THE ROLE OF COTTAGE INDUSTRY AS A TOOL FOR RURAL AND POOR EMPOWERMENT: THE CASE OF KABONG SUB-DISTRICT

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ABSTRACT

The Role of Cottage Industry as a Tool for Rural and Poor Empowerment: The Case of Kabong Sub-district.

The aim of this study is to identify or foresee the development of Cottage Industry in Kabong Sub-district as a tool for poverty alleviation and at the same time diversifies the community livelihood activities (to increase their income). Descriptive analysis (frequency distribution) was used to analyze the quantitative components for this study. Correlation analysis and T-test were also used to determine the relationship between the dependent variable and selected independent variables and differences between relevant groups respectively. Based on the results of all analyses done, there was a significant relationship between income derived from Cottage Industry and types and number of labour employed. However, there was insignificant relationship between income derived from Cottage Industry and the respondent’s involvement. The analysis indicates that the respondent’s education do not influence their awareness towards forming a formal association.

The debate on poverty raged from the late 1990s to the late 2000s when intergenerational poverty was intergenerational (Paterson 1985 in Carper, 1984) began that poverty had become a complex multidimensional problem with origins in the national and international domain. No unified solution can be found for global application. Rather, country-specific programmes to tackle poverty and other related policy issues are needed. The creation of poverty and income inequality in income distribution and human resources development remain major challenges everywhere. The struggle against poverty is the shared responsibility of all parties (sub-national, national, state or at local level).

In many developing countries, the poor struggle at the margins of the formal economy. They lack political influence, education, health care, adequate safety, secure income and enough capital. Obviously, power and inequality are very closely linked to a poor income, the more unequal the income distribution, the greater the poverty of the population living in the lowest income category. At the beginning of the 20th century, the income of the richest 5% between the richest and the poorest was 20 times greater than now. By the beginning of the 21st century, it was 15 times now. At the beginning of the twenty-first century, it has risen to 20 times. According to UNRISD (2000), there is a growing inequality between the rich and poor between and within countries. The world in 2000 contained (1.7 billion people in the world, and at least 20% of global income, and at least 33% of the total middle income countries each 20 percent, and the lower-middle income countries the remaining 20 percent. While the average GDP per capita in low-income US dollars per capita, the figures for the richest countries are the highest and the poor countries are the remaining 20 percent. While the average GDP per capita in low-income US dollars per capita, the figures for the richest countries are the highest and the poor countries are the remaining 20 percent. While the average GDP per capita in low-income US dollars per capita, the figures for the richest countries are the highest and the poor countries are the remaining 20 percent.
ABSTRAK

Peranan Industry Desa (Cottage Industries) di dalam menyediakan peluang pekerjaan bagi penduduk luar bandar dan penduduk miskin: Satu kajian kes di Daerah Kabong.

Kajian ini adalah bertujuan untuk mengenalpasti potensi serta peranan Industri Desa (Cottage Industry) di Daerah Kabong sebagai satu alat untuk mengurangkan kadar kemiskinan disamping mempelbagaikan aktiviti penduduk setempat (menambahkan pendapatan). Untuk itu, analisa diskriptif (taburan kekerapan) telah digunakan untuk menormakan komponent kuantitatif. Bagi mengenalpasti hubungan antara pembelahhab bersandar dan tidak bersandar serta perbezaan antara kumpulan, analisa korelasi dan T-test telah digunakan. Hasil analisa menunjukkan wujudkah hubungan yang signifikan antara pendapatan (hasil dari Industri Desa) dan jenis buruh dan jumlah yang digunakan oleh pengusaha. Namun tidak terdapat hubungan yang signifikan antara pendapatan (hasil dari Industri Desa) dan penglibatan pengusaha. Analisis juga menunjukkan bahawa taraf pendidikan pengusaha tidak mempengaruhi kepekaan mereka terhadap kewujudan kemudahan pinjaman dan persepsi mereka terhadap penubuhan persatuan pengusaha.

1.1 Introduction

The development of cottage industries to alleviate poverty and improve the livelihood of the rural poor CI plays an important role in the World Bank's mission and alleviation strategy for the poor of the world.

1.2 Background

The debate over how to eradicate poverty has been around for many decades. Rather, conditions vary, and the focus should be on supporting the environment and the development of the economy. In many countries, they lack access to regular income and regular income. Therefore, the per capita income in the 19th century was around $100, which was around the beginning of the beginning of the 21st century, the United Nations launched the "Millennium Declaration" in 1995, which aimed to end hunger, reduce poverty, and promote basic human rights and social development. The global distribution of the world's population is significantly skewed, with the population of the industrialized world estimated to be 8.8 billion people, while the population of the developing world is 3 billion people.
1.1 Introduction

The development of Cottage Industry (CI) is important for economic growth, and the promotion of more pluralist societies. At the same time CI can be used as a tool for poverty alleviation, especially for the rural community. As labour intensive activities, CI plays an important role in employing the growing labour force in rural communities, and alleviates the severe unemployment that threatens the survival of the poor around the world.

1.2 Background of the Study

The debate on poverty raged from the late 1950s to the late 1960s, which assumed that poverty was intergenerational (Patterson 1986 in Corcoran, 1995). From that, poverty had been known as a complex multidimensional problem with origins in both national and international domains. No uniform solution can be found for global application. Rather, country-specific programmes to tackle poverty and international efforts supporting national efforts are crucial for a solution to this problem. The eradication of poverty and hunger, greater equity in income distribution and human resource development remain major challenges everywhere. The struggle against poverty is the shared responsibility of all parties (whether international, national, state or at local level).

In many developing countries, the poor struggle at the margin of the formal economy. They lack political influence, education, health care, adequate shelter, personal safety, regular income and enough eat. Obviously, poverty and inequality are very closely linked - for a given mean income, the more unequal the income distribution, the larger the percentage of the population living in income-poverty. At the beginning of the 19-century, the ratio of per capita income between the richest and the poorest countries was around three to one. At the beginning of the 20-century, it was 10 to one. Now, at the beginning of the twenty-first century, it has risen to 60 to one. According to Reid (1995), there is a growing inequity between the rich and poor - between rich and poor nations and between rich and poor within countries (see Appendix A). As stated by Narayan (2000), "when the poor and rich compete for services, the rich will always get priority".

The global situation is represented by the graph in Figure 1, which shows the distribution of world income at the beginning of the 1990s. These inequities mean that, for the poorest, life is a daily confrontation with a reality, which is hardly imaginable to most of the rich. In 1990s, it is estimated that over a billion people exist in conditions of extreme poverty, lacking adequate nutrition, and access to safe drinking water, sanitation, health care, and housing. Today, one billion people in the industrialized countries amass close to 60 percent of global income, one-and-half billion people in the middle income countries earn 20 percent, and the three-and-half billion people in the poor and poorest countries the remaining 20 percent. Whilst the average GDP is around 6,000 US dollars per capita, the figure for the richest countries is 29,000 US dollars and for the poorest countries 500 US dollars.
The diagram shows the global distribution of income. The richest 20 percent of the world's population receive 82.7 percent of the total world income while the poorest 20 percent receive only 1.4 percent. Global economic growth rarely filters down.


Figure 1 The distribution of world income

Note: The diagram shows the global distribution of income. The richest 20 percent of the world's population receive 82.7 percent of the total world income while the poorest 20 percent receive only 1.4 percent. Global economic growth rarely filters down. Source: UNDP (1992) in Reid, D, 1995.

Lim, (1991), in measurement of income inequality, stated that one of the objectives of development is to achieve an equitable distribution of income. However, figures for per capita income give no indication of how the aggregate income is actually distributed, nor do they reveal which income groups benefit most from the growth. A common measure of income distribution can be derived is to divide the incomes received by the bottom 40 percent by the income received by the top 20 percent of the population. For example, the bottom 40 percent may earn 10 percent of the national income while the top 20 percent earns 50 percent of the national income. Then the measure of income
distribution is 10 divided by 50 or 0.2. This figure reveals the degree of inequality between the two extremes of very rich and very poor in a country.

Then a Lorenz curve may be drawn. This graphical presentation (see Figure 2 and 3) shows the relation between the cumulative population proportion (on the horizontal axis) and cumulative proportion of income received (on the vertical axis). The 45° lines, the diagonal line, is the line of equality. At every point on this line, proportion of income received is exactly equal to the proportion of income recipients; for example, 30 percent of the income recipients receive 30 percent of total income. When the distribution of income is less than completely equal, the Lorenz curve diverges from the 45° lines. The more Lorenz curve diverges from the 45° line, the greater degree of inequality represented. Over time, movements toward equality would be represented by movement of the Lorenz curve toward the graphic 45° line of equality.

Normally a single shorthand summary measure called the Gini coefficient is useful. It is obtained by calculating the ratio of the shaded area between 45° line and the Lorenz curve compared with the total area of the half square or triangle in which the curve lies. Completely equality in income would mean no shaded area and the Gini coefficient is then zero. Complete inequality is represented by the Gini coefficient value of 1. Thus, the higher the value of the coefficient (the closer to 1) the more unequal is the income distribution. Movements toward equality would then be represented by shrinkage in the Gini coefficient.
Percentage of income

Figure 3 Movement towards equality from A to B

However, what are the causes of poverty? According to Muhammad Yunus (1998), poverty was caused by the failure of an individual to find a job, either due to his or her lack of skills or education or due to a lack demands for labour. He argues that the primary causes of poverty are not lack of human capital or lack of demand for labour. Lack of demand for labour is only a symptom, not a cause, of poverty. He believed that inadequate understanding of human capabilities and failure to create enabling theoretical framework, concept, institutions, and policies to support those capabilities causes poverty. His main argument is that economic is unhelpful in getting the poor out of poverty, which may even be a hindrance. Moreover poverty is the result of economic, political and social processes that interact with each other and frequently reinforce each other in ways that exacerbate the deprivation in which poor people live (World Bank, 2000).

The Bruntland Report, 1987 (Our Common Future) in Reid (1995), traces the relationship between environment and development, which reciprocal links between poverty and the environment. In the report, poverty is being recognized “as a major cause and effect of global environmental problems” (WCED, 1987 in Reid, 1995). These linkages can be presented diagrammatically as in Figure 4.

Figure 4 Linkages between development, environmental degradation, and poverty

According to Schumacher (1973), most of developments were more interested in factor of production than people. Although 85 percent of the people in the South lived in poverty in rural areas, most development funding went to project that provided the growth of the modern sector in the cities. Thus creating a dual economy.
In World Development Report (2000), it was stated that, lack of people’s assets was the main causes of poverty. These assets are of several kinds:

1. **Human assets**, such as the capacity for basic labour, skills, and good health.
2. **Natural assets**, such as land.
3. **Physical assets**, such as access to infrastructure.
4. **Financial assets**, such as savings and access to credit.
5. **Social assets**, such as networks of contacts and reciprocal obligations that can be called on in time of need, and political influence over resources.

In order to alleviate poverty, a framework for action is needed to effectively reduce poverty in all dimensions. To attack poverty requires promoting opportunity, facilitating empowerment, and enhancing security, with action at local, national, and global levels. The government at global and local level has to set more “fairer” policy to meet the poor condition.

Focusing on poverty alleviation, the United Nation's International Fund for Agricultural Development (IFAD) is coming round to the view that development assistance needs to aim at empowerment of the poor. It has called for tackling those structures that constrain development and cause poverty. If this so, then it follows that assistance must focus on developing institutions that the poor can use to assert their interests, and to organize access to resources. Co-authored by IFAD's Assistant President Klemens van de Sand says, "To achieve this, development assistance will need to be turned upside down.” He adds, "The bottom line must be the local institutions that empower the poor to take part in defining the rules that determine their lives" (in Ramachandran, 2000). Yet, local empowerment and the development of institutions of the poor alone will not be sufficed. Only when the poor and their interests are represented in institutions at the national level will there be a policy for the poor, warns van de Sand.

There is a need on the empowerment of local and community groups through the principle of delegating authority, accountability and resources too the most appropriate level to ensure that the programme will be specific. These will contain a long-term strategy aimed at establishing the best possible conditions for sustainable local, regional and national development that would eliminate poverty and reduce the inequality between various population groups. Thus, every development programme must be achieved at every level of society. People organisation, women’s groups, and non-governmental organisations are important sources of innovation and action at the local level and have strong interest and proven ability to promote sustainable livelihoods. Governments, in cooperation with appropriate international and non-governmental organisations, should support a community-driven approach to sustainability, which would include:

1. Empowering women through full participation in decision-making;
2. Establishing a network of community-based learning centres for capacity-building and sustainable development;
3. Management-related activities, and
4. Empower community organisations and people to enable them to achieve sustainable livelihoods.
In many countries, although more poor women are working outside the home to boost household incomes with their earnings, they are not necessarily experiencing greater autonomy, empowerment or involvement in decision-making in household or communities. They tend to be neglected from any discussion.

How can poor people’s voices be heard and represented in global decision-making? How can horizontal linkages be fostered among the poor people’s organizations to support capacity building, knowledge, and information exchange? How can global knowledge, resources, and power support poor people’s social and economic entrepreneurship at the local level?

Many decisions, which affect the lives of poor men and women, are not made at the local level but at the national, regional and global levels. Yet, the poor people have few opportunities to inform such debates, especially at the global level. Low quality of interaction between poor people with the formal and informal institutions on which they depend for the survival give an significant effect on their livelihood. Institutions, which mediate the poor people from access to resources and opportunities, to a much lesser extent are often exclusionary, rude and uncaring, as well as corrupt and exploitative. Poor people end up depending on their own informal networks of kin and friends for survival and solace.

Development operated on the principle that, “What is good for the rich must be also good for the poor”, and was based on a materialist philosophy “which makes us liable to overlook the most important preconditions of success, which are generally invisible” (Schumacher, 1973, p138 in Reid, 1995, p69). Therefore, Reid (1995) suggested; development - whatever development- was primarily about people:

1. It means the development of people -of the whole man and the whole women and not just an increase number of things,
2. It should aims first to meet the basic needs of the poor, the majority of the world’s population, and
3. It should lead to the “humanization” of people by fulfilling their needs for “expression, creativity, conviviality” and control over their own affairs.

“Another development” must be viewed in a holistic conceptual framework containing 3 central elements, which, through they can be individually specified, must be taken together:

1. Development must be geared to the satisfaction of needs beginning with the eradication of poverty,
2. Development must be endogenous and self-reliant, and
3. Development must be in harmony with the environment.

Reid (1995) stated that, development must address the primary causes of poverty, which are “immaterial”, not material: “Development does not start with goods; it start with people and their education, organisation, and discipline. Without these three, all resources remain latent, untapped, potential”.

As stated by Lim (1991), “the development plans of various countries, including the formal published Five-Year Plans by Malaysia, assume that development is desirable.” According to him, development is closely related with raising the standards of living. An increase in per capita income means that the national economic cake per capita is
bigger, and under normal circumstances, it can be assumed that the general standards of living will be bigger. Development also needed because of the creation of adequate employment opportunities. In societies where the rate of population growth is high, resulting in a high percentage increase in the labour force, this employment objective becomes more difficult, and yet more important. Most modern societies also try or at least state openly, as an objective, that development is intended to benefit as big as a proportion as the population as possible. It is less urgent for very affluent societies like Switzerland, United State, Norway, Japan, Sweden, Canada, Denmark, West Germany, and France, with a per capita income exceeding US$16,100 per annum. However, for the poorer countries like Tanzania, Mozambique, Laos, Nepal, Bangladesh, Zaire, Chad, Bhutan and Ethiopia, their per capita income was less than US$200 per annum.

Even so, still poverty crisis is crucial. Day after day, the poverty cases are increasing especially in the Third World. In 1987, about 18.4 percent (217.2 million people) of Sub-Saharan Africa people live in poverty and this number was increased in 1998 to 24.3 percent (290.9 million people). The number of poverty cases also increased for Europe and Central Asia, Latin America and the Caribbean and South Asia.

1.3 Objective

1.3.1 General objective

The aim of this study is to identity or foresee the Cottage Industry development in Kabong Sub-district as a tool for poverty alleviation and at the same time diversifies the community livelihood activities (to increase their income). Perhaps in the long term, Cottage Industry can be the main income contributor to the community.

Furthermore, Kabong Cottage Industry has a potential to be developed and with the government, efforts may be for export (in the future). Hopefully it can offer long-term employment for the community. At the same time, it helps to reduce out migration.

1.3.2 Specific objectives

1. To identify the types of Cottage Industry available and reasons for selecting it.
2. To identify the employment created (family or paid labour)
3. To identify the proportion of income derived from those activities.
4. To identify the awareness among the entrepreneurs about the availability of loan facilities (finance) and the used of it (whether entrepreneur used the loan available or use their own capital).
5. To analyze the entrepreneur’s perception towards the coordination among them (in term of formal organization with the government agency to facilitate them).

1.4 Scope of study

This study tries to examine the role of the cottage industry as a tool for rural and poor empowerment. In this study respondent demographic characteristic such as, number of...
year schooling, age, gender, number of entrepreneur courses attended, and income, were needed to be analyze. This study also examines entrepreneur perception toward their coordination into formal organisation with the government agency to facilitate them. Entrepreneurs perception may me differ because of their type of product produced, and income, which derived from those activities.

2.1 Introduction

This chapter include Industry

2.2 Poverty

Poverty place to hunger. means not having a human basic need. Report (1990)

According to situation relations or basic introduce basic need often, poor

“If we are for poverty, homogenous such group (Figure 5).

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Michael poor but group we
2.1 Introduction

This chapter presents the relevant concepts pertaining to the study. Those concepts include poverty (its theory and measurement), as well as the concept of Cottage Industry.

2.2 Poverty

Poverty has been defined and explained in various ways (Beck, 1994). Changing from place to place and across time. However, what is poverty? Some may say poverty is hunger. Poverty is lack of shelter, being sick and not able to see a doctor. Poverty means not being able to go to school and not knowing how to read. Poverty is not having a job, living one day at a time. The idea of poverty not only the failure to meet human basic needs but also the need of psychology and politics (Mammarjskjsjold Report (1975) in Mohd Taib, 1993: 13).

According to Charles Booth, poverty can be defined “where someone lived in the situation where there was not enough basic need”. This definition shows the relationship between poverty and the disability to meet minimum physical requirement or basic need. Rowntree (1901) who study the poverty in York, London, first introduced this approach. According to him, poverty was insufficient fulfillment of basic needs at the minimum levels to live and to protect physical effectiveness. Most often, poverty is a situation where people want to escape (in Mohd Taib, 1993).

“If we are to know our client groups, the poor and the microenterprise entrepreneurs in poverty, we must look beyond the popular image of poverty as some sort of homogeneous mass of unfortunates” (Remenyi, 1993). Remenyi (1993) divides five such groups or “levels of poverty” that seem to offer productive insights (refer to Figure 5).

Michael Lipton (1988) describes the very bottom of the Poverty Pyramid as the ultra poor but who could also described as the vulnerable poor (in Remenyi, 1993). This group was dominated by women and children who dependent upon the earnings of
others for their survival. He believes that the vulnerable/ultra poor make up the largest sub-group in the community of the poor. Labouring poor sub-group consists of both self-employed persons and itinerant employees. Remenyi (1993) argue that this sub-group relies heavily on the sale of their labour as unskilled workers on a daily basis for cash and other income in kind.

The next sub-group is made up of those Remenyi (1993) describe as the self-employed poor. Their number is dominated by persons who basically work on their own account, but many also employ up to five persons, not necessarily all full time. The self-employed poor are the backbone of the microenterprise sector in developing countries. Women are often in the majority in the sub-group.

Entrepreneurial poor is the most important ad dynamic sub-group in the Poverty Pyramid who also self-employed but run enterprises employing more than five persons. They are no longer as poor as their employees or those who belong to lower levels in the Poverty Pyramid. The least materially deprived sub-group is the near poor. These persons belong to households whose livelihood is intimately linked to the economic activity of the poor but they typically enjoy an annual household income that is in access of the poverty level (Remenyi, 1993).

In order to understand poverty at micro perspective, the World Bank has conducted a research study that brought together the experience of over 60,000 poor women and men from 60 countries around the world. Using open-ended qualitative and participatory research techniques, the Voices of the Poor study aimed to understand poverty from the perspective of poor people and to illuminate the human experience behind the poverty level (Remenyi, 1993).

The study made several conclusions that are:

i) Poverty is multidimensional and has important non-economic dimension. When poor people speak about well-being, they speak about the material, social, physical, psychological: and spiritual dimensions, in addition to security and the freedom of choice and action. In Russia, "well-being is life free from daily worries about lack of money." A Brazilian said well being is achieved "when there is cohesion, no quarrels, no hard feelings, happiness, peace with life." In Thailand, well being was simply defined as "happiness: it is found in peace and harmony in the mind and in the community."

ii) Poverty is specific to place and social group where within the communities, poor people's priorities, and experiences can be different. It was depend on their gender, age, marital, status and ethnicity. A plight of widows emerged as distinct from that of other social groups, particularly in Africa and Asia. In Latin America, indigenous groups and those of African descent spoke about discrimination, whether in trying to get loans or buying food in the local markets or in their interactions with their children's schools.

iii) Poverty is powerlessness and voicelessness. The defining experiences of poor people involve highly limited choices and an inability to make them heard or to influence or control what happens to them. Powerlessness results from multiple, interlocking disadvantages, which, in combination, make it extremely difficult for poor people to escape poverty. They not been able to take advantage of new opportunities because of corruption and lack of connections, assets, finance, information and skills. Low self-confidence both...
results from poverty and increases powerlessness and isolation from opportunity. They not only are not educated but also do not have a street-wise education.

iv) Powerlessness and voicelessness also have a significant effect on the poor interactions with the formal and informal institutions. Although some government programs are excellent and some officials are highly praised, these are the exceptions. In general, poor people report finding it difficult to take advantage of government programs, whether for loans, education, or health care, or for child, disability, or old-age benefits.

Poverty, from biological perspectives (physical effectiveness) was interrelated with personal or family income. If someone does not have any income that need to meet important human basic need (food) they would not be able to maintain the physical effectiveness and they are categorised as poor people (Pryer (1989); Chen (1997); Ungku Aziz (1964) in Mohd Taib, 1993).

2.2.1 Measuring poverty

To know what help to alleviate poverty, what works, and what does not, what changes over time, poverty has to be measured. Measuring poverty permits an overview of poverty that goes beyond individual experiences (World Bank, 2000). Due to difficulties in defining poverty, different methods of poverty measurement have been used. The most common approach is based on income or consumption levels (Aguilar, 1999). As poverty has many dimensions, it has to be looked at through a variety of indicators, such as levels of income and consumption, social indicators, and how increasingly indicators of vulnerability to risk and have socio-political access.

Year by year, much of the work being done by the researcher around the world, using consumption or income-based measures of poverty. But some work has been done on non-income dimensions of poverty, most notably in the Human Development Report prepared annually by the United Nations Development Programme (UNDP) and World Development Report by the World Bank. Now there is a new established view of poverty as encompassing not only low income and consumption but also low achievement in education, health, nutrition, and other areas of human development. It is necessary to include non-income poverty dimensions like education, health, and access to infrastructure, vulnerability, social extension, and access to social capital. Measuring poverty is not easy. Aspects such as quality of life, health, leadership, women's roles, empowerment, etc., are elements difficult to quantify.

The measurement of poverty can be looked at two levels, which is at country level and global level. At the country level, the most commonly used way to measure poverty is based on incomes or consumption levels. A person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is usually called the "poverty line", which can vary in time, according to the geographical context, social norm and values (Aguilar, 1999). What is necessary to satisfy basic needs varies across time and societies. Therefore, poverty line is different between countries, which appropriate to its level of development. Absolute poverty line as defined in the poorest countries, indicates a minimum level of income or consumption below which it is impossible to 'survive', to be able to obtain
sufficient food to obtain minimal level of health (Haan, 1998). In many parts of South Asia and Africa, 40 per cent or more of the population live below such poverty line. When estimating poverty worldwide, the same reference poverty line has to be used and expressed in a common unit across countries. Therefore, for the purpose of global aggregation and comparison, the World Bank (2000) uses reference lines set at $1 and $2 per day in 1993 Purchasing Power Parity (PPP) terms (where PPP measure the relative purchasing power of currencies across countries). In 1998 it was estimated, 1.2 billion people worldwide had consumption levels below $1 a day-24 per cent of the population of the developing world and 2.8 billion people lived on less than $2 a day.

There is a worldwide debate on poverty yardsticks to identify the poor. According to Micro Credit Summit, the poorest are those people belonging to the bottom fifty percent of the group of people living below a country’s nationally defined poverty-line (Aguilar, 1999). According to the World Bank, the poor are those who have a level of consumption of at least $2 per day and, the poorest are those who have a level of consumption of at least $1.

Zweig (1948), Stigler (1954), Sukhamet (1961) and Ungku Aziz (1965) also used this approach to measure poverty. Event though its hard to measure poverty using ‘poverty-line’, especially to set the standard minimum income, this approach still been used until this time. It means, individual were poor if they are under the poverty-line, because this income was calculate concerning the amount to meet the human basic need to lived. In a classic study done by Seebohm Rowntree (1901) found that 10 percent of the population in York in 1899 was living in poverty; below minimum needed expenditures (refer to Appendix B).

In 1990s the UNDP used monetary measures to estimates poverty, in terms of income or expenditure- the standards agreed at the Social Summit (UNDP, 2000). In Poverty Report 2000: Overcoming Human Poverty, UNDP divide the poverty into two condition which is income poverty and human poverty. There are two condition of income poverty that is extreme poverty and overall poverty. In the report extreme poverty was defined as lack of income necessary to satisfy basic needs- usually defined on the basis of minimum calorie requirements (often called ‘absolute poverty’). Whereas overall poverty was lack of income necessary to satisfy essential non-food needs- such as for clothing, energy and shelter- as well as food needs (often called ‘relative poverty’). Table 1 shows the relative income poverty by region.

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Excluding China</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td></td>
</tr>
<tr>
<td>Excluding China</td>
<td></td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td></td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td></td>
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<tr>
<td>Middle East and North Africa</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td></td>
</tr>
</tbody>
</table>

Note: *P stands for Poor
Source: UNDP
UNDP divides poverty into ‘absolute poverty’, preventable illiteracy, preventable infant mortality, and infrastructure to sustain life.

As mentioned, countries under the poverty line are not comparable, so the World Development Report suggests one measurement:

There are six dimensions of poverty: ‘Welfare function’, which all individuals agree on. Bourguignon andana Composite indicator of Well-being: choices is to use a welfare function, based on quality of life (Bourguignon andana, 2000).
Alternative dimensions (another possible choice).
many parts of South
poverty line.
line has to be used
the purpose of global
lines set at $1 and
$PPP measure the
was estimated, 1.2
4 per cent of the
less than $2 a day.
poor. According to
the bottom fifty
who have a level of
who have a level of
(1965) also used this
 poverty using ‘poverty-
still been used
the poverty-line,
the human basic
(901) found that 10
below minimum
in terms of income
2000). In Poverty
poverty into two
the report extreme
usually defined
‘absolute poverty’).
essential non-food
needs (often called

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional average poverty line (1993 PPP dollars a day)</th>
<th>Share of population living on less than one-third of average national consumption for 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>1.3</td>
<td>33</td>
</tr>
<tr>
<td>Excluding China</td>
<td>1.9</td>
<td>45.1</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>2.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>3.3</td>
<td>50.2</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>1.8</td>
<td>18.9</td>
</tr>
<tr>
<td>South Asia</td>
<td>1.1</td>
<td>45.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>1.3</td>
<td>51.1</td>
</tr>
<tr>
<td>Total</td>
<td>1.6</td>
<td>36.3</td>
</tr>
<tr>
<td>Excluding China</td>
<td>1.8</td>
<td>39.3</td>
</tr>
</tbody>
</table>

Note: * Preliminary

Source: Chen and Ravallion, 2000 in World Bank, 2000

UNDP defined the human poverty as lack of basic human capabilities, such as illiteracy, malnutrition, abbreviated life span, poor maternal health, and illness from preventable disease. Indirect measures are lack of access to goods, services and infrastructure - energy, sanitation, education, communication, drinking water- necessary to sustain basic human capabilities.

As mention before, poverty has many faces and multidimensional. The methods that countries use to estimate poverty can vary widely, so the results across countries are not comparable. Even for extreme poverty, countries differ on what should be considered minimum average calorie requirement (UNDP, 2000). World Bank in World Development Report 2000/2001: Attacking Poverty had come out with the suggestion on how to measure poverty in its multidimensional.

There are several possible approaches to aggregating measures of the different dimensions of poverty and wellbeing, which include:

Welfare function: includes various dimensions of wellbeing and defined poor people as all individuals below specified minimum level of total welfare (Tsui 1995, 1997; Bourguignon and Chakravarty 1998 in World Bank, 2000).

Composite index: is an alternative to using weights estimated from people's observed choices is to simply impose weights, as a simplistic, special-case application of the welfare function approach. There are several well-known efforts, such as the physical quality of life index and human development index (UNDP, 1999a in World Bank, 2000).

Alternative aggregation rules: if the objective is to measure the number of poor people, another possibility is to count as poor everybody who is poor in any one of the dimensions (see all shaded area in Figure 6). This method goes beyond income.