

# **The analysis on the farm households' economic poverty situations, reasons, and countermeasures in poor rural areas -----Evidence from Hong-an county in Hubei province Of China**

Xinyu HU<sup>1,a</sup>, Yunjin TAN<sup>2, b</sup>

<sup>1</sup>The Political Department of Wuhan Polytechnic University ,Wuhan 430023 China

<sup>2</sup>School of Economics & Management, Hubei University of Education, Wuhan 430205 China

<sup>a</sup>hxy@ whpu.edu.cn , <sup>b</sup>tanyunjin@whpu.edu.cn

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**Abstract.** Using the survey data from farmers' in income and consumption, we investigated the farmers' poor condition in Hong-an county in Hubei province and analyzed the main reason of their poverty. According to the farmers' poverty, this paper put forward the corresponding policy proposals to deal with the problems.

## **Introduction**

Poverty is an old problem, but also a new concept. Since the beginning of human society, poverty exists in human life, but with the development of human society, its connotation continuous to develop. At the end of 1980s, after the India economist Amartya Sen overall refreshed the concept of poverty , academia mainly divided poverty into four form: economic poverty , rights and ability of poverty, vulnerability and social exclusion (Xiaobo SHEN, Qingguo LIN, 2005). Since China is still a developing country ,economy ,society, culture is also in backward state, so it is still chinese priority to developing economic, increasing farmers' income, improve the consumption level of households, get rid of economic poverty. So, this paper explore and analyse the farmers' poverty condition and reasons in poor rural area in hubei province, and put forward some countermeasures from the perspective of economic poverty.

## **Data sources and the standards of economic poverty**

**Data sources.** This data comes from the household survey of the EU-funded project called "protection for the people in the rural place against the main diseases" in 2006 and the survey of the Rural Investigation Team of Hong-an statistics Bureau. Hong-an is one of the poor counties in national leve in Hubei Province. With the principle of random, equidistant, stratified sampling, the research group selected randomly three towns in the county and 10 villages in every town, picked cluster 100 families in every villages. So total three towns, 30 administrative villages, 3043 households were investigated. There are total 12712 people in the 3043 households. Of 12712 people, 6676 people are male, accounted for 53.23% of the total population sample. 5946 people are female, accounted for 46.77% of the total population sample.

**The standards of economic poverty.** Of (to study) economic poverty, the first step is to defined the standard of economic poverty.

its manifestations include low income and low consumption. In China, there are two economic poverty line: The first is the absolute poverty line, population below this standard is called extreme poverty. The second is the relative poverty line. It means above the absolute poverty line, but lower income, they are called the low-income population. In 1986, China's National Bureau of Statistics and the Poverty Alleviation Office of State Council promulgated jointly the first poverty sstandard, which is obtained by calculation on the basic of the survey of consumption expenditure of 67000 farm households. This standard concerned the people's basic survival, in essence, is the standard of food and clothing. It consists of two parts: one is to meet the minimum nutritional standard (2100 kcal /

person-days) of the basic food needs, that is, the food poverty line. The other is minimal clothing, housing, transport, health and other social services, non-food consumption demand, that is on-food poverty line.

The food poverty line (60%) and non-food poverty line (40%) are added to get the standard of poverty. Calculation of rural poverty standard is based on the per capita net income of farmers. Farmers per capita net income of ¥ 206 is China's per capita poverty standards in 1985. From then on, According to the price index, the standards is adjusted year by year. Such as, It's 625 yuan in 2000, 664 yuan in 2004 and 786 yuan in 2008.

### **Current situation of economic poverty in sample regional**

**The number of poverty population in the sample regional.** According to the poverty standard in 2004, it will be the absolute poverty population that rural per capita net income under 664 yuan; farmers per capita net income between the 664-997 yuan is the population of relatively poor or low income population. According to Hong An county's statistics bureau farming air group prediction by sample survey of households in poverty monitoring that the county's population of 7.23 million people in absolute poverty, population of relative poverty is 5.1 million.

**Source of income for poor families.** Poor family's income mainly come from household operating income. In 2004, per capita income is 809 yuan in poor family, among them 433 yuan is from household business income, and the proportion is 53.5% that higher 5.5 percentage points than the county average; 233 yuan is the wage income, accounting for 28.8%, 5.5 percentage points lower than the whole County average. Annual per capita net income of poor farmers mainly comes from agriculture, and farm income is mainly derived from food crops.

The non-agricultural income of poor family level is low. This situation was mainly focused on three aspects as follows. First, low-wage income that the percentage was 36.7% in non-poor households; the second is The tertiary industry in family business was low, only 16.7% among the county average; Third, The property income are also very low. It only take 52.5% in the average level.

The proportion of poor families' cash net income is low. 2004 net income in poor households, cash net income is 314 yuan, accounting for 59.9%, 7.2 percentage points lower than the county average; the real net income is 210 yuan, accounting for 40.1%, 7.2 percentage points higher than the corresponding

**The Living Expenditures of Poor Families in Sample Areas.** They can not make their expenditure ends meet in poor families. From the comprehensive in 2004, the per capita consumption expenditure of poor households is 765 yuan, which is 21.4% lower than the county average. In the case of each household, in nearly half (46.3%) of them, the per capita household consumption expenditure exceed their income levels. So quite a few poor households have to rely on deposit or loan to maintain the minimal daily expenses. In the end of 2004, 17.2 percent of poor households have to face more than 1,000 yuan debt. Because of poverty, the poor households have much more difficulties than other households to loan, which makes their life more difficult.

The Engel coefficient is higher in poor families. In 2004, in rural poor households in Hong'an, the food consumption expenditure is 73.7% in the expenditures, 21.4 points higher than the county average. From the household level, the vast majority of poor households Engel coefficient is between 0.56 to 0.70, of which poor households Engel's coefficient of more than 0.59 (higher than 0.59 for absolute poverty) is accounted for 26%.

Their occupations of durable goods are less. As the low level of income, poor families living consumption expenditure primarily used in food expenditure (73.7%), living expenses (8.2%) and for their children to school tuition and fees (11.9%) three areas. Per 100 volume of poor households with durable goods are less than non-poor households (see Table 1).

In the survey of 3043 households, 213 households have Ice box, occupied 7.00%, while only 2 families have Ice box in the poor household, occupied 1.23%. 1008 families have motorcycle, occupied 33.13% of total sample households, while poor households have a motorcycle in the family

is only 15, accounting for 9.20% of poor households; 133 households have motor vehicle with three wheels or more ,accounting for 4.37% of the total sample households, while the poor households in more than three-wheeled motor vehicle with the family only three, accounting for 1.84% of poor households; 1796 families have a modern stove , accounting for 59.02% of the total sample, , while the only 56 poor households have the modern kitchen, accounting for 34.36% of poor households; there are 619 families have combined modern furniture, accounting for 20.34%, while only nine poor households in combination with new furniture, accounting for 5.52%; 2264 families have color TV , accounting for 74.40%, while only 64 poor households have color TVs, accounting for 39.26%;2684families have a fan , accounting for 88.20%, while only 107 poor households have electric fans in the family, accounting for 65.64%. Through the above comparison of the amount of household consumer durables, we have found that poor households in the proportion of households with consumer durables are much lower than non-poor households.

Table 1 statistics of sample area farmers' food, clothes and consumption (2006)

Durable consumer goods	The total sample household consumption situation			Of which: poverty household consumption situation		
	Sample of households	Number of Owners	Proportion (%)	Sample of households	Number of Owners	Proportion (%)
Fridge	3043	213	7.0	163	2	1.23
Motorcycle	3043	1008	33.13	163	15	9.20
Vehicle(Above 3 wheels)	3043	133	4.37	163	3	1.84
Modern kitchen (not Stove)	3043	1796	59.02	163	56	34.36
New-Style Furniture	3043	619	20.34	163	9	5.52
Communication Products (fixed phone, cellphone)	3043	2157	70.88	163	53	32.52
Colorful TV	3043	2264	74.40	163	64	39.26
Fan	3043	2684	88.20	163	107	65.64

### The main reasons for farmer's poverty

Population of poor families are“two rich and one lack”: more population, more patients and less medicine. There are 5.1 people in poor families ,and 0.8 people more than the average level,especially the people who between the age of 15 and 60 was the highest part . Of which: the number of older persons in per household has a 9.4 percentage points higher than the proportion , the number of children has a 9.7 percentage points higher the proportion. An obvious feature of population health status is poor family farmers more family members suffering from serious illness. In 163 poor households, there are 132 family members suffering from serious illness, serious illness rate as high as 80.98%. Most poor households family members after the illness due to economic difficulties and without treatment .That generally lack of medical treatment, and formed a "disease because of the poor" and "poverty due to illness" vicious circle.

Poor family's labor is "two low and one less" - low proportion of household labor, low educational level, less participation in agricultural science and technology training. The proportion of household labor accounts for 68.9% in poor households, 2.1 percentage points lower than the average .Poor labor force in the cultural level is generally low . the labor force of illiterate and only primary school education accounted for 35.7%, 8 percentage points higher than the average level; the labor force with secondary school education is accounted for only 47.6%, 6 percentage points lower than the average; High school and above senior high school education level of the labor force accounted for only 16.7%, 2.1 percentage points lower than the average. 426 people surveyed, only 11 people (2.6%)

participated in the study of agricultural science and technology. Poverty family labor have low educational level, lack of vocational skills training, that forming the poor competence, while capacity has led to poor families, poverty, low income, resulting in economic poverty. While capacity has led to poor families low income, which resulting in economic poverty.

The employment of poor families is "two narrow and one low" -To understand the information channel is narrow, working way also narrow ,and the proportion of non-agricultural employment is low .From the situation of labors' employment, the local practitioners accounted for 81%, 10.4 percentage points higher than the average level, but most of the major engaged in farming and animal husbandry, rarely two or three industry . The labor force left out of this town practitioners of more than 6 months shared of 19.4%, 6.2 percent lower than the non-poor households.

## **Conclusions and countermeasures**

Government should improve the quality of follow-up labor by implementing "zero" cost education system and free vocational training for poverty-stricken children. As the absence of culture, technology and ideas fall behind, that led the poor families' poor. In order to improve the income of poor families, we must equip them with cultural knowledge, new ideas, and have Market head, market concepts and the scientific farming, scientific parenting ability. Therefore, we can cut poverty funds for poor families to support the costs of compulsory education approach, to let the reserve labor force have more scientific and cultural knowledge, which will play an active role in promoting poor households out of poverty.

The Government should further improve the rural medical security system. The imperfect of rural medical security system result in a common problem--poor households may keep in poverty or be in poverty once again, which affect the development of poor families. The Government should increase investment in rural medical and health services, increase medical assistance to poor rural families, strengthen the technical training to the staff and health service facilities, to improve the rural health service system. Only when poor farmers could afford to pay medical expenses, can we absolutely solve the problem that farmer households fall in poverty due to illness.

The Government should accelerate the reform of rural financial service system, promote the functions of the financial markets to the rural economy positively. According to the survey data, although farmers are in great demand for capital currently, they mainly rely on private loans to meet the lack of the formal financial services. As the backward development of rural insurance market, and the weakness of farmers risk awareness, lead to the concentration of many risks in their life and production, which increase the vulnerability of the farmers livelihoods.

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