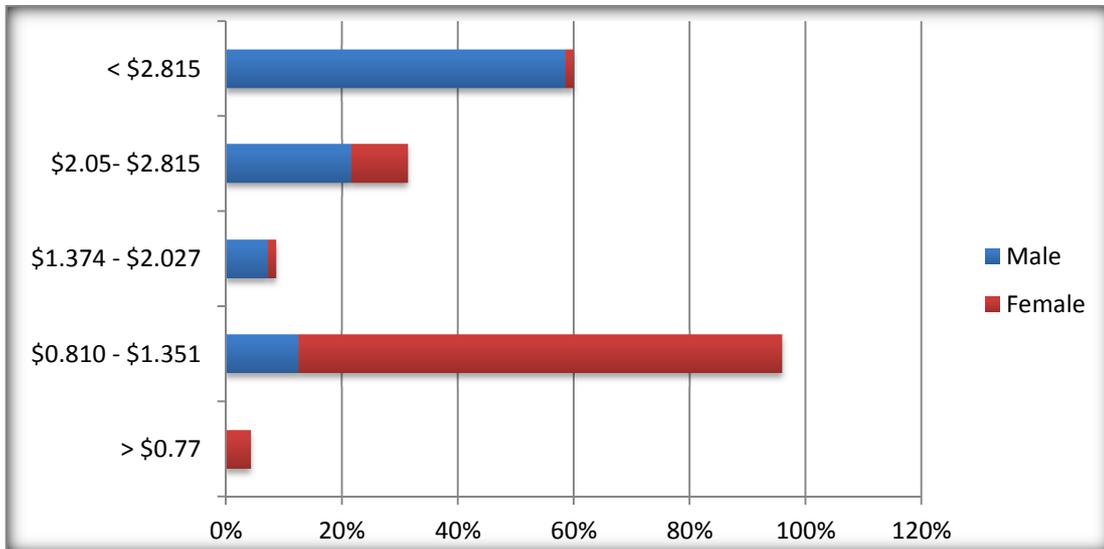
Source: Own Survey Report, 2010

As shown in the graph no. 3 above, 80 percent of the population of this village is seasonal workers. The average daily wages is Rs. 50 for Women, which comes in the range of \$0.810 - \$1.351 and Rs. 150 for Men, which ranges above \$2.81 (exchange rate 1\$ = 45.00 Indian rupees, June 2010).

As per the World Bank definition and Planning Commission of India this figures in graph no. 4 proves that the village is above poverty line i.e. above \$1.25 per/day or above Rs. 356.5 for rural areas.

**Graph no. 4: Distribution of Daily Income /day/person,
as per Male and Female, 2010**

(Unit in Percentage)



Source: Own Survey Report, 2010 – Own computation

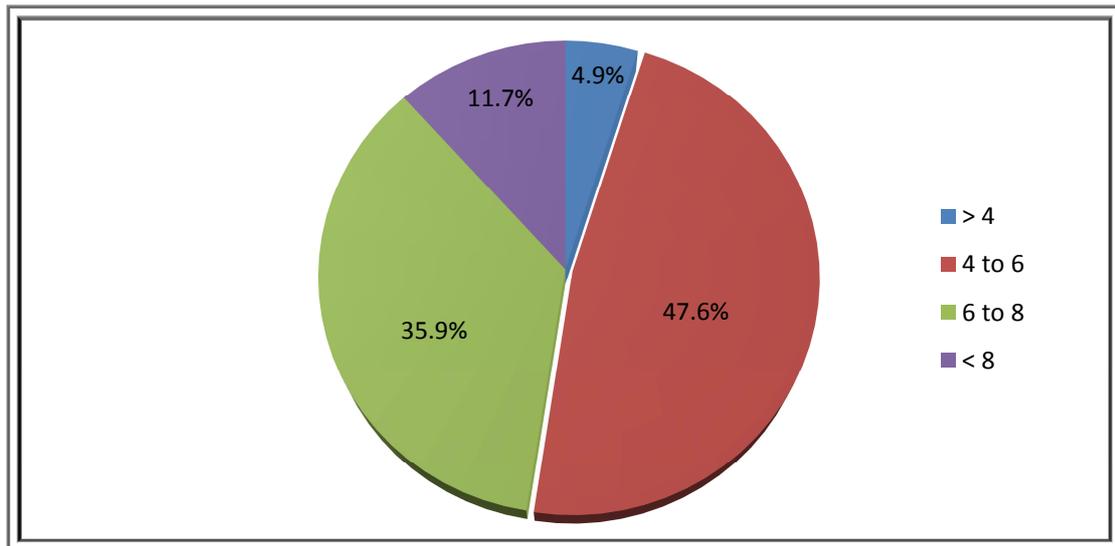
On the contrary, if we calculate a person having work for seven days in a month then with daily wages of Rs. 50 makes Rs. 350 per month. Since the average household size of the village is 4 to 6 people (that is 50 percent of the village population) with a salary of Rs. 350 per month doesn't really satisfy any needs other than insufficient food/nutrients. In such a case the description above poverty line doesn't apply or not fulfilled.

Whatever small amount earned by them is spent before the end of the month in feeding the family with required nutrients. They strive hard to make some savings. They just eagerly wait for a job call from the owners of the land or we can say tenants. Since labor supply is abundant, and demand for work is low, the land owners choose those who agree to work on less than average wages. There are no strict norms on wages.

4.2.3 Household size of the region

The average size of the household as per our research is shown in the graph no. 5 below.

Graph no. 5: Household Size of the village, 2010
(Unit is number of people in the household)



Source: Survey Report 2010, Own Computation

The average size of the household is 6 people. This is supported by the idea: more people in the family are equal to the more hands to work and more earning. In many cases the reason for having more children was due to couple waiting to have a boy child, than in giving birth to girl child repeatedly. People do not prefer girl child, due to the social evil of Dowry system¹¹ in the society.

¹¹ Dowry system: A Dowry is the money, gold, goods, or estate that a woman brings to her husband in marriage. It contrasts with bride price, which is paid by the bride's parents, to the bride (indirectly to the groom) during the time of marriage.

4.3 Description of Non-profit Organisation and measures taken by it for poverty alleviation in the village

4.3.1 Organisational background and aim

“Adopce na dalku” (ADCH) Prague is a Non-profit Organisation registered in Czech Republic in the year 1991. It was founded by the Prague Roman Catholic Archbishop and is led by the church. It’s an independent organization with its own legal personality. It’s a purpose - built facility by Roman Catholic Church. A statutory representative is the President and the Director. (Vyrocni zprava, 2009)

It carries on a number of social projects for disadvantaged social groups. The activities of the Organisation, has been divided into two groups. One is Social service to the people of Czech Republic and the other is Foreign Development projects to the poor countries all around the world (Mostly to India, Uganda and Belarus).

The Organisational structure is as follows – The head of Caritas Prague is the Director; The Caritas Prague Board of Advisors embraces, the president and the Advisory bodies. It also consists of the heads of the Development Centres, in other parts of Czech Republic.

The Organisational Income for Social services comes from Local authorities of Czech Republic and church collections. The income for Development Projects comes from donors, collections made from own activities and Beneficial events.

Aims of the Development Centre of Prague:

The aim is to educate poor children in the developing countries, in order to open them a way, to more prospective future and to a happier childhood. The organisation not only helps the sponsored child but also tries to help their families and their communities as a whole, to achieve a broader development, to attain self-sufficiency and sustainably higher standard of life.

- The aim and highest priority of CSP (Child Sponsorship Program) is to support basic and also job-oriented education to the poor, needy and bright children. Also to support the academic higher education of the most gifted students.
- The CSP aims to improve, the situation of the poorest children by supporting their education, qualifications and ability to take care of themselves in their natural cultural background/environment.
- The CSP contributes to create better environment for the child's general development and happier childhood.
- The CSP increases the access to primary education and improves its quality for the poor, needy and bright children through extra tuitions if needed. The CSP is interested in children's all-round development.
- Support to the Local communities of the children, is the integral part of the project as it has a significant impact on their lives.(Child Sponsorship Program Guidelines, 2008)

4.3.2 Activities in India

In India, the Archdiocesan Caritas Prague had launched its Development program in the year 1993. It was the first country beyond the Czech Republic that the organisation took initiative to extend its support. In the same year the Charity of the Archdiocese in Prague (CAP) introduced the CHILD SPONSORSHIP program. This program was aimed to enable poor children, to obtain education in their natural and cultural environment, through sponsors from the Czech Republic.

Selection of children for this program is based on some criteria. These criteria mention to whom preferences has to be given. Preference is given to orphan, children, children with only one parent alive and then followed by families with poor family background, children with financial difficulties in attending school or the children, who would have to leave school prematurely for the same reasons.

These needy children are selected by the social workers of India, in the particular partner organisation and then the information of the child along with its detail of family background, economic situation is sent to the Czech Republic (CAP) for their sponsorship. In the Czech Republic, the information about the needy child is given through Organizational websites and also through some media. When the sponsor chooses to help any needy child, from the list of Non-sponsored children, the details of the child is automatically transferred to the list of Sponsored children and information about his/her sponsorship is sent to the Partner Organisation in India. The child receives help till he/she completes its education. The sponsorship ends, when the sponsored child completes higher studies or starts working.

The Archdiocesan Caritas Prague has 28 local partner organizations in India. It has also extended its support to other poor and developing countries e.g. Uganda. At present CAP have 17,000 children in Child Sponsorship Program from India, Uganda, Congo, Zambia, Thailand, Belarus, Lithuania and Kazakhstan.

4.3.3 Target group

Children and students attaining elementary, higher and vocational education, form the target group.

- Children aged 5 years and above as this is the period in India, children start going to Nursery
- Students of age 18 and above, especially those who do vocational training (job-oriented course) to get a quick job, e.g. Diploma in Secretarial Practise or IT etc. (Child sponsorship program guidelines (India), 2008)

Social group to which first preference is given during selection process are:

- Orphans and semi-orphans
- Large size family - more than 2 children
- Serious disease of a family member, especially if the person is a bread-earner in the family.
- Disaster in the family - fire, floods, etc..
- Poorest ones in the area according to local standards - lowest average income.

4.3.4 Types of support

Focus on the All - Round development of the Child.

- Making accessible essential stuffs for elementary, higher and vocational education for poor children - Sponsored parents from CZ, make funding annually for their sponsored child. The funding covers tuition fees, school supplies, uniform and basic health care.
- Community development: 20 per cent of the child sponsorship funding goes to community development, via literacy programme for parents/guardians of children, school renovation, organizing educational programs and increasing qualification.
- Providing small loans (micro financing), creating self-help teams.
- Creating awareness and also ensuring prevention of spread of diseases, mainly HIV/AIDS and malaria.
- Creating employment opportunities for the parents of sponsored children, through programs like umbrella making, school bags making etc.

4.4 Impact and Effectiveness of these measures on Sponsored and Non - sponsored

4.4.1 Performance in the school

First we will analyse the relation between sponsored and non- sponsored children on the basis of school performance through statistic indicators.

The school performance is distributed into category of 4, according to the average percentage achieved for the past 3 years.

Table no. 8: School Performance in percentage

	School Performance				Total
	Above 80%	60 - 80%	45 - 60%	25 - 45%	
Sponsored	6.8	23.3	12.6	7.8	50.5
Non-sponsored	1.9	15.5	25.2	6.8	49.5

Source: Survey Report 2010, Own computation

By overall evaluation of school performance of sponsored and non-sponsored children from table no. 8, we see that 23.3 per cent of sponsored children out of 50.5 per cent come under the category of school performance of 60 – 80 per cent. But 25.2 per cent of non-sponsored children, out of 49.5 per cent come under the category of 45 – 60 per cent school performance. This indicates that the sponsored children do better in their studies compared to the non-sponsored.

First we find out through our statistic indicators if there is any relationship between these two variables through Pearson Chi-Square ($0.05 < \alpha < 0.05$) and if so to what level are they dependent or independent through Contingency Coefficient (value between 0 and 1).

Table no. 9: Statistic Indicator of School Performance

Pearson Chi-Square	0.033 (Asym. Sig. -2 sided)
Contingency Coefficient	0.280 Value (Nominal by Nominal)

Source: Survey Report 2010, SPSS –Own Computation

We take $\alpha = 0.05$ and from our calculation as shown in the above table no. 9, we have Pearson Chi-Square = 0.033, which illustrates that the two variables are dependent on each other. But how strongly are they dependent?.

Here in the above table, we see that the Contingency coefficient = 0.280, value closer to 0. This interprets that the two variables are weakly dependent on each other.

This describes that the children receiving support perform better and are more dedicated towards their studies. This is true as the sponsored child has to perform better in order to fulfil one of the conditions, which keeps their educational support on going. They also receive special tuition after the school. The main aim of tuition is to make them revise, what was taught in the school and help them understand things better. Another reason for conducting these tuitions is to help illiterate parents of the sponsored child, who can't support their child in their studies.

The tuition which is conducted by the sponsorship programme is free for other non-sponsored children of the village too. But it's not compulsory for them as compared to the sponsored children.

As a result of increased competition in the society, the parents of non-sponsored children too, take special interest in sending their children to school regularly. By doing so, they also hope that their children too will be eligible to receive sponsorship in the future, through their good performances and regular attendance in the school.

4.4.2 Attendance in the School

School attendance of a child is also important if he/she has to perform better.

The school attendance is divided into 4 categories as per the average attendance of children in 3 years.

Table no.10: School Attendance in percentage

	School Attendance				Total
	Above 80%	50 - 80%	30 - 50%	Below 30%	
Sponsored	35.9	10.7	2.9	1.0	50.5
Non-sponsored	20.4	12.6	13.6	2.9	49.5

Source: Survey Report 2010, Own computation

Overall evaluation of attendance of sponsored and non-sponsored children in table no. 10 shows, 35.9 percent of sponsored children attend school regularly, compared to 20.4 percent of non-sponsored children, based on 'above 80 per cent' category. However this percentage is not that bad compared to sponsored children percentage. This indicates that the sponsored children are a bit healthier and motivated to go to school with their new uniforms, school bags and books received through sponsorship program.

Again we take $\alpha = 0.05$ and we have calculated from our data Pearson Chi-Square = 0.005 which shows the two variables dependency. Further the Statistical Indicator, Contingency coefficient is 0.331. This value is in between 0 and 1 indicating that the two variables are moderately dependent on each other.

Table no. 11: Statistic Indicators of School Attendance

Pearson Chi-Square	0.005 (Asym. Sig. -2 sided)
Contingency Coefficient	0.331 Value (Nominal by Nominal)

Source: Survey Report 2010, Own computation

This tells us that not only the school performance but also school attendance is influenced by the behaviour of the Sponsorship program.

As we have already mentioned earlier that tuition is compulsory for the sponsored children and through this the child's school attendance is controlled. Similarly the attendance of those non-sponsored children, who attend tuition on their free will, also will be controlled. This gives an opportunity to encourage and support both sponsored and non-sponsored to perform better and to attend school regularly.

Consequently both sponsored and non-sponsored children benefit from this sponsorship program. The sponsored children get the motivation through sponsorship and the non-sponsored children get motivation from those sponsored children indirectly through their performance and attendance. But this sponsorship programme makes very small impact on the non-sponsored children.

5 Recommendation of solutions to the problems identified

In our previous chapters, we briefed the problems of the villages and also the effectiveness of sponsorship program on the village community. Here we would like to share some solutions to the problems, we identified.

First of all a responsible Social Worker to the village is required. Such social worker should know the village in and out. The necessity of this action is to interpret the reaction of the people, when some decisions for improvement are made.

We identified the problems of seasonal unemployment, uncertainty of income, illiteracy, no public transport etc. In our recommendation, we will suggest solution only to the above mentioned problems sequentially.

The problem of **Seasonal Unemployment** and **Uncertainty of Income** could be solved by building a Books Manufacturing Factory in the village. We suggest books manufacturing factory because almost 80 per cent of sponsorship money goes in buying books and uniforms for the sponsored children, all over sponsorship centres in India. Having own Books Manufacturing Factory, will contribute to employment creation in this village. Simultaneously, materials for these books would be cheaper as compared to other cities and also the cost of manufacturing. The people of the village could be employed and have certainty of income. Extra profits could be created, by taking orders from outside (other

than the sponsored program) schools for books. This extra profit later could be used for the development of the village e.g. to buy a public transport like private Bus for the village or small vehicles likes Taxi or Rickshaw.

Criteria could be set, to give equal opportunity for everyone. Only one member in the family could work in this factory and others will carry on their usual occupation. This criterion would function as a certificate of surety and certainty of income in each house of the village and serve as an instrument to improve the standard of living in the region. First preference will be given to the families of sponsored child and then to the Non-sponsored. The reason being, according to the sponsorship condition, the child is selected on the basis of its depth of poverty.

To deal with the problem of **Illiteracy**, compulsory classes for factory workers could be arranged. In addition to gain seriousness and co-operation of the participants in the programme, an increment of payment could be kept as a prize for their final result once in a year.

These solutions are related to the surroundings of the sponsored children but the children too need encouragement and need to be motivated to go to school. With the help of Sponsorship Development Fund, a special programme or gathering can be arranged for children, every year. Awards could be distributed to the children, who are successful in attaining distinction in the class and also in the whole school to encourage in them, the spirit of competition and dedication to studies. Also award can be given to children with highest attendance in the school. Extra-curricular activities could be arranged like "Talents day", where children could participate in whatever they are good at or conduct excursion for the children etc. Of course the contribution of the parents is important. Therefore to involve their participation at least 20-30 per cent of expenses, will be contributed by each child's parent, to motivate them in making their children happy and encouraging them.

These recommendations are suggested by keeping in mind, the aim of Sponsorship Program other than Childs education i.e. All-round development of the child for which amount from Development fund is used.

6 Conclusion

This Diploma Thesis briefly explains the problems prevailing in Guma village and some solutions to those problems through the activities of non-profit organisation in the village. It points out most of the economic and social problems, through graphs and figures, showing the level of poverty in the village.

A general view of poverty as " Deprivation of basic requirements, which is taken for granted by others " is derived from the views of different authors. Expenditure of US\$1.25 per day/person, which is set as a minimum requirement to declare the status of poverty is unrealistic, in comparison with the inflation of the present day, especially with regard to the food requirements. Expenditure on consumption is a better welfare indicator to measure poverty than sources of income, as the equivalence scale used in it, measures the value according to age, weight and per head. Due to continuous fluctuation in food inflation, the poverty line has to be changed. The better way is to measure calorie intake, which doesn't differ much. Poverty gap index serves well as a measurer to aggregate welfare indicator to the relative poverty line, as it gives us the idea about the amount of wealth which has to be transferred to the poor to fight poverty.

Lot of problems have been figured out through our research in the village. We have identified the benefits of the Child Sponsorship Program, to the beneficiaries of the programme. Though the similar problems of poverty are seen in this village too, we could see the basic requirements such as transport facilities, electricity etc. were even not available.

Our analysis on the effects of the child sponsorship program on sponsored children as well as its surrounding showed us that the sponsorship program has an impact on non-sponsored children. But this impact is not sufficient to help those non-sponsored families in improving their living standard. All the non-sponsored children do not take the benefit of the free tuition provided to them unless and until they are forced as sponsored children.

As a solution to the problems found and for the improvement of the environment of the sponsored child, some recommendations are put forward, such as, setting up of book manufacturing industry, conducting literacy classes to illiterates, starting transportation vehicles etc. which could help the village as a whole. The non-profit organisation of Prague is considered as the centre for solution to most of the problems, as they support the education of the children as well as help in developing the surrounding of the sponsored children.

To conclude in short, our objectives mentioned at the beginning of this work are achieved. The Child Sponsorship Program fulfils the aim of NGO i.e. education is the most important instrument to fight against poverty. The result of the school performance of the sponsored children, prove that the education level of children is improved. The target group does benefit through CSP, as special tuitions are arranged to support them in their studies. The parents of the target group benefit, as they are relieved from the burden of meeting the school requirements of their children. As mentioned in our thesis that, there are a lot of problems found in the village, for e.g. unemployment, lack of transportation, lack of education and many other. Some solutions have been recommended to those problems. People are very positive and happy about this project. They are willing to give their full support, if the organisation takes further steps for the improvement of the village.

Our hypothesis is proved true, that the participants benefit through the project, but the effect of this benefit is very low and therefore much difference or improvement in Living standard is not seen or we can say it's too early for any of such conclusion.

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8 Annex

8.1 Questionnaire

SECTION 1- Information about the child sponsored non sponsored

1. Name of the child
2. Sex: male female
3. Age:
4. Your siblings
 - a. Number of older brothers
 - b. Number of younger brothers
 - c. Number of older sisters
 - d. Number of younger sisters
5. Your parents
 - Is your father alive? yes no
 - Is your mother alive? yes no
6. **A.** Do you receive any sponsorship: No
 - a. Have you ever attended a school? yes no
 - b. If Yes: What is the highest grade you have completed?
 Primary Secondary Higher secondary
 Diploma/Vocational Graduate Post graduate
 - c. Are you still studying? yes no
If Yes:- (i) Which was the type of last school you have attended?
 government private don't know
(ii). Do you attend school every day? yes no
If No:- (i) What was the reason for school drop out (select two most important reasons)?
 Need help in education school too expensive school of low quality
 too sick to atten further education not considered necessary
 repeated failure needed to work required to take care of siblings
 school too far other
 - d. How many of your siblings (brothers) between 5-21 years currently attend school?
 never enrolled to school I don't have any brothers in this age
 - e. How many of your siblings (sisters) between 5-21 years currently attend school?
 never enrolled to school I don't have any sisters in this age
- B.** Do you receive any sponsorship? yes
 - a. Type of sponsorship you receive
 Uniform School fees Books Scholarship others.....
 - b. At what age sponsored:.....
 - c. From which class sponsored:

d. Are you still studying? yes no

If Yes:- (i) Which is the higher grade you have completed so far:

- Primary Secondary Higher secondary
 Diploma/Vocational Graduate Post graduate

(ii) Which was the type of last school you have attended?

- government private don't know

If No:- (i) What was the reason for school drop out (select two most important reasons)?

- indirect school expenditures school too expensive school of low quality
 too sick to attend further education not considered necessary
 repeated failures needed to work required to take care of siblings
 school too far other

e. How many of your siblings (brothers) between 5-21 years currently attend school?

- never enrolled to school I don't have any brothers in this age

f. How many of your siblings (sisters) between 5-21 years currently attend school?

- never enrolled to school I don't have any sisters in this age

7. What would you like to do after completion of your education?

- Be a teacher in village
 Go to city and be bread earner for your family
 Shift in other places as per job opportunities
 Have self employment
 Return back to coolli work
 other.....

8. How far is this school from your house? KM.

9. What is your family status? (of the participant 18 for girls and 21 for boy)

- Married Not Married

- (i). **If Married** - a. husband/wife living in the same household
 husband/wife not living in the same household
 divorced
 widow/widower

b. What is the highest grade that your husband/wife has completed?

- Illiterate Primary Secondary
 Higher secondary Diploma/Vocational Graduate
 Post graduate

SECTION II – Family of the child sponsored/non sponsored

Male

Female

1. How many persons currently live in your household (i.e. family members that eat together)?

a) Below 6 yrs..... (b) 6 to 16 yrs..... (c) above 16 yrs.....

2. Your relation with child

3. Relation of household head with child

4. Bread Earners in your household

a. No. of males

b. No. of females

5. Occupation of household bread earners (tick as many as applicable)

Agricultural cooli worker

Construction skilled worker

construction unskilled worker

Beedi worker

Domestic helper Teacher

Sales man Agent

Other- specify

6. Other sources of Income

Agriculture

live stock breeding

Tailor

shop keeper

Other - specify

7. What's the average daily income per day per person?

Male: less than Rs. 35

Rs. 36-60

Rs. 61-90

Rs. 91-125

above Rs.125

Female: less than Rs. 35

Rs. 36-60

Rs. 61-90

Rs. 91-125

above Rs.125

8. How many hours of work per day?

Male: less than 4 hrs.

4hrs -6hrs

6 hrs-8 hrs

above 8 hrs.

Female: less than 4 hrs.

4hrs -6 hrs

6 hrs-8 hrs

above 8 hrs

8. What is the average monthly income per person? Male: Female:

10. How many people in your household know to read and write?

11. What is their level of education?

a. 1 to 7 class

b. 8 to 10 class

c. 11 to 12 class

d. 13 to 15 class

e. above 15 class

12. Which factors are the most important for your decision-making about number of children (tick up to four options)?

Ability to pay for education of children.

To have many hands to earn bread for family

- Ability to pay costs of marriage of children and to pay dowry for daughters.
- Number of children of other richer, well-doing families.
- Opinion of religious leader.
- Help of children when they are young and their support when I am sick or old.
- Avoiding fragmentation of limited land.
- I am afraid that some of my children might die because of diseases.
- Poor perspectives of children in their future life (job opportunities, etc.)
- Other factor which is not mentioned above.

13. Do you vote in the panchayat election?

- yes no not eligible yet

14. Do you think educating children will help your family to have better living standards?

- yes no

15. How willing are you to send your children to school if they get aid in education?

- not much little very little very much not at all

SECION III- Sponsored children parents

1. Are you satisfied with the sponsorship program?

- very satisfied satisfied not much satisfaction
 Unsatisfied

2. Has this program helped you in any way?

- yes no

3. What ways do you think it has helped you?.

- fulfilled the desire of educating your child
- relieved the burden of education
- increased your hope of having better life
- other reasons.....

4. What are the limitations of this program according to you.?

- It helps only one child
- there is partiality in selection
- the money entrusted for education doesn't reach you
- the help provided is very little compared to present situation
- any other

5. Do you have any suggestions to improve this program?

.....

SECTION IV-

A. Students receiving scholarship:

1. School attendance:

- above 80% 50-80% 30 to 50% below 30%

2. Performance in the school:

- above 80% 60-80% 45-60% 25-45%
- below 25%

B. Students not receiving any scholarship:

1. School attendance:

- above 80% 50-80% 30 to 50% below 30%

2. Performance in the school:

- above 80% 60-80% 45-60% 25-45%
- below 25%