

Poverty and Inequality in Bangladesh



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Poverty and Inequality in Bangladesh

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EXECUTIVE SUMMARY

The incidence of Poverty in Bangladesh is one of the highest in the world. Millions of people suffer from the hardship of poverty. About one-third (31.5 percent) of its population is living below the poverty line (HIES, 2010). Moreover, inequality afflicts the persistence of poverty. Furthermore, the recent spikes in food prices, causing food inflation, have impact on poverty and in a business as usual scenario, with the increase of one percent in food inflation, may plunge an additional population of 0.04 million under the poverty line.

Trend of Poverty and Target of the Government

The present government has made a commitment in their election manifesto to reduce the rate of poverty to 25 percent and 15 percent by 2013 and 2021 respectively.

The incidence of poverty has decreased to 31.5 percent in 2010 at the national level with an annual average rate of 1.32 percent from 1991-92. Continuation of current trend of decrease might witness the incidence of poverty at 27.5 and 17.0 percent by 2013 and 2021, which is higher by 2.5 and 2.0 percent respectively than that of the targets set in the election manifesto of the present government. It is evident that, the incidence of poverty is higher in rural areas than that of the urban areas and the rate of decrease of poverty is also higher in rural areas (1.24 percent) than that of the urban areas (1.13 percent). The annual average rate of reduction in the percentage of population living under poverty line in Rajshahi division is 2.1 percent between 2000 and 2010, which is the highest and the lowest is in Khulna (1.30 percent) in comparison to other divisions.

Population under Poverty Line

The number of population living under poverty line is still increasing. The number of population living below the poverty line has increased from 51.6 million in 1991-92 to 56 million in 2005 with an annual average rate of 0.314 percent at national level. If the current trend continues, the number of population living below the poverty line might stand at 57.3 million and 59.8 million by 2013 and 2021 respectively. However, in rural areas, it might decrease to 40.2 and 38.1 million by 2013 and 2021 respectively. Whereas, in urban areas, it might witness an increased population of 17.1 and 21.7 million by 2013 and 2021 respectively living under the poverty line in urban areas.

Depth and Severity of Poverty

The poverty gap estimates the depth of poverty in the population, whereas the squared poverty gap measures the severity of poverty. The decreased rate in the percentage of poverty gap during 2005 to 2010 (5.56 percent) was lower than that of 2000 to 2005 (5.94 percent) at national level. Also, the rate of reduction in the percentage of squared poverty gap between 2000 and 2005 was 7.39 percent, which was higher than the rate of reduction (6.26 percent) of last five years (i.e. from 2005 to 2010). In case of rural areas, the percentage of both depth and severity of poverty has reduced at a slower rate during 2005-2010 than that between 2000 and 2005, and has reduced at a higher rate than before in urban areas. These indicate that there is an improvement in the reduction of both depth and severity of poverty; however, the improvement has occurred at a slower rate than before due to rising inequality.

Food Inflation and Population under Poverty Line

Food expenditure, food inflation and general inflation are positively associated with poverty and inequality. An additional number of people go under the poverty line with the increase of food inflation. In 2000, 55.8 million people were living under poverty line while food inflation was 2.68 percent (12-month average). After five years, food inflation has increased to 7.91 percent (12-month average) in 2005 when the number of total population living below the poverty line was 56 million. Under the business as usual scenario, an additional population of 0.04 million might go under the poverty line with one percent increase in food inflation. Food expenditure is positively associated with the number of people living below the poverty line. This indicates that the number of people living below the poverty line also increases with the increase in expenditure on food. Like general inflation, food inflation is also positively associated with the number of people living below the poverty line. As general inflation increases there is an increase in the percentage of population living below the poverty line. Similar result is also true for the food inflation. If food inflation increases, more people slide under poverty line.

Household Income and Expenditure

During the period of 1995-96 to 2010, the monthly household income has increased with rates of 10.86 percent, 10.92 percent and 7.10 percent at national, rural and urban regions respectively. At the same time, the monthly household expenditure has also risen with the rates of 11.58 percent, 11.78 percent and 7.57 percent while expenditure on food has increased with the rates of 10.64 percent, 10.63 percent and 8.32 percent at national, rural and urban areas respectively. Furthermore, during 2005-2010, the growth rate of monthly household income was 11.87 percent, 11.67 percent and 11.50 percent at national, rural and urban areas respectively. However, the growth rate of monthly household expenditure was 16.52, 16.14 and 16.40 percent of which the growth rate of expenditure on food was 17.59 percent, 16.67 percent and 19.20 percent at national, rural and urban areas respectively.

Unequal Growth and Poverty

The mainstream argues that sustained and equitable economic growth inevitably leads to poverty reduction. There is widespread concern that economic growth has not been shared fairly, and that the current economic crisis further widens the gap between the rich and poor. In Bangladesh, the number of people living in poverty has increased due to rising disparities in the distribution of resources within this country. Unequal growth pattern has a weaker poverty alleviating effect and has been shown to be harmful to growth. Therefore, reduction of poverty is hard to pin down without addressing inequality.

Income Inequality

Gini co-efficient of income has increased from 0.393 in 2000 to 0.430 in 2010 at rural areas with the growth rate of 0.94 percent, whereas it has decreased from 0.497 to 0.452 at the same time period in urban areas with the growth rate of -0.91 percent. Gini co-efficient of income has increased from 0.451 to 0.458 at national level with a growth rate of 0.16 percent during the same period. Furthermore, general inflation and food inflation are positively associated with inequality (income) of population. This indicates an increase in both general inflation and food inflation has been contributing to rising income inequality.

Questioning the Poverty Line

The poverty measurement is plagued with many problems, particularly due to its over emphasis on income. The official poverty measurement is determined through income and uses an unrealistically low estimate of USD 1.25. For example, if a person has an income of one USD per day is defined as poor, after one year his income has increased to USD 1.3 and is counted as non-poor. But, in reality, he may be faced with more problems to maintain his livelihood compared to previous year (though he is rewarded as non-poor). Increase in his income is not adjusted with the inflation. Another example, considering the present circumstances, a conservative estimate suggests a minimum spending of about Tk. 50 (USD 0.71) to obtain 2122 Kilocalories per day. If a calculation is made based upon expenditure, considering these non-food essentials with food, it is very difficult to survive with the income of USD 1.25 per day per person.

Why Poverty Reducing at a Slower Rate?

Although the government has taken several initiatives for alleviating poverty, yet the poverty persists. This is mainly due to the problems associated with the neo-liberal paradigm that the successive governments are pursuing in reducing poverty including those of the poverty reduction strategies (PRS).

The problem arises in its failing to conceptualise that poverty is manifestation of social property relationship. The rate of decline in poverty is accelerated or decelerated, depending upon the social property relations, rather than the neo-liberal articulation that an increase in the size of the “things-basket” reduces poverty. This happens as this “things-basket” operates under particular social relationships. The “things-basket” may reduce poverty up to a point, but it is reproduced due to social property relationship, embedded through institutions, structures, power, and reality and composition of the state.

In instrumental sense, the major reasons for persistence of poverty are: absence of adequate state intervention for the expansion of production, deficiency of equalizing income augmenting employment system, shortfalls in public expenditure for capabilities enhancements, inadequacies in regulatory regimes, lack of complementary policy structure and non-existence of enforceability of constitutional rights.

Social Relationship

Poverty is a part of social relationship. The poor are remaining poor due to the structural reasons. Even reduction in income poverty has a limit, as it is contingent upon the structure.

Intervention of State in Enhancing Productive Capacity

The neo-liberal paradigm reduces the capacity of state through liberalisation, deregulation and privatisation, assuming that market will deliver the results. This further assumes that a part of the population will plunge into the poverty and they will be addressed through social safety nets. The failing of the paradigm is not to take cognisance of the endemic market failures and the need for the state to intervene with strategies, policies and incentives to enhance the productive capacity to ensure full employment, particularly addressing the disguised unemployment.

Deficiency of equalizing income augmenting employment system

The growth process in Bangladesh has not been matched with increases in jobs. Moreover, the people have entered into labour market with wages below the poverty, creating a huge amount of people, who can be termed as “working poor.” Furthermore, a huge chunk of employed population is under-employed. These have also resulted in augmentation of income inequality.

Shortfalls in public expenditure for capabilities enhancements

The public expenditure in capabilities has always been less than the required level. This is particularly witnessed when the budget deficits soar up. The public expenditure in education, health and housing has a bearing on the poverty.

Inadequacies in regulatory regimes

The system of accumulation in Bangladesh is principally primitive in nature. Such accumulation is omnipresent, particularly in case of natural resources, management of common property resources, and management of state resources. The bias created in favour of rich and powerful could be lessened by regulatory regimes, giving access to and control over, such resources to the poor. Absence of dynamic policies, planning and activities (regulatory problem) of the governments might create poverty as well as lowering income.

Complementarity Problem

Poverty may also increase due to the lack of maintaining complementarity in policies and implementation. There are many such examples of lack of complementarity. For example, the tax system of the country is regressive and bias in favour of rich as the government continues to enhance the tax such as VAT while there is hardly any concerted efforts in increasing income tax net and reduction in tax evasion and avoidance of corporate houses. While the inflation is cropping up, there are not adequate policies to offset the income erosion of the poor.

Ensuring Constitutional Obligation

The Constitution of the country pledges to ensure basic necessities to its citizens by the state. Since these rights are not legally enforceable, the state as a duty bearer to the rights holders could not be operationalized.

Expanding population

Excessively high population densities put stress on available resources. However, the bulk of the population are of working age. The country has not been able to come up with plans to benefit out of population dividend.

Environmental Degradation

Environmental degradation — the deterioration of the natural environment, including the atmosphere, bodies of water, soil, and forests — is an important cause of poverty. Environmental problems have led to shortages of food, clean water, materials for shelter, and other essential resources.

Poverty and Inequality in Bangladesh

I. INTRODUCTION

Reduction in poverty and inequality is a fundamental challenge in Bangladesh. Prioritizing these, the Millennium Development Goals (MDGs) represent an international commitment to eradicate extreme poverty and hunger and foster global collaboration for development by 2015, while Vision-2021 represents the commitments of the present government to reduce the rate of poverty to 25 percent and 15 percent by 2013 and 2021 respectively. These deadlines are looming and, soon it will be known whether these commitments have been achieved.

Despite the large numbers of people living in poverty, the definition of poverty has been the subject of debate. The mainstream emerging sees poverty as generally being characterised by inability of individuals, households, or entire communities, to command sufficient resources to satisfy a socially acceptable minimum standard of living. The alternative view understands poverty as a part of social property relations. Inequality can be defined in terms of being the opposite of 'equality', a state of social organization that enables or gives equal access to resources and opportunities to all members.

Bangladesh has witnessed a modest progress in reducing poverty since the early 1990s. However, there is no room for complacency. Still, about one-third (31.5 percent) of its population is living below the so-called poverty line (BBS, 2010). Likewise many other countries, poverty is still a vital concern and challenge for Bangladesh.

The progress of poverty reduction in Bangladesh requires an in-depth assessment. This report is an attempt to sketch the current scenario and to make future projection of poverty and inequality so that we can have a clear image to generate evidence and insights that can be used to feed into poverty reduction.

II. METHODOLOGY

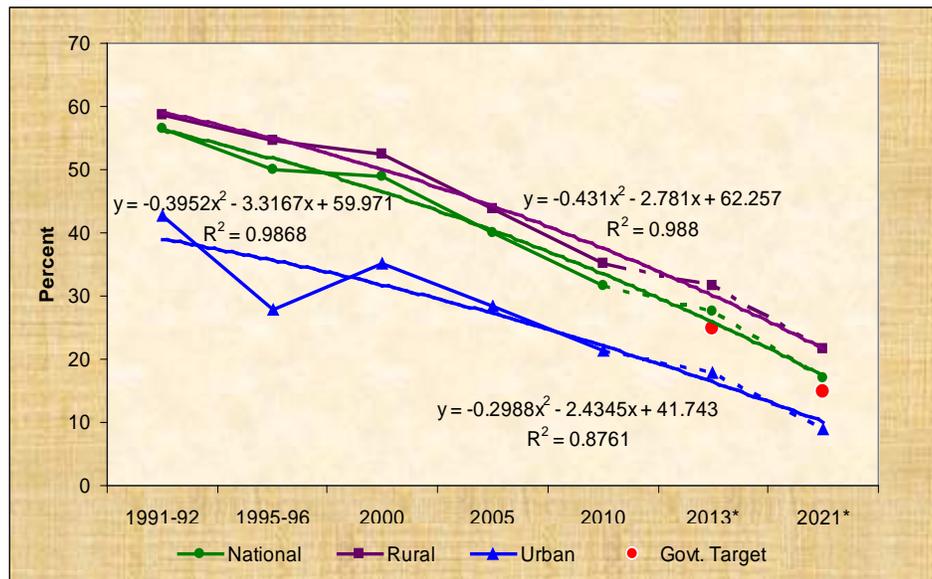
The study was conducted mainly based on the data of Household Income and Expenditure Survey (HIES) of 2000, 2005 and 2010 conducted by the Bangladesh Bureau of Statistics (BBS). Some projections were made on future poverty scenarios using these data. Different statistical reports, relevant research papers, books and many national and internal journals were also reviewed for conducting this research. Finally, bi-variate analysis is conducted to determine association of different variables with poverty and inequality.

III. INCIDENCE OF POVERTY

Bangladesh has made strides in the fight against poverty during the last two decades. The incidence of poverty has dropped from 56.6 percent in 1991-92 to 31.5 percent in 2010 (Figure 1). However, decline in the aggregate poverty in the subsequent period was associated with decline in urban poverty (Zohir, 2011).

The present government has made a commitment to reduce the rate of poverty to 25 percent and 15 percent by 2013 and 2021 respectively. According to the latest available national statistics on poverty, based on head count rate (CBN) and using upper poverty line, the incidence of poverty decreased to 31.5 percent in 2010 at the national level with an annual average rate of decrease at 1.32 percent from 1991-92. If this trend of decrease continues, the incidence of poverty might slide down to 27.5 percent and 17.0 percent by 2013 and 2021, which are higher by 2.5 and 2.0 percent respectively than those of the targets of the present government. To achieve the targets within the time limits (i.e. by 2013 and 2021), it is required to reduce the rate of poverty by 2.2 percent in 2013 and 1.5 percent in 2021 than that of 2010. In rural areas, the incidence of poverty has decreased from 58.7 percent in 1991-92 to 35.2 percent in 2010 with an annual average decrease rate of 1.24 percent. However, in urban areas, the incidence of poverty has decreased from 42.7 percent in 1991-92 to 21.3 percent in 2010 with an average decrease rate of 1.13 percent per annum. It is evident the incidence of poverty is higher in rural areas than that of the urban areas and the decrease rate of poverty is also higher in rural areas than that of the urban areas (Figure 1). One possible reason might be the accelerated pace of rural-urban migration. Rural poverty results from lack of assets, limited economic opportunities and poor education and capabilities as well as disadvantages rooted in social and political inequalities (IFAD, 2010). The incidence of poverty is decreasing, but the rate at which it is decreasing warrants more time to achieve the targets that the present government has made in its election manifesto (Figure 1).

Figure 1: Current Situation and Future Projection of the Incidence of Poverty



Source: Authors' calculation based on HIES 2005 and 2010 data

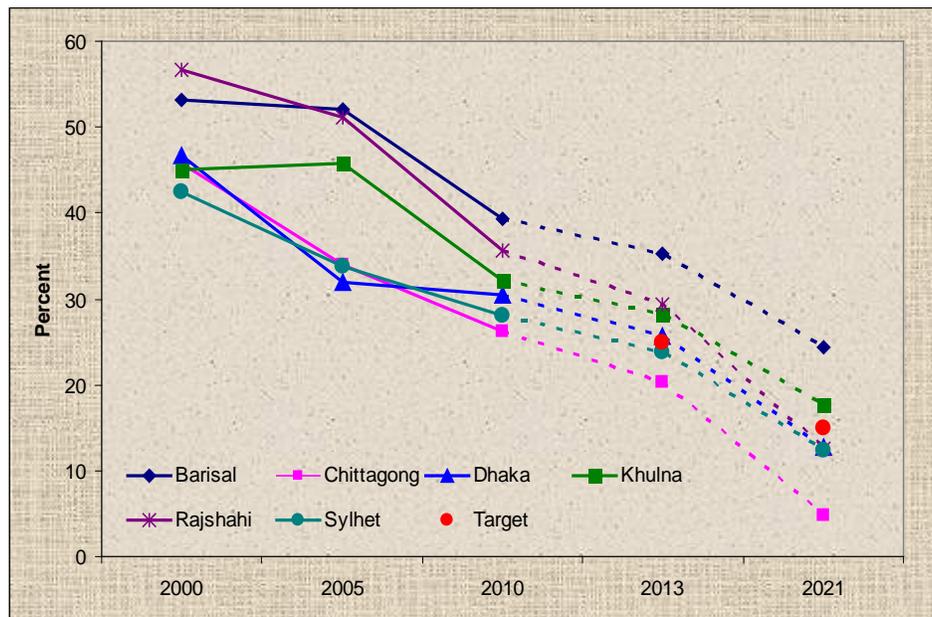
IV. DIVISIONAL DISPARITY OF POVERTY

There is no denial that geography, culture and politics have been historically intertwined to result in differences across region. Therefore, a different result is also found in case of the incidence of poverty according to the division. The estimates of head count rates (CBN) by divisions using upper poverty line reveals that the incidence of poverty is higher in Barisal division with 39.4 percent among all other divisions followed by Rajshahi including Rangpur (35.7 percent),

Khulna (32.1 percent), Dhaka (30.5 percent) and Sylhet (28.1 percent). However, the incidence of poverty is the lowest in Chittagong division with 26.2 percent. Climate change might be a dominant factor responsible for the higher incidence of poverty in those areas (Barisal, Khulna and Rajshahi). Whereas the incidence of poverty in Chittagong division is lower than other divisions, which might be due to the business activities centring on natural resources and the seaport.

The percentage of people living below poverty line is decreasing in all divisions (Figure 2). The annual average rate of reduction in the percentage of population living under poverty line in Rajshahi division was 2.1 percent between 2000 and 2010, which is higher in comparison to all other divisions. This might be due to increased connectivity, reducing transaction costs and more than national average transfer of cash or kind to population, afflicted by riverbank erosion, ‘monga’ (the seasonal poverty). At the same time this rate was 1.95 percent in Chittagong, 1.62 percent in Dhaka, 1.43 percent in Sylhet, 1.37 percent in Barisal and 1.30 percent in Khulna division. If a projection is made based upon the past, the first target of the present government (i.e. incidence of poverty to come down to 25 percent by 2013) might not be achieved by any divisions except Chittagong division. However, the target of reducing the incidence of poverty in the second phase (i.e. 15 percent by 2021) might be achieved by four divisions except Barisal and Khulna (Figure 2).

Figure 2: Current Situation and Future Projection of the Incidence of Poverty by Division



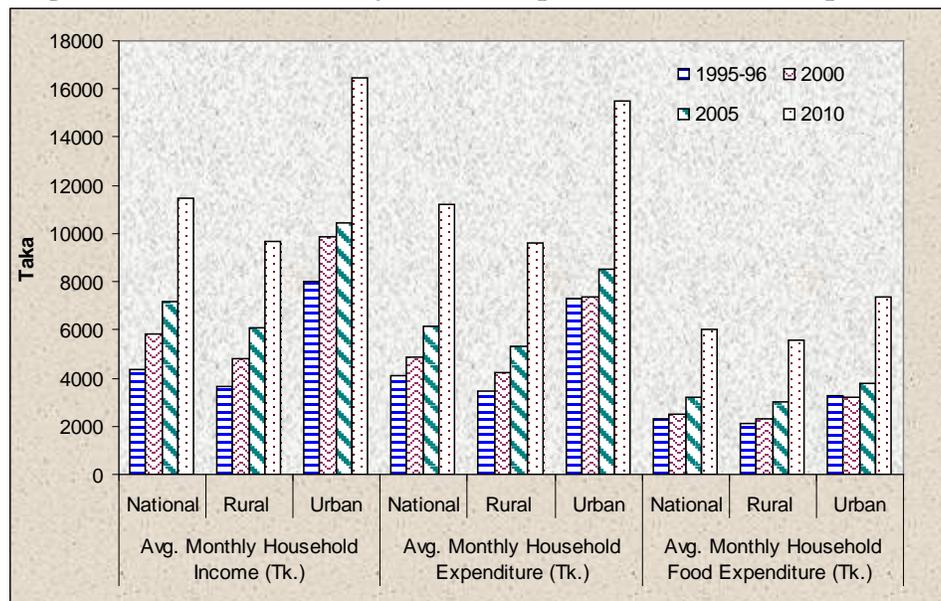
Source: Authors' calculation based on HIES 2005 and 2010 data

V. HOUSEHOLD INCOME AND EXPENDITURE

Reduction in the percentage of population living below the poverty line is conventionally assumed as the result of increased monthly household income over the years. The monthly household income has increased from Tk. 4366 in 1995-96 to Tk. 11,480 in 2010 at national level whereas it has increased from Tk. 3658 to Tk. 9648 in rural areas and Tk. 7979 to Tk.

16,477 in urban areas during the same period. Though, there is a declining trend in the percentage of population living below the poverty line, the progress is not matched due to the increase in the monthly household expenditure. During the last fifteen years (i.e. from 1995-96 to 2010) the monthly household expenditure has risen from Tk. 4090 in 1995-96 to Tk. 11,200 in 2010 at national level. In rural areas, this expenditure has increased from Tk. 3473 to Tk. 9612 and it has increased from Tk. 7274 to Tk. 15,531 during the same period in urban areas (Figure 3). The household expenditure has scaled up mainly due to the higher food expenditure. The food expenditure has climbed up from Tk. 2323 to Tk. 6031 at national level, Tk. 2137 to Tk. 5543 in rural areas and Tk. 3276 to Tk. 7362 in urban areas during the period of 1995-96 to 2010 (Figure 3).

Figure 3: Household Monthly Income, Expenditure and Food Expenditure

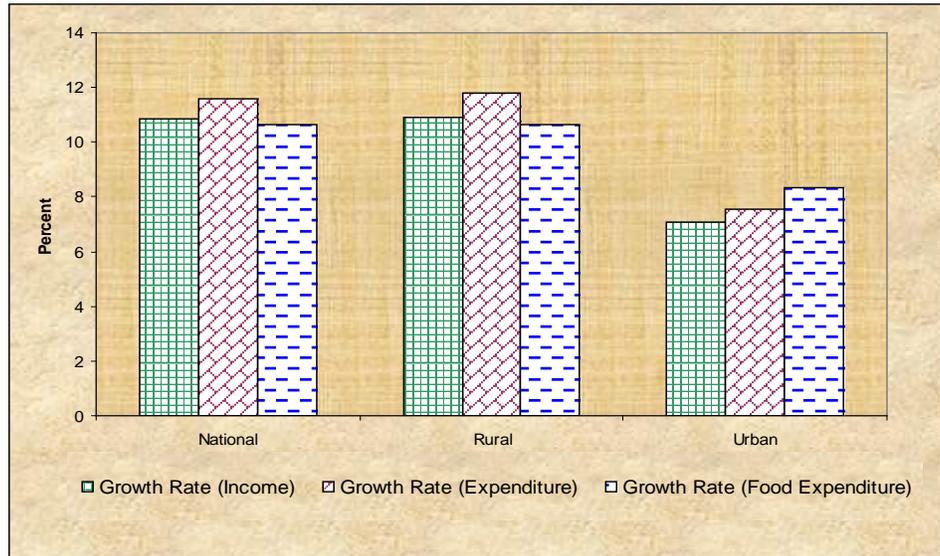


Source: HIES 2005 and 2010

It is evident that monthly household income, expenditure and food expenditure have increased between 1995-96 and 2010. However, food expenditure has increased at a faster rate than that of income. During the period of 1995-96 to 2010, the monthly household income has increased with a growth rate of 10.86 percent, 10.92 percent and 7.10 percent at national, rural and urban level respectively. At the same time, the monthly household expenditure has risen with a growth rate of 11.58 percent at national level, 11.78 percent at rural level and 7.57 percent at urban level while food expenditure has increased with a growth rate of 10.64 percent, 10.63 percent and 8.32 percent at national, rural and urban area respectively. Furthermore, it is found that during the last five years (i.e. from 2005 to 2010), the growth rate of monthly household income was 11.87 percent, 11.67 percent and 11.50 percent whereas, the growth rate of monthly household expenditure was 16.52 percent, 16.14 percent and 16.40 percent, of which the growth rate of food expenditure was 17.59 percent, 16.67 percent and 19.20 percent at national, rural and urban areas respectively. Higher growth rate of household expenditure than the income may indicate that more people are suffering to manage their livelihood in the recent times. An interesting finding is that the monthly household income in rural areas has increased at a higher rate than

that of urban areas whereas the growth rate of monthly household expenditure in rural areas is lower than the urban areas. This is reflected in the percentage of population living under poverty line, where the reduction of poverty in rural areas occurred at a relative higher rate than that of the urban areas.

Figure 4: Growth Rate of Monthly Household Income, Expenditure and Food Expenditure at National, Rural and Urban Area (1995-96 to 2010)



Source: Authors' calculation based on HIES 2005 and 2010 data

VI. DEPTH AND SEVERITY OF POVERTY

The poverty gap estimates the depth of poverty in the population. The head count rates give only the percentage value of poverty incidences, but it does not measure the distance of the poverty prone households from the poverty line whereas the squared poverty gap measure the severity of poverty. A substantial fall in poverty gap and squared poverty gap indicates that consumption of those below the poverty line (upper) has improved. A drop in the poverty gap measure indicates that the average distant of the poor from the poverty line has fallen and a decline in squared poverty gap indicates that the distribution of consumption among the poor has become more equitable. Moreover, these improvements have occurred at similar rates not only at national level but also at rural and urban poor populations. The poverty gap was 12.8 percent in 2000, which decreased to 9.0 percent in 2005 and further, decreased to 6.5 percent by 2010. The decreased rate in the percentage of poverty gap during 2005 to 2010 was lower than that of 2000 to 2005 at national level. This rate was 5.94 percent between 2000 and 2005 whereas it was 5.56 percent between 2005 and 2010. Similar results were also found in case of squared poverty gap, which was 4.6 percent in 2000, decreased to 2.9 percent and 2.0 percent by 2005 and 2010 respectively. The rate of reduction in the percentage of squared poverty gap between 2000 and 2005 was 7.39 percent, which was higher than the rate of reduction (6.26 percent) of last five years (i.e. from 2005 to 2010) at national level.

In rural areas, poverty gap was estimated at 7.4 percent in 2010, which was 9.8 percent and 13.7 percent in 2005 and 2000 respectively. Here, the rate of reduction (4.9 percent) during the last

five years (i.e. from 2005 to 2010) is lower than that of the rate between 2000 and 2005. Similar scenario was also found in case of squared poverty gap where the rate of reduction during 2005 to 2010 (5.81 percent) was lower than that of the rate between 2000 and 2005 (7.35 percent). In addition, a different scenario is found in urban areas in comparison to the rural and national level (Table 1), where the rate of reduction in the percentage of both poverty gap and squared poverty gap occurred at more accelerating pace between 2005 and 2010 than that of the rate between 2000 and 2005. This was reflected in the incidence of poverty, which is lower in urban areas in comparison to rural and national level.

Table 1: Depth and Severity of Poverty in Bangladesh

| Year | National | | | |
|-------|-------------|------------------|---------------------|------------------|
| | Poverty Gap | Rate of Decrease | Squared Poverty Gap | Rate of Decrease |
| 2000 | 12.8 | - | 4.6 | - |
| 2005 | 9.0 | 5.94 | 2.9 | 7.39 |
| 2010 | 6.5 | 5.56 | 2.0 | 6.21 |
| Rural | | | | |
| 2000 | 13.7 | - | 4.90 | - |
| 2005 | 9.8 | 5.69 | 3.1 | 7.35 |
| 2010 | 7.4 | 4.90 | 2.2 | 5.81 |
| Urban | | | | |
| 2000 | 9.1 | - | 3.3 | - |
| 2005 | 6.5 | 5.71 | 2.1 | 7.27 |
| 2010 | 4.3 | 6.77 | 1.3 | 7.62 |

Source: Authors' calculation based on HIES 2005 and 2010 data

VII. INEQUALITY IN INCOME

The Gini co-efficient measures inequality. This is the most popular composite indicator that summarises the extent of concentration (inequality) of household income. Gini co-efficient can vary between '0' and '1'. The '1' is the most unequal state and the '0' is the most equal state. Gini co-efficient of income has increased from 0.393 in 2000 to 0.430 in 2010 at rural areas with the growth rate of 0.94 percent, whereas it has decreased from 0.497 to 0.452 at the same period in urban areas with the growth rate of -0.91 percent. Gini co-efficient of income has increased from 0.451 to 0.458 at national level and the growth rate is 0.16 percent during the same period. The Gini co-efficient of income has decreased at national and urban level over the last five years (2005 to 2010) while it has slightly increased in rural areas during the same time (Table 2).

Table 2: Income Inequality in Bangladesh

| Year | Rural | Urban | National |
|-------------|-------|-------|----------|
| 2000 | 0.393 | 0.497 | 0.451 |
| 2005 | 0.428 | 0.497 | 0.467 |
| 2010 | 0.430 | 0.452 | 0.458 |
| Growth rate | 0.94 | -0.91 | 0.16 |

Source: Authors' calculation based on HIES 2005 and 2010 data

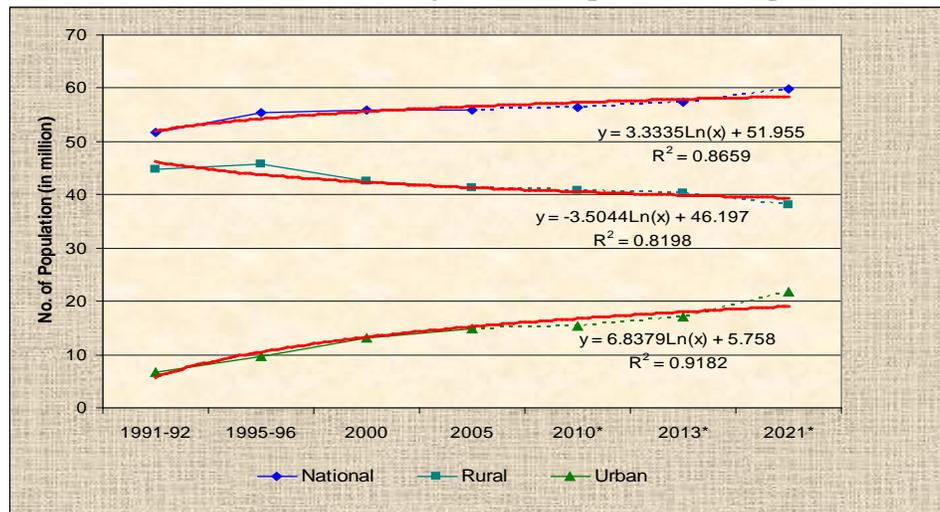
VIII. POPULATION UNDER POVERTY LINE

Despite progress in reducing the overall incidence of poverty during the last two decades, the number of population living under poverty line is still increasing. Soaring food price and food

inflation, climate change as well as the lack of balanced development throughout the country are attributed for such increase. The number of population living below the poverty line has increased from 51.6 million in 1991-92 to 56 million in 2005 with an annual average rate of 0.314 percent at national level. If the rate remains the same, the number of population living below the poverty line might stand at 57.3 million and 59.8 million by 2013 and 2021 respectively.

This number has decreased from 44.8 million to 41.2 million in rural areas during 1991-92 to 2005, with an average decrease rate of 0.257 percent per annum. Under the business as usual scenario, the number of population living below the poverty line might decrease to 40.2 million and 38.1 million by 2013 and 2021 respectively. Whereas, the number of population under poverty line has increased from 6.8 million in 1991-92 to 14.8 million in 2005 in urban areas with the average increase rate of 0.571 percent per year. Continuation of the current rate may witness an increased population of 17.1 million and 21.7 million by 2013 and 2021 respectively living below the poverty line (Figure 5).

Figure 5: Current Situation and Future Projection of Population Living Below the Poverty Line



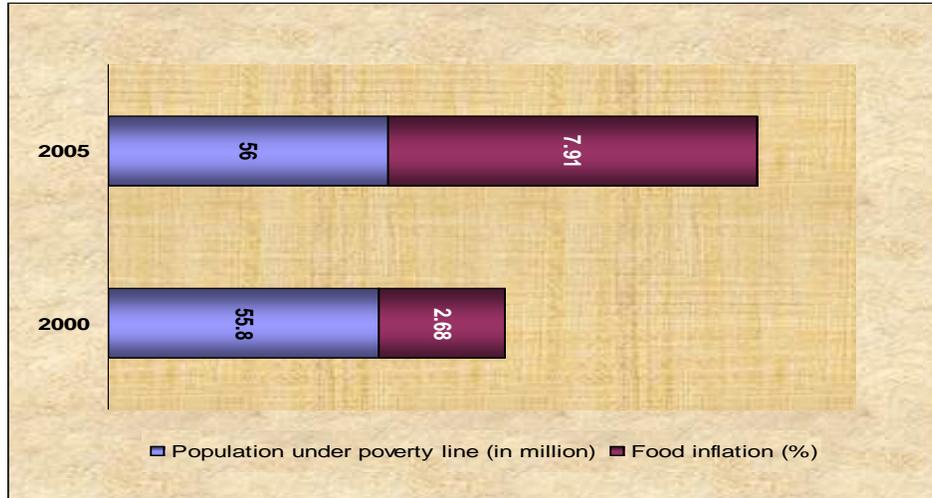
Source: Authors' calculation based on HIES 2005 and 2010 data

IX. FOOD INFLATION AND POPULATION LIVING BELOW THE POVERTY LINE

Bangladesh has already experienced a double-digit food inflation on point-to-point basis since July 2007. The soaring prices of essential commodities, especially, food prices have imperilled the poor and worsened equity. Food inflation has a profound nexus with poverty and inequality. Food inflation hits hard the poor since their purchasing power decreases due to the erosion in real income. There exists a positive relationship between food inflation and poverty. The upward trend of general inflation as well as food inflation has pulled more people into poverty. In 2000, the food inflation was 2.68 percent (12-month average) when 55.8 million people were living under poverty line (Figure 6). In 2005, the food inflation has increased to 7.91 percent (12-month average) when the number of total population living below the poverty line was 56 million. If other things remain the same, this may indicate that, 0.04 million people might be newly gone

under poverty line due to one percent increase in the food inflation. Therefore, 11.73 percent food inflation (July, 2011) indicates that more people are newly added to the population who are living below the poverty line.

Figure 6: Inflation and People Living Below the Poverty Line



Sources: Bangladesh Bank and HIES 2005

Several studies have assessed that the increase in food prices has an impact on the level of poverty in Bangladesh. According to the World Bank (2008), the incidence of poverty has increased around three percent as a result of the increase in food prices from the rate of 40 percent in 2005. An additional of 8.5 percent of households has actually gone below the poverty line because of the high inflation (CPD 2008). Their estimates have taken the Household Income Expenditure Survey of 2005 as the benchmark. They have concluded that the cumulative impact of high inflation (particularly the weighted inflationary impact of the price of rice) has resulted in significant income erosion of the low-income groups in Bangladesh.

X. ASSOCIATION OF DIFFERENT VARIABLES WITH POVERTY AND INEQUALITY

Poverty is not a static condition. It is characterized by an inability to devise an appropriate coping or management strategy in times of crisis. There are a number of variables that positively associate with the poverty and inequality of the population. Food expenditure is positively associated with the number of people living below the poverty line. This indicates that the number of people living below the poverty line also increases with the increase in expenditure on food. Like general inflation, food inflation is also positively associated with the number of people living below the poverty line. As general inflation increases there is an increase in the percentage of population living below the poverty line. Similar result is also true for the food inflation. If food inflation increases, more people slide under poverty line. Furthermore, general inflation and food inflation are positively associated with inequality (income) of population. This indicates an increase in both general inflation and food inflation has been contributing to rising income inequality (Table 3).

Table 3: Association of Different Variables with Poverty and Inequality

| Variables | Chi-square (χ^2) | d.f. | Level of significance |
|----------------------|-------------------------|------|-----------------------|
| X* Food expenditure | 12.0 | 9 | 0.21 |
| X* General inflation | 6.0 | 4 | 0.19 |
| X* Food inflation | 6.0 | 4 | 0.19 |
| Y* General inflation | 6.0 | 4 | 0.19 |
| Y* Food inflation | 6.0 | 4 | 0.19 |

Source: Authors' calculation based on HIES 2005 and 2010 data
X = Number of People Living Below Poverty Line; Y = Inequality (Income)

XI. DOES INEQUALITY DRIVES POVERTY?

The mainstream argues that sustained and equitable economic growth inevitably leads to poverty reduction. There is widespread concern that economic growth has not been shared fairly, and that the current economic crisis further widens the gap between the rich and poor. However, the impact of growth on poverty reduction can be lessened, if the growth is accompanied by rising inequalities. In Bangladesh, the number of people living in poverty has increased due to rising disparities in the distribution of resources within this country. Unequal accesses in different forms of services hamper the expected level of growth in reducing poverty. Furthermore, persistent geographical or social biases in the allocation of subsidies and public investment are also not favourable to achieve the desired poverty alleviating targets. Unequal growth pattern has a weaker poverty alleviating effect and has been shown to be harmful to growth, and it will also reduce the growth and thereby exacerbate poverty. Therefore, reduction of poverty is hard to pin down without addressing inequality.

XII. QUESTIONING THE POVERTY LINE

There is no denying the fact poverty measurement is plagued with many problems, particularly due to its over emphasis on income. The official poverty measurement is determined through income and uses an unrealistically low estimate of USD 1.25. For example, if a person has an income of one USD per day is defined as poor, after one year his income has increased to USD 1.3 and is counted as non-poor. But, in reality, he may be faced with more problems to maintain his livelihood compared to previous year (though he is rewarded as non-poor). Increase in his income is not adjusted with the inflation. Another example, considering the present circumstances, a conservative estimate suggests a minimum spending of about Tk. 50 (USD 0.71) to obtain 2122 Kilocalories per day. That person also needs non-food essentials, including education, clothing, healthcare, accommodation, transportation etc. If a calculation is made based upon expenditure, considering these non-food essentials with food, it is very difficult to survive with the income of USD 1.25 per day per person.

Recently Abul Barkat contradicted the estimate of the government about the number of poor in the country, saying that 83 percent population of the country is now poor and not the 32 percent as the government claims (The Daily Star, 9 October 2011).

During the last five years (2005 to 2010) the growth rate of monthly household income was 11.87 percent, 11.67 percent and 11.50 percent at national, rural and urban area respectively. However, the growth rate of monthly household expenditure was 16.52 percent, 16.14 percent

and 16.40 percent of which the growth rate of expenditure on food was 17.59 percent, 16.67 percent and 19.20 percent at national, rural and urban area respectively. Higher growth rate of household expenditure than that of the income may indicate that more people are suffering to manage their livelihood in the recent time. Therefore, many households might be newly gone under the poverty line. Hence, it is the time to take consumption cost (considering inflation) while measuring poverty.

XIII. WHY POVERTY REDUCING AT A SLOWER RATE?

Although the government has taken several initiatives for alleviating poverty, yet the poverty persists. This is mainly due to the problems associated with the neo-liberal paradigm that the successive governments are pursuing in reducing poverty including those of the poverty reduction strategies (PRS).

The problem arises in its failing to conceptualise that poverty is manifestation of social property relationship. The rate of decline in poverty is accelerated or decelerated, depending upon the social property relations, rather than the neo-liberal articulation that an increase in the size of the “things-basket” reduces poverty. This happens as this “things-basket” operates under particular social relationships. The “things-basket” may reduce poverty up to a point, but it is reproduced due to social property relationship, embedded through institutions, structures, power, and reality and composition of the state.

In instrumental sense, the major reasons for persistence of poverty are: absence of adequate state intervention for the expansion of production, deficiency of equalizing income augmenting employment system, shortfalls in public expenditure for enhancements of capabilities, inadequacies in regulatory regimes, lack of complementary policy structure and non-existence of enforceability of constitutional rights.

Social Relationship

Poverty is a part of social relationship. The poor are remaining poor due to the structural reasons. Even reduction in income poverty has a limit, as it is contingent upon the structure. For example one may generate income at an increased rate but ought to remain at the same level inside the society due to the social stratification. People belonging to the lower class of the society are not allowed to be associated with the upper class in anyway. Hence, even if income poverty scenario may be changed, social poverty remains unchanged due the structural reasons. Even reduction in income poverty has a limit, as it is contingent upon the structure. The social structure reproduces poverty.

Intervention of State in Enhancing Productive Capacity

The neo-liberal paradigm reduces the capacity of state through liberalisation, deregulation and privatisation, assuming that market will deliver the results. This further assumes that a part of the population will plunge into the poverty and they will be addressed through social safety nets. The failing of the paradigm is the failing to take cognisance of the endemic market failures and the need for the state to intervene with strategies, policies and incentives to enhance the productive capacity to ensure full employment, particularly addressing the disguised unemployment. When

people do not have work, they do not make any money; thus, high unemployment leads to high levels of poverty.

Deficiency of equalizing income augmenting employment system

The growth process in Bangladesh has not been matched with increases in jobs. Moreover, the people have entered into labour market with wages below the poverty, creating a huge amount of people, who can be termed as “working poor.” Furthermore, a huge chunk of employed population is under-employed. These have also resulted in augmentation of income inequality. However, typical incomes, adjusted for inflation, grew little while the cost of living increased and they feel difficulty to maintain their livelihood. The full employment is an essential way of achieving the sustainable livelihoods, which in turn is a crucial means of reducing poverty.

Shortfalls in public expenditure for capabilities enhancements

The public expenditure in capabilities has always been less than the required level. This is particularly worsened when the budget deficit soars up. The public expenditure in education, health and housing has a bearing on the poverty. Though, Tk. 86,891 crore (53.12 percent of total budget) is proposed as poverty reducing expenditure in the fiscal year 2011-12, as a percentage it was 3.55 percent less than of the revised budget of the previous fiscal year 2010-11. The government has expenditure in social safety net programmes to the tune of about 13.79 percent of the total budget and 2.51 percent of GDP. This is, however, is not adequate, given the magnitude of the problems.

Inadequacies in regulatory regimes

The system of accumulation in Bangladesh is principally primitive in nature. Such accumulation is omnipresent, particularly in cases of access to, and control over, natural resources, common property resources, and subsidies of state resources. The bias created in favour of rich and powerful could be somewhat lessened by regulatory regimes, giving access to and control over, such resources to the poor. Absence of dynamic regulatory policies and enforcement reduces the poor’s access to such resources, and hence poverty is reproduced or graduation becomes difficult.

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Policy Incoherence and lack of complementarity

Poverty may also increase due to the lack of maintaining coherence and/or complementarity in policies and implementation. For example, the tax system of the country is regressive and bias in favour of rich as the government continues to broaden the purview of across the income quintiles equal incidence bearing tax like value added tax (VAT) while there is hardly any concerted efforts in increasing income tax net and reduction in tax evasion and avoidance of corporate

houses. While the inflation is cropping up, there are not adequate policies to offset the income erosion of the poor.

Ensuring Constitutional Obligation

The Constitution of the country pledges to ensure basic necessities to its citizens by the state. Since these rights are not legally enforceable, the state as a duty bearer to the rights holders could not be operationalized. Therefore, it remains difficult for the poor to enjoy the basic necessities and graduate out of poverty.

Expanding population, failing to harness population dividend

Excessively high population densities put stress on available resources. However, the bulk of the population are of working age, which provides an ample opportunity to harness population dividend. The country's successive plans have not put people as the centre and employment at its heart. Therefore, addition of population without opportunities only adds number to the existing people living under poverty.

Environmental Degradation and Climate Change

Environmental degradation — the deterioration of the natural environment, including the atmosphere, bodies of water, soil, and forests — is an important cause of poverty. Environmental problems have led to shortages of food, clean water, materials for shelter, and other essential resources. This has been further exacerbated by the country being one of the worst victims of climate change in the world.

XIV. CONCLUSIONS

The eradication of poverty and inequality and meeting of basic needs are the primary goals of the government. Nevertheless, achieving a reduction in poverty and inequality is a fundamental challenge in the country without which the human development, economic and employment goals of the government may be hindered. Despite considerable trust on poverty alleviation in all plan documents since the independence of Bangladesh, a significant number of people are still living below the poverty line. It is constitutional obligation of the government to provide a decent living standard for the citizens by alleviating poverty. However, as in many other countries, poverty in Bangladesh is still a serious concern. Although, the present government of Bangladesh is very much hopeful in achieving the target of Millennium Development Goals (MDGs) as well as the targets of Vision-2021 related to poverty and inequality. This report shows that Bangladesh is not well on track en route to achieving those targets. Moreover, it might be quite difficult to achieve the targets, if the government does not give top priorities on the issues outlined above.

Tackling structural barriers is important. For example, market failures, unresponsive public services or prejudice and discrimination prevent people from accessing opportunities available to others.

Over the years, the rate of increase in the monthly household income is lower than that of the expenditure makes the poor more difficult to sustain and drags down more people into poverty. This is also reflected in the increasing trend of inequality over the years. High price of food and

high food inflation bring miserable sufferings to its population especially those who have no or little income. It also found that food expenditure, food inflation as well as general inflation are positively associated with poverty and inequality.

Reduction of poverty through acceleration of economic growth has been principal focus of the current budgetary allocation. Though, Tk. 86,891 crore (53.12 percent of total budget) is proposed as poverty reducing expenditure in the fiscal year 2011-12, as a percentage it was 3.55 percent less than of the revised budget of the previous fiscal year 2010-11. This lower allocation in poverty reducing expenditure may not be favourable to the achievement of Millennium Development Goals (MDGs) and Vision-2021 targets. In this regards, the government has invested in various safety net programs. Continuing all social safety nets and empowerment programmes, the government has allocated Tk. 22,556.05 crore for FY 2011-12, which is about 13.79 percent of the total budget and 2.51 percent of GDP.

Most of the initiatives taken by the government are short-term basis, which might never be a sustainable solution for the reduction of poverty. While household income is seen as important in policy documents, programmatic intervention is inadequate. Unless land, agrarian and aquarian reforms are implemented and rapid industrialization is promoted, a few income promotion and safety net programmes will not be enough to increase household incomes and reduce vulnerability.

Theoretically, some of the strategic documents and policy papers are seemed to be implementable. However, without proper monitoring and evaluation, the implementation of all these policies, strategies and programmes seems like mere window dressing.

The government needs to be creative in renewing and revising strategies and approaches to control the rising food prices and sequentially food inflation as well as should increase budgetary allocation for poverty alleviation. Therefore, provisions must be formulated for the evaluation of programmes and understanding of the impacts as well. Findings need to be scientifically utilised in developing suitable programmes addressing the case of reducing poverty and inequality in Bangladesh. Otherwise, the aim of reducing poverty and inequality may remain elusive and distant dreams, which the nation cannot afford.

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