

# THE BUSINESS STANDARD

## Inflation pushes 21 lakh into poverty: Study

Two-thirds of the households have reduced non-food expenditures, including a worrying decrease in medical and children's education expenses

### TBS Report

05 June, 2022, 06:15 pm



Photo: Collected

**While people are still recovering from the pandemic-induced shocks that pushed around three crore people into poverty, the recent inflation has created another 21 lakh poor, a recent study has found.**

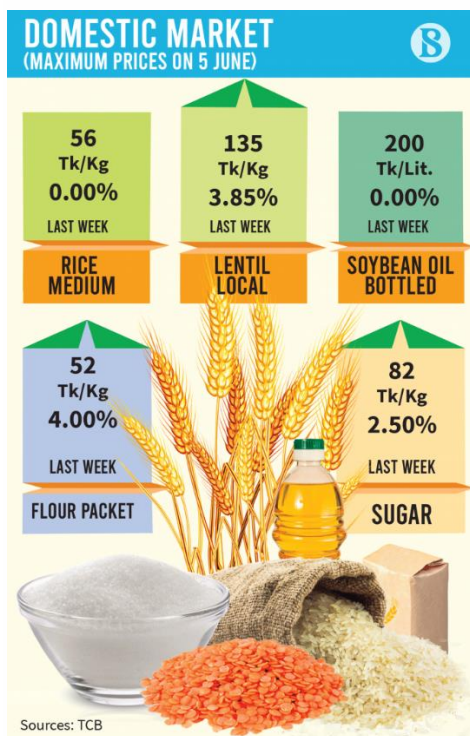
Power and Participation Research Centre (PPRC) and BRAC Institute of Governance and Development (BIGD) jointly conducted the study on some 4,000 families in both rural and urban areas from May 2022 till the present.

The PPRC and BIGD revealed individual reports on their findings on Sunday in a virtual meeting.

"Per capita daily income was steadily recovering after the second lockdown—which increased by 27% from August 2021 to January 2022— but started reversing again by 6% between January and May 2022 due to inflation, disrupting the expected recovery of real incomes to that of the pre-pandemic times," said Dr Hossain Zillur Rahman, executive chairman of PPRC.

The recent fall in daily per capita real income in the urban slums (8%) has been sharper than that in the rural areas (3%). Livelihoods in urban slums were already more severely affected by Covid and recovering more slowly, compared to those in villages. The inflation has further slowed the recovery process in slum areas, finds the study.

The inflationary pressure also appears to have pulled more women to find work; 40% of female respondents in the survey were engaged in income-generating activities in January, which jumped to 52% in May, but the longer-term is still grim for women—36% women in the sample who were working pre-Covid continue to remain out of work.



Because of rising prices, most of the surveyed households have drastically reduced or stopped the consumption of major food items such as fish, meat, milk, and fruit, since February.

Compared to August 2021, more households were depending on their incomes and production for their food needs in May 2022, as opposed to loans, dues from shops, and help from relatives.

This seems to be a positive development. However, 38% of the households also said they needed to borrow more money but could not, mostly because of reasons like inability to repay or existing large debt burdens, indicating that many of these households are under severe financial stress.

Moreover, since February 2022, two-thirds of the households have reduced non-food expenditures, including a worrying decrease in medical and children's education expenses. The households are also buying less and buying lower-quality goods to cope with the price hike.

Compared to last year, the purchase of fair price rice has increased in May 2022, among both people below and above the poverty line.

More than half of the households believe that the price hike is due to governance issues. The majority want the government to punish the syndicates and corrupt businesses, while a third suggested reducing prices, particularly for low-income households.

The national estimate of the "new poor" remains high at 18.54% in May 2022 due to inflation and the slow recovery among the vulnerable non-poor.

"The inflation-induced reversal comes within a larger context of multiple prolonged crises," said Dr Imran Matin, executive director of BIGD.

"Government action for the informal sector and the poor will be critical at this time, and this needs to protect both consumption and production capabilities. Social protection needs to be reimagined to align with our challenges and ambitions," he added.