

# The Extreme Poverty in Bangladesh: An Overview

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## Abstracts

By reviewing existing literature this report focuses on methodological issues related to the identification of ultra poor in Bangladesh. According to different statistics up to 40% of the rural poor in Bangladesh remains uncovered by any micro-credit initiatives. Extreme poor consists of 30-40% of that population. Extreme poor are of two types. It includes destitutes and those who are physically fit for work but unable to consume more than 1805 kilo calories per person per day. The extent of extreme poverty and its actual number varies depending upon the methods used for calculation. Since there is no universally accepted definition on extreme poverty, it also creates another problem in its measurement. It is revealed from the findings of different studies that a single criterion is not enough to identify the extreme poor. In this regard a combination of variables highly correlated with poverty like household landholding, household head's sex, education and occupation and village level vibrancy can be a better choice.

## Poverty in Bangladesh: an overview

In spite of long-run efforts poverty remains one of the major issues of concern for Bangladesh. Although the incidence of poverty has reduced since 1991-92, it is quite high even today. According to World Bank statistics, 53% of the national and 57% of the rural population were poor in 1995-96. The prevalence of extreme poverty was also high – 36% and 40% respectively. In terms of actual number about 45 million people were under extreme poverty. Here poverty line is defined based on basic needs approach where a person is treated as poor if s/he consumes less than 2122 kilo calories per day. The extreme poor consume less than 1805 kilo calories. According to BBS estimates, however, in 1995-96, 47% of the rural and 48% of the national population were under the poverty line. These estimates are based on the direct calorie intake method. The mid-term review report on the Fifth Five year Plan states that the percentage of the people living under the poverty line has come down to around 44% in 1999 (GOB, 2000).

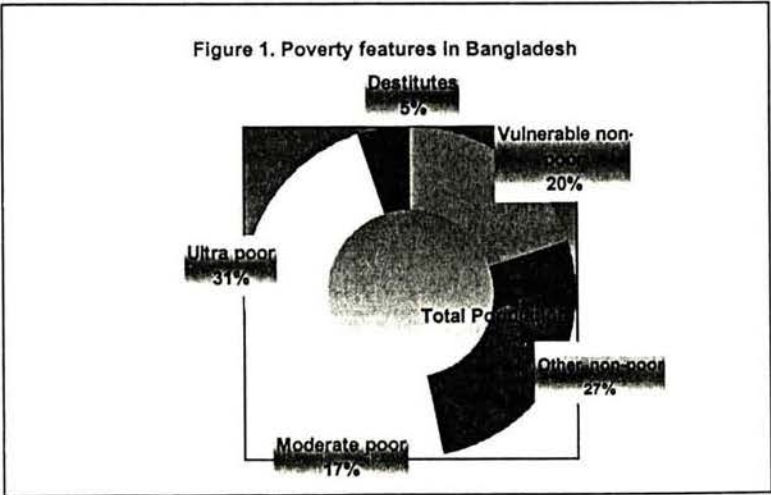
A World Bank study sub-divides the extreme poor into two groups: the destitute and the ultra poor (World Bank, 1998). The first category includes those who consume less than 1600 kilo calories per person per day and are physically unfit for any alternative mainstream development programmes. They are at the bottom of the poverty level. The second category i.e., the ultra poor, are physically fit for work but are still very poor and consume less than 1805 kilo calories per person per day. Detailed poverty features in Bangladesh, according to the study, are shown in Figure 1. Out of 36% of the population who are extremely poor, 31% are ultra poor and 5% are estimated as destitute.

### The extent of extreme poverty

Poverty is a multi-dimensional concept. In measuring the extent of extreme poverty, several organizations used different approaches, which are not always comparable with each other. There are three available approaches to identify the poorest which include:

- a) a direct method using information on calorie consumption,
- b) an indirect method using data on income/expenditure and
- c) a qualitative method using the perception of the respondents.

None of these methods are comparable with each other across time and space. A study conducted by the Bangladesh Institute of Development Studies (BIDS) used the indirect method based on income scale. It estimated that 22.7% of rural households are extremely poor and are unable to purchase food providing 1805 or more kcal. and other minimum basic needs (Hossain, Hossain and Sen, 1996). The World Bank study (1998) based on household expenditure survey data of Bangladesh Bureau of Statistics concludes that 36% of the total population and 40% of the rural households are very poor. The study found some declining trend in the recent incidence of poverty but the trend is lower for the rural areas compared to urban. The depth and severity of poverty are also observed to be worse in the rural areas. The results are similar and consistent with other studies focusing on rural and urban poverty (Bangladesh Human Development Report 2000, 2001; Hossain et al., 1999). The Poverty Monitoring Survey of the Bangladesh Bureau of Statistics (BBS) indicates that the absolute number of poor in the country has been increasing and at the same time the depth and severity of rural poverty also seems to be increasing. All these studies, mentioned above, used the cost of basic needs approach, considering 1805 kcal. per person as the cut-off point within the context of human needs and considering all those below this line as extreme poor. BBS also considers two extreme poverty lines: the first one corresponds to 1805 calories per day per person, the second corresponds to 1600 calories per person per day. Based on calorie consumption, BBS found that 14% of the rural population were below the second extreme poverty line. BIDS study results based on the perception of the respondents came up with the figure of 16% who lived in 'chronic deficit' throughout the year.



It is important to mention here that all the above-mentioned studies gave more weight to calorie consumption and/or income/expenditure that are only a part of the total human needs. Literacy, education, health, nutrition are other areas which also need to be considered in measuring poverty.

### **The poverty correlates**

In rural areas land mattered a lot in defining poverty. The probability of being poor is highest among households owning less than 50 decimals of land, followed by the landless group. Six of ten among households owning less than 50 decimals of land were extreme poor. On the other hand only one in 40 was poor among households owning 7.5 acres of land or more (World Bank, 1998). Along with land, household head's sex, education and occupation are strongly correlated with socio-economic status of the households and thus served as the bases for poverty measurement. The probability of being very poor is higher among households headed by illiterate heads, female-headed ones and among the landless wage earner groups. Other factors like marital status, health condition and age of household head, societal attitude towards gender disparities and village level economic development also influence poverty (Husain (ed.), 1998; Hossain and Hossain, 1995).

### **Definition of the extreme poor**

There is no universally accepted definition of 'extreme poor'. Each and every study uses its own definition. The World Bank (1996) defines the extreme poor as those who have no land or house of their own, sell manual labour with no other means of income, have no savings, are unable to have three meals a day, can not afford to purchase minimum clothing and have no ability to spend money on education. These poor people have very little assets and suffer from instability and frustration in everyday life.

In defining the extreme poor, Alamgir (1998) includes households without any agricultural land or even homestead, widows, women-headed households, households with disabled

adult male members, households without any source of income or with very irregular income under the poorest or the hard core poor. This group may also be termed as the destitute.

Land may not be the only criterion of household well being. A household may earn major portion of its income from sources other than land. Similarly, female headedness can not be a criterion of the poorest in all cases. Hossain and Huda (1995) found that the process by which women became household heads was not only poverty or loss or disability of the adult male income earner but may also be through the migration of the male income earner. In these cases households are not among the poorest. Thus, neither female-headedness nor landlessness can be termed as the sole indicator of extreme poverty.

Rahman *and* Razzaque (2000) also asserted that a single criterion is not enough to define the extreme poor. The definition of the extreme poor needs to be addressed multi-dimensionally. Several indicators such as, income, occupation, housing and physical characteristics, geographical location, sex of the household head and household dependency may also be considered. Sen and Begum (1998) prioritized three indicators: land, housing and occupation, although, according to them some other characteristics such as region and ethnicity do also matter.

It is revealed from the above discussion that identification of the extreme poor involves a multiplicity of criteria. As we consider a number of indicators, their relative importance may also vary from case to case. One possible way of measuring poverty more accurately is to construct an index by combining a number of variables, which can minimize the error in identification (Halder and Husain, 2000).

Low coverage of extreme poor in micro-finance programmes: In Bangladesh over the last two decades, micro-finance has been used as one of the means for development. The target population for micro credit programmes is the rural landless and assetless men and women. The criterion of land ownership is widely used to determine the eligibility for membership to any micro credit programme. Households owning 0.5 acres or less of land are eligible to join programmes and receive credit and related services. Approximately 60% of the population of Bangladesh fall under the target population using the above-mentioned definition. Today

approximately 7.5 million men and women are receiving credit from Grameen Bank and other MFIs. The Second Impact Assessment Study (IAS-II) of BRAC found that 41% of the poor owning less than 50 decimals of land and living in BRAC's programme villages did not participate in any NGO programme activities (Halder et al, 1998). Thirty-eight percent of them were landless households. Evans *et al.* (1999) found that one-third of the population eligible for micro-credit were not covered by any micro-credit programmes. Among them 25% were 'very poor' households, characterized by an absence of formal education of the adults, small household size and low monthly income. Low coverage of extreme poor household by micro-credit programmes was also mentioned in other studies. (Rahman, 2000, Hashemi, 1997).

Reasons for non participation: Reasons for non-involvement of the poor in NGOs as identified by Halder and Husain (1998) were: lack of their capacity to save regularly; apprehension about misappropriation of funds by NGOs; absence of adult males in the households; restriction on withdrawal of savings; low interest rate on savings; hampering of prestige and other obstructions created by RDP village organization (VO) members. The household resource constraints i.e. limitations in the availability of liquid cash for the savings discipline, lack of time to attend meetings and thinking about credit activities were found to be the main reasons inhibiting the 'very poor' for not joining as identified by Evans *et al.* (1999).

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