POVERTY AS A GLOBAL ISSUE

A CASE STUDY ON THE CAUSES OF POVERTY, AND ITS SOLUTIONS.

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# INTRODUCTION

In this day and age, people from all around the globe are constantly dealing with financial issues. As a matter of fact, according to an analysis done by the Institute of International Finance, the total amount of debt in the world is currently piling at around $244 trillion. (Oguh and Tanzi, 2019) This is an eye-opening finding as to show just how many people in the world are in debt and living in poverty. Poverty is a devastating issue in many countries and more issues has been brought forward following the effects of poverty. According to an article from The Star Online titled “Malaysians have the most debt in Asia” (2016), a research shows that In Malaysia, 68% of its citizens are currently in debt with an average debt of RM56000 which is near to 10 times more than the average monthly income of a Malaysian citizen. Moreover, Leonhardt (2018) states that according to a study by Northwestern Mutual in 2018, an average American has nearly $38000 in personal debt with credit cards and mortgages as their greatest sources of debt, which is then followed by student loans and car loans.

In short, all these results from the studies and research just go to show exactly how poverty is an issue that is affecting people from all around the world. Note that our definition of “poverty” here is defined as having a larger amount of debt compared to the amount of income because the very reason for people to have debt is because they do not have enough income to live comfortably, which in other words mean that they are poor and are living in poverty. That being said, let us all take a moment to think and ask ourselves truthfully, are we aware of exactly how much debt we have at the moment? If so, why are we in so much debt? Lastly, how are we supposed to get out of this mess that we are in? If you do not have the answers to all these questions, then it is safe to assume that you too, are a victim of living in poverty.

Hence, the objectives of this study are to dive deeper and look into the causes of poverty all around the globe, and discuss about the possible solutions to eradicate this deteriorating issue. This study is important in order to show exactly why more and more people around the world are living in poverty. Meanwhile, discuss about the possible ways to solve this issue of living in poverty. Lastly, the method of this study will be done by looking into and thoroughly reading through academic texts, journal articles, newspapers, magazines, or books and to use them as references for our study in this particular issue.

# CAUSES OF POVERTY

To start off, let us discuss about two of the leading causes of poverty amongst people from all over the world. Firstly, poor financial development is a leading cause of poverty. According to Çetin et al. (2015), Financial development is defined as improving one’s knowledge about investments to allocate some capital for it, and generally managing one’s finances in order to directly affect savings and produce an economical growth. This is because when we are unable to properly manage our income, no matter how much the amount, we are bound to still be left with no money and no cash-flow at the end of every month. For instance, a person might be paid well at RM10000 per month in Malaysia, but without the proper financial management, that person will end up overspending his/her income every month and have absolutely no savings left, which causes poverty among many people globally because when we have no savings, we are forced to take up loans or lend from other people in order to afford what we need, bringing us further in debt, and to continue living in poverty. Hence, it is clear that poor financial development is a leading cause for poverty.

 Next, the lack of education also causes poverty. According to Bryan Hickman (2015), the lack of education is considered as a root cause of poverty because you will not have a job if you cannot read nor do simple and basic mathematics, which will cause you to be poor. The relationship between poverty and education can be seen very clearly; better educated people are paid better, which contributes to the reduction of poverty. Simply, education empowers. (Pogoy and Montalbo., 2012) Additionally, according to a study done by Awan et al (2011), in Pakistan, attaining an education will boost the ability of an individual to earn, which contributes to getting them out of poverty. Therefore, it is undeniable that a lack of education causes poverty. Without education, an individual will not have the necessary skills to secure an income, which then directly contributes to them to live in poverty.

# SOLUTIONS TO POVERTY

There are many ways that can lead to the alleviation of poverty. The first possible solution to solving poverty is by receiving a college education. According to information from a journal from Pogoy and Montalbo (2012), in 2004 the US Census Bureau stated that advanced degrees can help graduates to earn 4 times more income than those who have educational levels of lower than a diploma, implying that a college education can provide financial benefits. Additionally, in the Philippines nearly 67% of the households living in poverty have less than elementary levels of education. Moreover, in 2005, Alan Greenspan; Chairman of the Federal Reserve at the United States stated that the average workers in the States have not grown their income in a long time due to their lack of education. (Capra, T., 2009). Thus, it is obvious that education is a key solution to alleviating poverty.

However, having an increased income does not immediately guarantee that an individual can alleviate poverty, strong financial management skills are also needed in order to stay out of living in poverty. This leads to the next solution; everybody should learn to manage their personal finances the right way. Perhaps every country should insist on having their local education institutes to have a finance management course as a compulsory course, because a key to getting out of poverty is to manage personal finances very closely and to work only with what we have. This helps everybody to learn to “live on less than you make.” As quoted from Dave Ramsey, an American radio-show host, author and businessman. Consequently, when everyone can manage their personal finances, they will be able to dig themselves out of the hole of poverty.

Upon consideration, it has been decided that a college education is the most effective way of alleviating poverty. It is prioritised over financial management because a college education will not only help generate more income, but also help train an individual to manage their finances be it directly taught through financial management courses or indirectly by learning to budget through the ‘campus life’. Hence, a college education is essential to alleviate poverty. An individual will be able to kill two birds with one stone if they went to receive a college education.

# CONCLUSION

 In conclusion, poverty is a deteriorating issue. Some of the factors that caused this issue are poor financial management and lack of education. This is because without properly managing their finances, many people overspend and drive themselves into poverty. Next, a lack of education causes an individual to face difficulties being employed, which causes a lack of income, which causes poverty. However, these are just some factors that cause poverty. There are other factors that contribute to poverty which are not discussed in this study. Lastly, we discussed about some solutions to alleviate poverty. An effective solution was to receive a college education, because a college education boosts the income of an individual, hence alleviating poverty. Additionally, learning about financial management also alleviates poverty, because when people live with a budget they will not overspend, which allows them to repay their debts faster to alleviate poverty. After some self-reflection, it has been decided that getting a college education is the best solution, because getting a college degree will not only assist individuals from poor households to improve their income significantly, but it also allow students to learn to manage their personal finances properly either directly by taking financial management courses, or indirectly by learning to budget themselves via the ‘campus life’. It is hoped that this case study provided some insights about poverty and trigger some actions into solving this issue around the world. Poverty is an issue that if left untouched, will slowly but surely turn itself into a devastating and difficult-to-handle issue. Thus, people from all over the world should be aware of this issue and put some effort into resolving this worsening issue.

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