



The dynamics of poverty in rural Bangladesh

Introduction

The CPRC's Poverty Dynamics and Economic Mobility Theme principal goal is to improve our understanding of the economic and social processes that shape poverty dynamics (in both monetary and non-monetary terms) and their implications for anti-poverty policy. To further this, the two main objectives of the theme are to develop an integrated and sequenced approach to the study of poverty dynamics which merges large N quantitative resurveys with medium N qualitative methods, and field test this in one African and one Asian country. This research summary reports on a major mixed methods study of poverty dynamics and economic mobility conducted by CPRC, DATA and IFPRI in rural Bangladesh between 2006 and 2008. This is the first of two major qualitative and quantitative studies that are planned during CPRC Phase III. After describing the background and implementation of the study, the study's key findings regarding the extent of poverty dynamics and the factors that enable individuals and households to escape from chronic poverty or trap them in it are reviewed. The emerging policy implications of the study are then discussed.

Background and implementation of the study

The CPRC-DATA-IFPRI study builds on three, primarily quantitative, surveys conducted by the International Food Policy Research Institute (IFPRI) and associates in Bangladesh to evaluate the short-term impacts of microfinance (1994), the new agricultural technologies (1996–97) and the introduction of educational transfers (2000 and 2003). The original evaluations surveyed 1,907 households and 102 villages located in 14 of Bangladesh's 64 districts. These districts and villages were selected to span the range of agro-ecological conditions found in rural Bangladesh and, while they cannot be described a representative in a statistical sense, the surveyed villages do broadly characterise the variability of livelihoods found in rural Bangladesh. In

designing the original evaluation surveys, careful attention was paid to establishing intervention and comparison/control groups, and these have been maintained in subsequent rounds.

The CRPC-DATA-IFPRI resurvey conducted in 2006–07 involved focus group discussions, a follow-up longitudinal survey of households included in the IFPRI studies, plus life history interviews with women and men from a sub-sample of these households. It had three sequenced and integrated phases.

Phase I was a qualitative phase designed to examine perceptions of changes (and why these have come about) from women and men in a sub-sample of our survey communities. This phase involved focus group discussions with four groups (of poor and better-off women, plus poor and better of men) per village. The focus groups aimed to elicit perceptions of changes and the degree to which the three interventions affected people's lives (compared to other events in the community). A total of 116 single-sex focus group discussions, evenly divided between intervention and comparison control villages, were conducted in 11 districts in July and August 2006. The findings from these focus group discussions are described in Davis (2007).

Phase II was a quantitative resurvey of the original households from the IFPRI evaluation surveys together with any new households that have split off from the original households but remained in the same district. The household survey took place between November 2006 and February 2007, the same agricultural season as the original surveys, and covered 2,152 households, of which 1,787 were core households that took part in the original survey, and 365 were "splits" from the original households. The household survey questionnaire was designed to be comparable across sites and also to facilitate comparability with the original questionnaire from the evaluation studies. A community level questionnaire was also administered and GPS coordinates for all sample households were collected. The overall attrition rate across the three sites is relatively low at 6.3 percent of core households across the three interventions. While attrition is not random—households with older

What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.



members are more likely to leave the sample, and some location effects exist—tests suggest that the bias involved is not substantial. The initial findings from the quantitative resurvey are described in Quisumbing (2007).

Phase III consisted of a qualitative study based on life histories of 293 individuals from a sub-sample of 160 households in eight of the districts in the original quantitative study. In each district, two villages from the Phase II study were selected. Then in each village ten households were selected using the poverty transition matrices constructed using the original and 2007 household surveys. Life history interviews were carried out with, where possible, one man and one woman interviewed separately by two researchers of the same sex. ‘Historical markers’, such as the 1971 war of independence and 1988 floods, were used to determine the years’ particular events as described by the respondents. All interviews were digitally recorded and written within a day or two of the interview. At the end of the life history interviews, a diagram of each respondent’s life history from the time-line of events that he or she had drafted during the interview was also prepared. On these diagrams, the level of wellbeing at different points in the life trajectory is indicated using a scale of one to five using the categories developed by the life history team. These levels were checked during a final village level discussion and used to categorise individual’s qualitative poverty dynamics using nVivo7. Fieldwork for this final phase of the study was undertaken between March and October 2007, and its initial findings are described in Baulch and Davis (2008).

After analysis and reflection, a data dissemination and release workshop was held in Dhaka on 19 August 2008. A further event specifically targeted to advisors in the Bangladesh interim government is planned this December.

Key findings

Using an expenditure-based poverty measure and the Bangladesh Bureau of Statistics poverty lines, monetary poverty was found to have more than halved in the three intervention sites. As shown in Table 1, while at least half of the people surveyed moved out of poverty, around a fifth remained chronically poor. Between a quarter and a third were never poor, and a small percentage of people fell into poverty.

It is important to note that the life history interviews conducted in the subsample of 160 of the 2,152 households surveyed, find less poverty transitions than the quantitative survey data. While the qualitative and quantitative data tend to agree on which households are chronically poor and never poor, the life histories data suggest fewer households are moving out of poverty than the household resurvey.

We discuss the reasons for this below in the context of answering the PDEM theme three key research

questions on: (i) what enables individuals and households to escape chronic poverty?; (ii) what prevents individuals and households from escaping chronic poverty?; and, (iii) what leads individuals and households to fall into chronic poverty?

What enables individuals and households to escape chronic poverty?

The processes which lead individuals and households to escape from chronic poverty are gradual, and often interrupted by short-term set backs. As shown in Table 2, most individuals included in the life history sub-sample experienced saw-tooth life trajectories, in which slow improvements in people’s lives were combined with intermittent and sudden setbacks due to illness, dowry and wedding expenses, legal disputes and natural disasters. Households that were able to escape poverty were not unaffected by shocks but had the resilience to cope with them due to a combination of land and non-land assets, multiple income sources, and links to important people in the local community. Specific interventions were cited rarely as the reason for households being able to escape poverty. Households that were able to escape chronic poverty were, however, often at stages in their life cycle when they were less likely to experience the negative events described below. Sons growing-up and entering the work force, even if only into unskilled, low-wage jobs, had an important impact on households’ poverty status.

These processes contrast strongly with the smooth processes or accumulation and decline that are hypothesised by standard neoclassical economic models, although it does not appear that asset trajectories bifurcate. Instead, there is convergence towards a single (low-level) equilibrium (Quisumbing and Baulch, 2008).

However, many of the escapes from poverty reported by quantitative household survey data are both ambiguous and fragile. As noted above, many more escapes from poverty are reported in the household survey data than the life history data. Three main factors seem to be associated with this. First, many households have not moved very far over the poverty line, so that no substantial change in life circumstances has been perceived. Second, when households divide or reduce

Table 1: Changes in poverty status over time

| | Microfinance (1994-2006) | Agricultural technology (1996-2006) | Educational transfers (2000-2006) |
|----------------------------|-------------------------------------|--|--|
| Poverty headcount | | | |
| Poverty in baseline survey | 60% | 62% | 71% |
| Poverty in 2006/2007 | 21% | 13% | 28% |
| Poverty transitions | | | |
| Chronic poor | 16% | 11% | 25% |
| Falling into poverty | 5% | 2% | 3% |
| Moving out of poverty | 44% | 51% | 46% |
| Never poor | 35% | 36% | 26% |



Table 2: Common Life Trajectories Patterns

| Direction | Pattern | Depiction | Number of Cases |
|-----------|-------------|-----------|-----------------|
| Stable | Smooth | | 8 |
| Improving | Smooth | | 3 |
| Declining | Smooth | | 2 |
| Stable | Saw-tooth | | 135 |
| Improving | Saw-tooth | | 76 |
| Declining | Saw-tooth | | 30 |
| Declining | Single-step | | 2 |
| Declining | Multi-step | | 37 |
| | | | 297 |

substantially in size for other reasons (migration, marriage of daughters, death etc.), per capita household expenditures may rise substantially but the number of members over which total household expenditure must be divided becomes smaller. This leads to loss of household economies of scale. Third, many aspects of ill-being (such as mental or physical disability, domestic violence, or lack of autonomy due to patron-client relationships) are not captured by expenditure-based poverty measures.¹

What prevents individuals and households from escaping chronic poverty?

The household resurvey shows that important determinants of chronic poverty include household demographics (in particular, the proportion of elderly people in the household), low levels of education, and lower ownership of land and non-land assets. There is a gender-related element to household demographics as well: while boys of school age are expected to find work and contribute to household livelihoods, girls of school age soon reach marriageable age, which implies dowry expenses. Illness-related income losses and livestock deaths in the past ten years also both significantly increased the probability of a poor household remaining poor. These factors point to the importance of life-cycle effects in maintaining chronic poverty and the need for effective social protection systems.

While it is unsurprising that chronic poverty is correlated with low asset holdings, we found many chronically poor households in rural Bangladesh own some (typically homestead and non-paddy) land and have some livestock assets (typically poultry and small ruminants). The chronically poor and their dependents are simply not landless and assetless labourers. Furthermore, there does not appear to be a critical threshold in terms of either land or non-land assets beyond which households are more likely to be able to escape from chronic poverty.

Our quantitative panel survey is unusual in having followed not just core households but also households (typically male-headed) that have split-off from them, as long as they stayed in the same district. While there is no simple relationship between our four poverty transition categories and household division, the life histories show that in many

of the households which divided prior to parent's death, the parents remained poor while the children were able to escape poverty. Given demographics, this pattern is consistent with falling poverty headcounts and the importance of life cycle factors in explaining poverty dynamics.

What leads individuals and households to fall into chronic poverty?

Both the qualitative and quantitative data show fewer households falling into, rather than escaping poverty. The factors which lead individuals and households to fall into chronic poverty are typically short-lived and associated with negative events at the individual or household rather than community level shocks. This is confirmed by both the life histories data and the detailed shocks module of the household survey administered in 2007 (see Figure 1). It is important to realise, however, that it is usually not a single negative shock but two or three negative events occurring in rapid succession, with insufficient time to recover in between, which propel households into chronic poverty. Some of the negative events, such as dowries and wedding expenses or the costs of medical care for elderly household members, are not strictly shocks — as they are predictable, at least approximately, in advance. Both the household survey data and life histories show that most negative events are individual or household specific ones, rather than the covariant ones (such as floods and harvest failure) that receive so much policy attention. Indeed, there is even some evidence from the household resurvey that floods and other covariant shocks may reduce chronic poverty because of the additional transfers poor households receive during such crises.

The focus group discussions and life history interviews show that dowries, which are widespread but formally illegal in Bangladesh, represent a substantial drain on the resources of all rural households. Dowries and the other costs associated with weddings were the most frequently mentioned cause of falling into poverty in the focus group discussions, and also figured prominently in the life history trajectory diagrams. Furthermore, as dowry payments are often used to pay for the wedding costs by the bridegroom's family, they are better regarded as dead-weight losses rather than intergenerational transfers between households. Quantitative analysis using the data on assets inherited in the agricultural technology confirms that dowries do little to enhance the subsequent welfare of brides' households, in contrast to the assets (education and land) typically inherited by boys (Quisumbing, 2008). Indeed, a lack of brother or other close male relatives is one of the factors associated with females and female-headed households falling into poverty.

Indebtedness was also listed as a cause of decline in both the focus group and life history interviews. The microfinance revolution in Bangladesh, while undoubtedly allowing many households to escape poverty by building-up productive assets and diversifying their livelihoods, also has a downside. With numerous NGOs operating in most of the survey villages, many of the life history respondents reported taking multiple loans and using these to fund consumption or medical expenses as well as income generating activities.



The Chronic Poverty Research Centre (CPRC) is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

Partners:

Bangladesh Institute of Development Studies (BIDS), Bangladesh

Development Initiatives, UK

Development Research and Training, Uganda

Economic Policy Research Center, Uganda

FIDESPRA, Benin

HelpAge International, UK

Indian Institute of Public Administration, India

IED Afrique, Senegal

Institute of Development Studies, UK

Institute for Development Policy and Management, UK

Overseas Development Institute, UK

Programme for Land and Agrarian Studies, South Africa

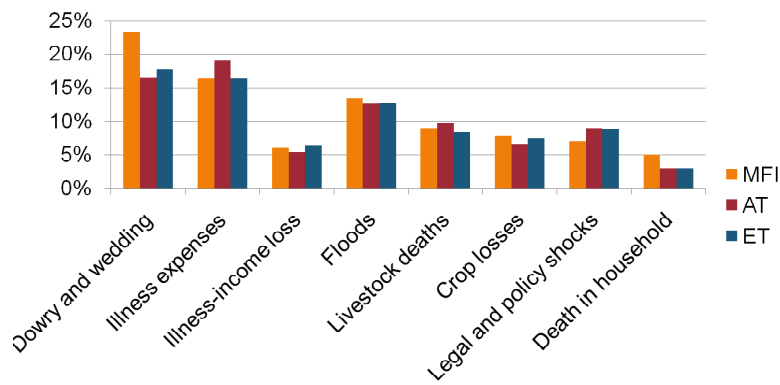
University of Legon, Ghana

University of Sussex, UK

Contact:

Julia Brunt,
CPRC Programme Manager
j.brunt@odi.org.uk

Figure 1: Most important shocks experienced over the last 10 years



Emerging Policy Implications

National statistics show that Bangladesh has experienced impressive poverty reduction, in both monetary and non-monetary terms, over the last decade. However, as this and other studies have shown, these gains remain fragile: combinations of shocks (such as floods and the recent food price hikes) or other negative events at the household level (such as dowries, the costs of ill-health, and legal disputes over land) can easily push households back below the poverty line again. In our study sites, around a fifth of the rural population remain trapped in long-term poverty through a combination of life-cycle factors, lack of assets, adverse incorporation and ill-fortune.

These findings pose both measurement and policy challenges. On the measurement side, the research has stimulated interest in supplementing the standard per capita expenditure based measures of poverty used in Bangladesh with more contextual, qualitative work. The results of the study's life history phase are persuasive because they have been conducted systematically and at scale. Many of the issues which they raise (such as the importance of life cycle effects, dowries, combinations of negative events, and power relations) are powerful because they resonate with researchers' and policy makers' own observations or rural life. The use of equalised rather per capita expenditures as the welfare measure

for deriving national poverty headcounts also deserves consideration, particularly when tracking poverty changes over time.

At the policy level, this unique study's contribution to our understanding of poverty dynamics lies in a better understanding of the long-term life-cycle factors which are the drivers and maintainers of chronic poverty in rural Bangladesh.² While large, covariant shocks such as floods

or rise in food prices are undoubtedly important in rural Bangladesh, the Government now has relatively well-developed policies for responding to such shocks. However, these policies do not help households deal with ageing, the loss of members through marriage, migration or household division, or the household -specific negative events which trap so many in chronic poverty. Measures which go beyond responses to specific hazards, and which enhance households' ability to cope with multiple sources of crises as and when they occur, are desperately needed. The micro-insurance schemes being developed by some NGOs offer promise in this regard. Consolidation and rationalisation of the extensive range of shock-specific interventions into a more unified and comprehensive social protection system is also vital. Less costly, more effective health care provision would mitigate many of the negative impacts of health related shocks. Social campaigns and non-legislative measures are also needed to counter the pernicious effects of rising dowries and adverse incorporation. Alongside proven interventions (such as microfinance and education transfers) to build the physical and human capital of the poor, improved social protection measures at the household level are essential to promote durable and sustainable routes out of poverty for the more than 20 million rural Bangladeshis who are still trapped in chronic poverty.

This research summary was written by Bob Baulch

Endnotes

- Note that most husbands and wives agreed on their qualitative poverty transition categories, even when their knowledge of the events and processes that lead to these outcomes differed.
- It should be noted that the qualitative and quantitative data collected on poverty dynamics and economic mobility during the three phase of the study is extremely rich, and is still being explored — with a special focus on which of the three development interventions have had the greatest impact on living standards.

Selected Outputs

Davis, P. (2007). 'Discussions among the poor: exploring poverty dynamics with focus groups in Bangladesh'. CPRC Working Paper 84. Manchester: Chronic Poverty Research Centre.

Quisumbing, A. (2007). 'Poverty transitions, shocks and consumption in rural Bangladesh: preliminary results from a longitudinal household survey'. CPRC Working Paper 105. Manchester: Chronic Poverty Research Centre.

Baulch, B, and Davis, P. (2008). 'Poverty dynamics and life trajectories in rural Bangladesh'. *International Journal of Multiple Research Approaches*, 2 (2), 176-190

IFPRI-CPRCI (2008). Three Briefs on the Dynamics of Poverty in Rural Bangladesh. CD-Rom containing release of preliminary data from CPRC-DATA-IFPRI panel survey.

Quisumbing, A. (2008). 'Inheritance and the intergenerational transmission of poverty in Bangladesh'. CRPC Working Paper 117. Manchester: Chronic Poverty Research Centre.

Quisumbing, A. and Baulch, B. (2008). 'Assets and poverty traps in rural Bangladesh'. CPRC Working Paper draft.