



Fortnightly column

Village Dynamics Insights

Fluctuations in rural poverty levels in Bangladesh

Recent analysis of long-term studies on the dynamics of rural poverty in Bangladesh has revealed surprising fluctuations in the incidence of rural poverty over the past three decades.

A team of researchers in Bangladesh – who currently partner with ICRISAT in the VDSA project – found that while the poverty head count ratio fell from 62% to 44% between 1988 and 2004, it rose to 45% between 2004 to 2008. With a rural population of 109 million this means an additional 13 million people fell into poverty between 2004 and 2008.

However, more recent analysis of VDSA data shows a steady recovery and reduction in poverty between 2009 and 2013, with average per capita income increasing 2.4 times during that period.

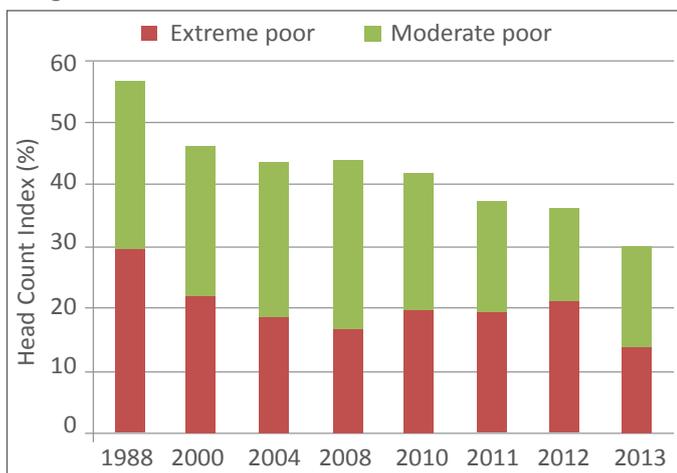
Increased income with increased poverty levels

The first set of findings which covered 62 villages were included in a paper titled: Did the commodity price spike increase rural poverty in Bangladesh? This study found that prior to the global crisis in commodity markets in 2007-2008, Bangladesh had enjoyed two decades of relative success in reducing rural poverty.

From 1988 to 2004 the percentage of rural households below the poverty line fell from 62% to 44%, a reduction that was associated with a shift towards non-farm employment. However, the surge in commodity prices in 2007-2008 and the resultant higher prices in food staples such as rice increased the poverty incidence to 45% and pushed millions below the poverty line.

During the period 2004-2008 the per capita income continued to rise to a rate of nearly 15% per year with the average per capita income increasing from US\$264 to US\$417. Yet at the same time food prices rose

Extent of poverty among sample households in Bangladesh: 1988 to 2013



Economic Indicators								
Particulars	1988	2000	2004	2008	2010	2011	2012	2013
Assets Ownership, Liabilities and Income								
Per-capita Agricultural capital (US\$)	134	145	160	290	3343	3637	4193	4772
Per-capita Non-agricultural capital (US\$)	140	261	244	465	648	689	834	982
Per-capita Total capital (US\$)	274	406	404	756	3991	4327	5027	5754
Total loan (US\$)	46	77	98	159	322	329	311	303
Per Capita Income (US\$)	186	220	256	332	325	384	414	445
Farm Income (%)	60.05	42.97	45.07	41.98	49.65	49.94	45.63	50.70
Non-farm Income (%)	39.95	57.03	54.93	58.02	50.35	50.06	54.37	49.10

dramatically with the poverty threshold growing at an average annual rate of 10%. This helps to explain the paradox where farm income increased yet at the same time higher food prices harmed the consumers and actually increased poverty levels.

Analysis of more recent VDSA data by ICRISAT which monitors 500 households in 12 villages across the country has shown a steady increase in per capita income since that period with income increasing from US\$186 in 1988 to US\$445 in 2013. There has been a marked increase in dependence on non-farm sector income along with a greater use of modern technologies and financial and capital infrastructure: the expansion of irrigation facilities, adoption of modern varieties, access to agricultural credit, improved market access through better roads and transport infrastructure and increased educational attainment.

“Basically the two studies show the same result that agricultural technologies and agricultural research have the power to reduce the poverty level,” says Dr Uttam Deb, Principal Scientist, Economics, RP-Markets, Institutions and Policies, ICRISAT. “While it is necessary to raise household incomes - the essential condition for reduction of poverty is to have a lower level of real prices in agricultural commodities. You will only be able to achieve that through introduction of improved agricultural technologies which will achieve a reduction in per unit cost of production.”

The paper ‘Did the commodity price spike increase rural poverty in Bangladesh?’ was recently awarded the ‘2014 Best Paper Award’ at the International Conference of Agricultural Economists in Milan, Italy.

Reference

- Balagtas JV, Bhandari H, Cabrerac ER, Mohanty S and Hossain M. 2013. “Did the Commodity Price Spike Increase Rural Poverty? Evidence from a Long-Run Panel in Bangladesh.” *Agricultural Economics* 45(3):303-312.
- Uttam Deb, Cynthia Bantilan, Soumitra Pramanik and Patan Elias Khan, Poster on “Dynamics of Rural Livelihoods and Poverty in Bangladesh”, ICRISAT March 2015. ■

Project:
Village Dynamics
in South Asia

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as part of the



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