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Poverty Reduction during 1971-2013 Periods: Success and its Recent Trends in Bangladesh

Basharat Hossain

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I. INTRODUCTION

Bangladesh, is one of the most poorest and 5th densely populated country in the world with 1.37 percent population growth per year (United Nation, 2012, pp.; 41-51 and GOB, 2013, pp.; 183-189). More than 154 million people lives in this country with 47 million poor people. The current GDP of this country is \$116.4 billion with per capita GDP\$ 859. Moreover, it is a low income country with yearly 6.03 percent GDP growth and most of its income is generated from the industrial sectors followed by agricultural sector (GOB, 2013, pp.279-351).

The life expectancy of its people at birth is 65 years only; maternal mortality ratio (MMR) is 194 per 100000 live births While 65 deaths per 1,000 live births occur among children under 5 years of age (UNICEF, 2012, pp.1-12, BMMS, 2010, pp.2-24, WHO, 2013, pp.67).

In addition, the adult literacy rate is only 57.91 percent and labor force (15-64 years) comprises by 62.1 percent of total population (BBS, 2010, pp.23). Bangladesh has achieved significant success in reducing extreme poverty during the last 42 years (1971-2013) (BBS, 2011, pp.132-141).

Now, a close look on definition and measurement of poverty is necessary for further

discussion. World Bank points out the definition of poverty from a representative sample of 60,000 poor people from 60 developing countries during the 1990s. The poor see that, Poverty is multidimensional. Poverty consists of many interlocked dimensions. The extreme is hunger – the lack of food, some psychological dimensions are powerlessness, voicelessness, dependency, shame, and humiliation. Moreover, poor people lack access to basic infrastructure – roads (particularly in rural areas), transportation, and clean water. No education or poor schooling. Poor health and illness as a source of destitution, low income and gender discrimination (World Bank, 1996 and Narayan et al 2000, pp.9-27).

Nafziger (2006) in his book mentions that, Poor people live without fundamental freedoms of action and choice that the better off take for granted. They [suffer] deprivations that keep them from leading the kind of life that everyone values. They also face extreme vulnerability to ill health, economic dislocation, and natural disasters. And they are often exposed to ill treatment by . . . the state and society (Nafziger, 2006, pp. 165-189,).

More precisely, Sen (1983, pp. 153-169, 1985, pp.2-9) defined the poverty as the lack of «capability» to function in a given society. That means, the individual has a space of «functioning», where a person is either actually able to do (realized functioning) or the set of alternatives he/she has (real functioning). This space may be very basic (food, shelter) or complex (freedom, self-respect, social inclusion, etc.).

United Nation defines Poverty as a mirror that reflects the miseries of deprived people who have to struggle with hunger to survive. The United Nations Development Program (2000) defines poverty into two general classifications: income poverty and human poverty (UNDP, 2000, pp.5-22). Income poverty is an understanding of poverty that is solely based on levels of monetary income. According to the World Bank, people, who earn less than US\$1.25 per day, are living in extreme poverty, and people who earn less than US\$2 a day are in moderate poverty (World Bank, 2008, pp.28).

Furthermore, Poverty can be either relative or absolute. Absolute poverty measures the number of people living below a certain income threshold or the number of households unable to afford certain basic needs such as food, clothing, and shelter. Conversely,

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Relative poverty defines poverty in relation to the economic status of other members of the society: it measures the distribution of income and wealth across the population (Sen, 1992, pp.47-52). It reflects the inequality in the bottom-half of the income distribution and the cost of social inclusion and equality of opportunity in a specific time and space (Smelser & Baltes, (2001) Coudouel et al. (2002) and Todaro and Smith, 2012, pp.202-265.

Human poverty encompasses the multiplicity of dimensions associated with poverty. It employs indicators that capture non-financial elements of poverty, such as life expectancy, adult literacy, water quality, malnutrition, abbreviated life span, poor maternal health, illness from preventable diseases and children that are underweight, Indirect measures are lack of access to goods, services and infrastructure - energy, sanitation, education, communication, and drinking water - necessary to sustain basic human capabilities (ECOSOC, 1998 & Krieger, 2002, pp.21-39).

In Bangladesh, Bangladesh Bureau of Statistics (BBS) uses the Cost of Basic Needs (CBN) method to measure Income poverty and Direct Calorie intake ((DCI) method to measure both the extreme poverty (absolute as well as Hard-core poverty)(BBS, 2010). CBN method is used to design food and non-food poverty line. The food poverty line is determined according to three steps: (1) a basic food basket is identified from the data, consistent with consumption patterns, (2) The quantities in the basket are scaled accordingly to correspond to the nutritional requirement and (3) The cost of acquiring the basket is calculated. A non-food poverty line is calculated by estimating the cost of consuming a basic set of non-food goods for (i) extreme poor households whose total expenditures equals the food poverty line (ii) moderate poor households whose food expenditure is at food poverty line (BBS, 2010).

Direct Calorie Intake (DCI) is used to determine the absolute and Hard-core poverty. Household is absolute poor if its per capita calorie intake is less than the standard per capita nutritional requirement 2122 kilo calories per day and Household is hard-core poor if its per capita calorie intake is less than 1805 kilo calories (BBS, 2010, pp.48-62).

To measure the human poverty, different international indexes including Human Development Index (HDI), The Global Hunger Index (GHI) and Multidimensional Poverty Index (MPI) are used in this paper. Human Development Index (HDI), first introduced in 1990 by the UNDP, is a composite measure of indicators along three dimensions: life expectancy, educational attainment and income needed for a decent living. It ranges between 0 (lowest level of human development) and 1 (highest level of human development). According to the Human Development Report 2013, those countries with an HDI score of over

0.800 are part of the very High Human Development group. Those between 0.711 and 0.800, 0.535 and 0.710 are included in the group of high and Medium Human Development countries. And, those that fall below 0.534 are the Low Human Development countries (UNDP, 2013, pp.64).

Since Hunger is a dimension of extreme poverty (Pinstrup & Fuzhi, 2007, pp.96-103). Hunger index is used to measure the human poverty. The Global Hunger Index (GHI) was first introduced and published in 2006 by the International Food Policy Research Institute (IFPRI), Welthungerhilfe and Concern Worldwide' to comprehensively measure and track hunger globally and by country and region. The GHI combines three equally weighted indicators: 1) the proportion of the undernourished as a percentage of the population; 2) the proportion of underweight children under the age of five; and 3) the mortality rate of children under the age of five. GHI counts the scores, and rank countries on a 100-point scale in which zero is the best score (no hunger) and 100 the worst. The high score mean the worst hunger situation in a country. Values less than 4.9 reflect "low hunger", values between 5 and 9.9 reflect "moderate hunger", values between 10 and 19.9 indicate a "serious", values between 20 and 29.9 are "alarming", and values exceeding 30 are "extremely alarming" hunger problem (IFPRI, 2013, pp.5-56).

Multidimensional Poverty Index (MPI) was first introduced by the Oxford Poverty and Human Development Initiative (OPHI) and UNDP in 2010. The index uses the three dimensions: overlapping deprivations in health, education and living standards – rather than income. These are measured using ten indicators. Child Mortality, Nutrition under health category, Years of school, Children enrolled under education, and Cooking fuel, Toilet, Water, Electricity, Floor, Assets under standard of living category. Each dimension and each indicator within a dimension is equally weighted. If people are deprived in a three or more of ten (weighted) indicators, the global index identifies them as 'MPI poor'(suffering deprivations in 33.33 percent of weighted indicators). The global MPI has been published in the HDR2013 ever since, and assesses multidimensional poverty in 104 countries for which data are available (MPI-UNDP, 2013, pp.29).

II. OBJECTIVE

The main objective of this paper is to reveal the success of Bangladesh in poverty reduction during 1971-2013 periods and its recent trends in Bangladesh. More specifically, the aim of this research paper is to disclose that, whether the different types of poverty increases or decreases in Bangladesh during 1971-2013 periods and what is the recent scenario.

III. METHODOLOGY

This paper is a descriptive analysis of poverty incidence in Bangladesh. This paper employed different method of World Bank, United Nation, and Government of Bangladesh to measure the poverty incidence in Bangladesh. The details description of these methods is given in section (I) the all data of this study are collected from the secondary sources. The data on national income poverty, rural and urban poverty, absolute and hard core poverty, relative poverty, education and land poverty are collected from Bangladesh Household income and expenditure survey (HIES) 2005-2010 and Bangladesh economic review 2013. The data on extreme and moderate poverty are collected from different issues of World Development Indicators (WDI) 2008-2013. The data on human poverty are collected from Global Hunger Report 2013, Human Development Report 2013 and Bangladesh Progress Report in MDG 2012 (GOB, 2012-2013)

IV. LITERATURE REVIEW

The United Nation study finds that on average income growth is the major driving force behind both the declines and increases in poverty. The rise of income inequality is the causes of severe poverty in Bangladesh (UNU-WIDER, 2010, pp.22-37). However, Bangladesh experiences a declining trend in poverty compared to 1970s. But inequality rises and a large proportion of people still struggling for survival because, poverty is not a high priority for the Bangladeshi elite politicians, businessmen, bureaucrats (Naomi, 2005, pp.8-40). Sen (2008) finds that, to increase 'capability of women under the human development', Bangladesh has gone ahead of India. Moreover, Bangladesh set it target to halve the extreme poverty (live on less than 1.25\$ per day) to 24.9 percent by 2015(World Bank, 2013, pp.112).

Among the recent works, Hossain (2009, pp.5,) analyzes the dynamics of rural poverty in Bangladesh. McLeod (2007, pp.38-52) shows the poverty trends in Bangladesh for 1990-2005 periods. Urban poverty persists in Bangladesh due to huge Slum population, unplanned Migration and Social dis-Integration (Shahadat, 2010,pp. 18-32).The paper of Ali and Begum (2006,pp.3) exposes the performance of recent poverty and Social Indicators for 1990-2005 periods. Murgai and Zaidi (2005, pp.7-32) reveal the research outcome on the poverty of 1990s of Bangladesh in their article. Islam (2004, pp.29-49) presents the poverty change sscenario by investigating 1983-2000 period data. However, this research paper is different from the earlier research in a sense that, it analyzes 42 years data for 1971-2013 periods, which is longer duration than previous. In addition, this paper investigates both income and human poverty trends in Bangladesh. This paper also discloses the income inequality scenario between rich and poor people. Another addition of this work is the

making of comparison in poverty incidence of Bangladesh with other countries in south Asian region by using the latest national and international poverty indexes.

V. POVERTY REDUCTION IN BANGLADESH: LATEST SCENARIO

a) *The trends in Income poverty*

i. *Absolute Income Poverty*

During 1971-2013 periods, Bangladesh achieved significant success in reducing the level of poverty. The highest level of poverty decreases during 2000-2013 period. Bangladesh has already achieved the target of reducing the extreme poverty and hunger in 2013, the first goal of Millennium Development goal (UNDP, 2013).To be mentioned that, in 1970s, about 71 percent people were living below the poverty line. The main causes behind that were the independence war in 1971, high (about 40 percent per annum) inflation rate accompanied by drought, flood and famine in 1974 and political turmoil during 1975-77 periods (Akash, 2003).

However, in 1980s, the poverty incidence fluctuates in different years and declines, but was also at high level. Figure-1(a) reveals that, according to the lower poverty line, the average national poverty rate decreases to 39 percent in 1980s compared to 47 percent in 1970s.The annual rate of declining poverty in this decade was only 0.44 percent. In the same period; both rural and urban poverty declines and reaches to 44.30 percent and 22 percent in 1989 respectively.

Actually, the rate of poverty reduction became faster after the year of 1990 and the annual rate of decreasing poverty was the highest 4.86 percent in 2000s compared to 1.64 percent in 1990s.In 2010, the national poverty rate was only 17.6 percent which is about 64 percent lower than the 1973's poverty.

The similar declining trend is recorded under the upper poverty line (see Figure-1(a)). During 1973-2010 periods, the incidence of poverty decreases by 56 percent, and reaches to 31.5 percent in 2010 compared to 71.3 percent in 1973.The highest level of poverty declines in 2000s compared to other decades and the annual declining rate is3.5 percent in 2000s which was 1.2 percent in 1980s and 1.8 percent in 1990s correspondingly. Moreover, the data exposes that, the overall rural as well as urban poverty rate was also declining during the last four decades but rural poverty was always higher than the urban poverty.

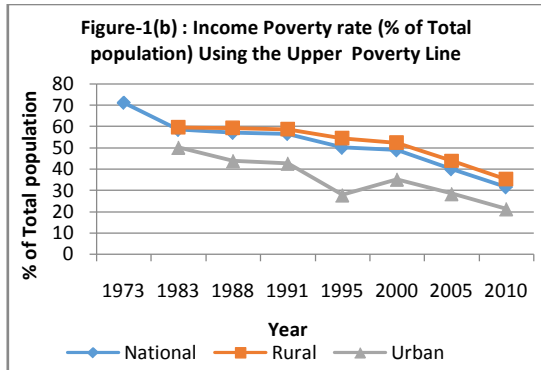
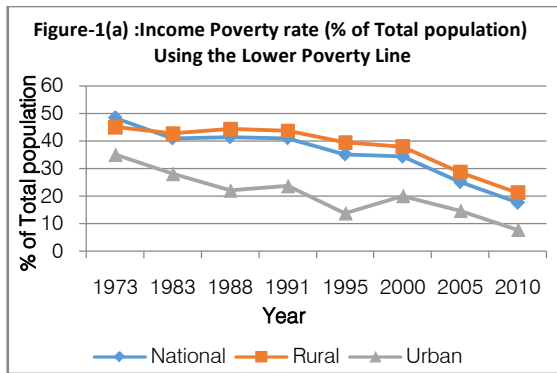


Figure 1 : Trends of Income poverty in Bangladesh (1973-2005)

ii. *Extreme and Moderate Poverty in Bangladesh*

During 1988-2005 periods, the national absolute and Hard-core poverty decreases by 16.14 percent and 41.19 per cent respectively. But the number of poor population under the absolute poverty level increases by 4.4 million during the same period. Besides, though the Hard-core poverty decreases at national and rural level, the number of urban hard-core poor increases by 4.5 million. This result implies that, though the percentage of absolute and Hard-core poverty decreases, but the number of poor people increases during the 1988-2005 periods. The BBS does not measure this method in 2010(see figure-2(a)).

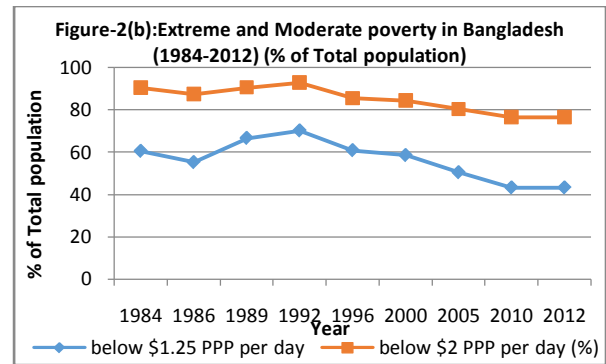
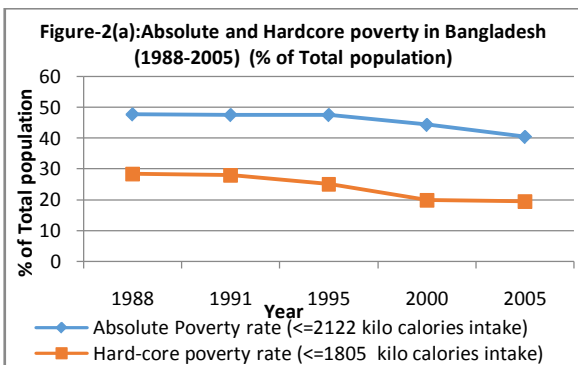


Figure 2 : Trends in Extreme and Moderate Poverty in Bangladesh (1984-2012)

Conversely, Figure-2(b) demonstrates that, during 1984-2012 periods, the extreme poverty (below \$1.25 PPP per day income) in Bangladesh declines by 25 percent and recorded as 43.3 percent 2012 compared to 60.57 percent in 1984. This indicates that, still now, extreme poverty is almost high and makes severe problem in Bangladesh. Another Alarming report is that, 2012, about 77 percent people earn less than \$2 PPP per day, That means, majority percent of the total population have very low income and are moderate poor. In addition, World Bank reports that, the moderate poverty (below \$2 PPP per day income) declines only 16 percent during 1984-2012 periods (World Bank, 2013, pp. 20-52).

iii. *Relative Poverty and Income Inequality*

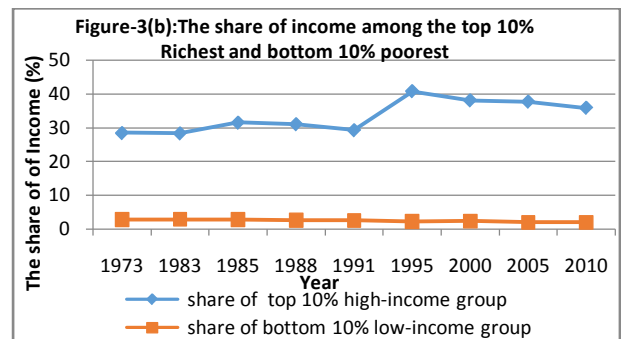
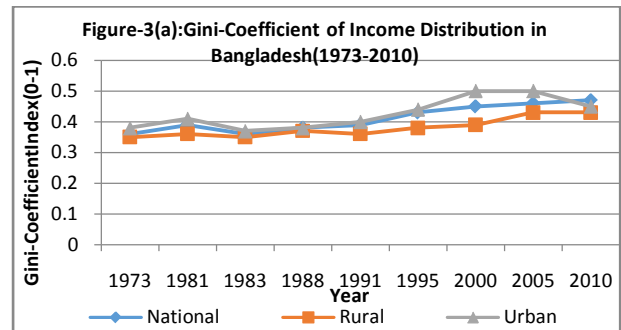


Figure 3 : Trends in Relative Poverty and Income Inequality in Bangladesh (1973-2010)

Figure-3(a) describes that, income inequality in Bangladesh increases overtime. The values of Gini index presents that, the income gap between rich and poor people increases to nearly 50 percent during 1973-2010 periods. The alarming evidence is that, though the absolute income poverty decreases overtime, but relative income poverty increases significantly at the same period. The Gini coefficient in Bangladesh rises to 0.47 in 2010 compared to 0.36 in 1973 at national level while this figure recorded as 0.43 and 0.45 in rural and urban areas. The income discrimination is much worst in urban areas then the rural areas.

Additionally, the strong proofs of income inequality are found from the analysis of income sharing scenario in figure-3(b). In 2010, top 5 percent high-income group household occupies 25percent of total income against the 0.77 percent of the bottom 5 percent low-income group household. This indicates that, the richest 5 percent people hold about 25 time higher income from the poorest 5 percent people in Bangladesh. In addition, this situation is much worse between the richest as well as the poorest 10 percent of people. The richest 10 percent has about 36 time higher income than the poorest 10 percent. The implication is that, the income discrimination in Bangladesh is on the upward trends since its independence and riches become richer and poor become poorer day by day.

b) The Trends in Human Poverty

i. International Poverty index: Bangladesh Scenario

Hunger is the sign of extreme poverty. Global Hunger index (GHI) counts the scores, and rank countries on a 100-point scale where zero is the best score (no hunger) and 100 the worst. The lower the scores mean the lower hunger level. Figure-4(a) shows that, during 1990-2013 periods, Bangladesh successfully reduces the hunger level among poor by 47 percent. Besides, its GHI score declines to 19.4 in 2013 from 36.7 in 1990. But still now, it stays in the zone of 'serious hunger (score: 10-19.9)' (IFPRI, 2013, pp.5-56).

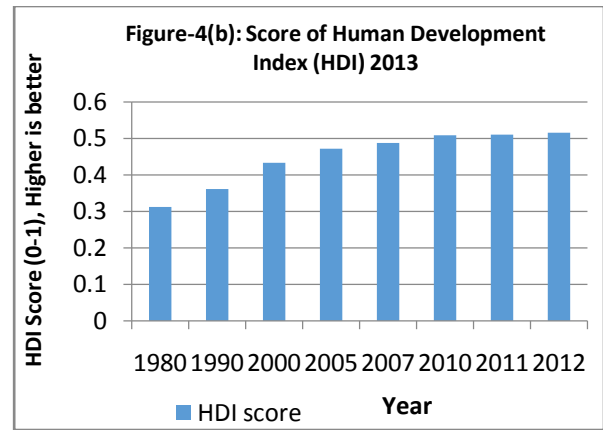
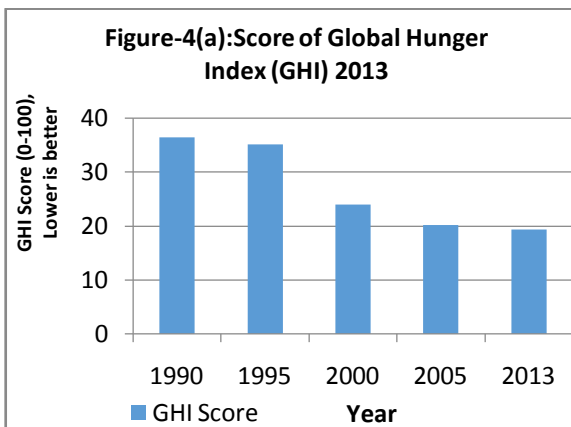


Figure 4 : Trends of Human poverty in Bangladesh (1980-2013)

Furthermore, Figure-4(b) illustrates that, during the last four decades (1980-2013), human development progresses occur very slowly which is about 16.26 percent per decade and reaches to 0.515 in 2012. Compared to 0.312 in 1980. Though its HDI score exceeds the 0.500 level in 2008, it takes four years to reach to 0.515 in 2012. Bangladesh with a Rank 146 is still included in the group of 'low human development' countries (below 0.534 HDI score) in 2013. Moreover, human development report also reveals that, the living standards dimension contributes more than the health and education dimensions. Besides, it is recorded that, Gross national income (GNI) per capita adjusted to 2005 purchasing power parity (PPP \$) is 1781 and life expectancy at birth is 69.2 years, where child survival rate is higher among educated people compared to uneducated or lower educated people. In addition, during the same period, dependency ratio decreases by 40.80 per cent. Furthermore, average mean years of schooling are only 4.8 years, which is very performance in education index and alarming for human development (UNDP, 2013).

ii. Incidence of Poverty (CBN) by Educational Statistics and Ownership of Land

Table 1 : Trends in Poverty by Education and Land Ownership in Bangladesh

	2000	2005	2010
Illiterate	63.7	54.7	42.8
Literate	29	23	19
Landless poor	46.6	46.3	35.4

Poverty is high among the illiterates than the literates' people (see table-1). The household income and expenditure survey (HIES, 2010) report discloses that, 42.8 percent poor are illiterates compared to 19 percent of the literates poor in 2010. Moreover, the proportion of declining poverty among literates poor (34.48 percent) is higher than that among illiterates'

poor (33.33 percent). However, the poverty is much severe in terms of Land ownership. About 47 percent poor were landless in 2000. Between 2000 and 2010; the number of landless poor declines by 24 percent and reached to 35.4 percent in 2010. Since there is an inverse relationship between land ownership and incidence of poverty, redistribution of land is indispensable to reduce land poverty in Bangladesh (BBS, 2010).

iii. *Millennium Development Goals and achievements of Bangladesh*

The United Nation's Millennium Development Goals conflate hunger and poverty in its first goal to "eradicate extreme poverty and hunger." The indicators used for this goal measure income poverty, undernourishment, and malnutrition (MDGR-UNDP, 2013, pp.33-55). Bangladesh has made commendable progress in respect of eradication of extreme poverty and hunger. The latest HIES (2010) data show that the incidence of poverty declines at an annual rate of 2.47 percent in Bangladesh during 1992-2010 periods against the MDG target of 2.12 percent. Bangladesh has already met one of the indicators of target 1 by bringing down the poverty gap ratio to 6.5 in 2010 against the target of 8.0 in 2015. The estimated figures suggest that the MDG target of halving the population living below the poverty line (from 56.7 percent to 29.0 percent) has already been achieved in 2012 (GOB, 2012, pp.7-22).

VI. POVERTY IN SOUTH ASIAN REGION: A COMPARISON

a) *Income poverty in South Asian Region*

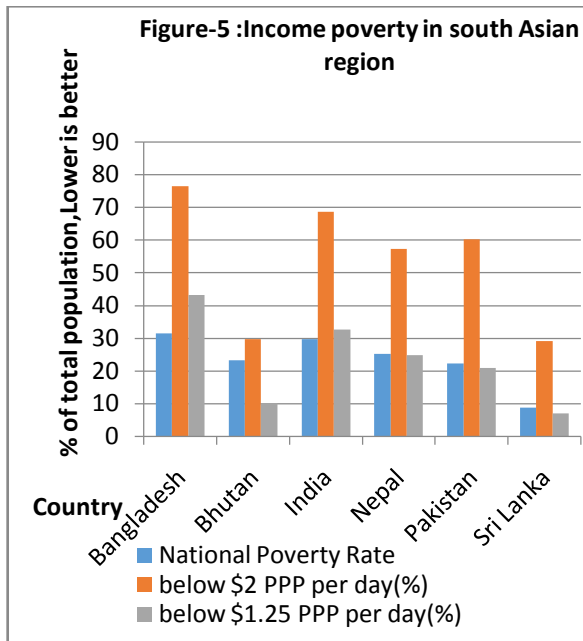


Figure 5 : Trends in Income Poverty in South Asia 2013

Figure-5 portrays that, in south Asian region, the overall poverty condition is worst in Bangladesh than any other countries. Moreover, the highest number of extreme as well as moderate poor lives in Bangladesh followed by India, Nepal and Pakistan respectively. On the contrary, Sri Lanka attained the great success in reducing extreme poverty and has only 8.9 percent the lowest level extreme poverty in this region. Besides, the extreme poverty is also lowest as 7 percent at \$1.25 poverty line and 29.1 percent at \$2 poverty line in Sri Lanka correspondingly.

b) *Human Poverty in South Asian Region*

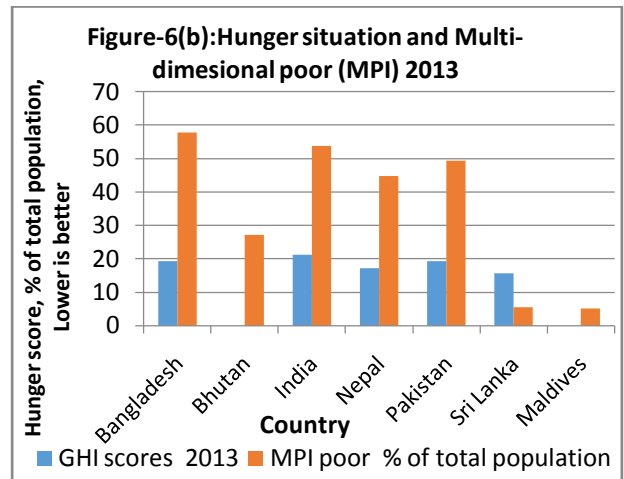
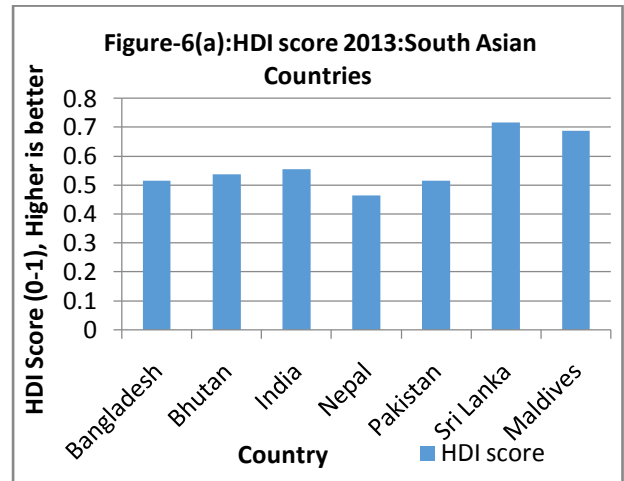


Figure 6 : Trends in Income Poverty in South Asia 2013

Figure-6(a) discloses that, likewise income poverty, Sri Lanka attained the top position in reducing human poverty and it is the only country that achieves the High human development score (0.715) in south Asia. Maldives achieves the highest (0.688) medium human development score followed by India (0.554) and Bhutan (0.538). Whereas, Bangladesh (0.515) and Pakistan (0.515) secures the fifth position in reducing human poverty and stays in the group of the low human development countries followed by Nepal (0.463).

Figure-6(b) depicts that, in south Asian region, the hunger is lowest in Sri Lanka (15.6 percent) followed by Nepal (17.3 percent), Pakistan (19.3 percent) and Bangladesh (19.3 percent). Bangladesh occupies the fourth position in reducing the hunger in this region while India stays in the zone of 'alarming hunger' with 21.3 percent hunger score. In contrast, the multidimensional poverty is highest in Bangladesh. Multidimensional Poverty Index (MPI) defines that, people are multi-dimensionally poor, if they suffer from overlapping deprivations in health, education and standard of living. The highest multi-dimensional poor is living in Bangladesh (58 percent) followed by India (54 percent), Pakistan (49 percent) and Nepal (44 percent). Maldives is the country of the lowest multi-dimensional poor (5.2 percent) followed by Sri Lanka (5.3 percent) in this region. Moreover, the intensity of deprivation is the highest in Pakistan (53 percent) followed by Bangladesh (50 percent) and Nepal (49 percent) (MPI-UNDP, 2013).

VII. SUMMARY OF DISCUSSION AND KEY FINDINGS

The national Poverty in Bangladesh decreases during 1971-2013 periods. The national poverty rate is recorded 31.5 percent in 2010 which was 71.3 percent in 1973. But in 2012, nearly 44 percent of total population are found extremely poor who earn less than \$1.25 per day and about 77 percent people are moderately poor who earn less than \$2 per day. This study also finds that, about 15 percent people are hardcore poor with less than 1805 kilo calories food intake per day and nearly 35 percent poor people have 2122 kilo calories food intake per day. Though the absolute income poverty declines overtime but the relative income poverty increases at the same time. The income inequality rises by 30 percent between 1973 and 2012. The income gap between the rich and poor people also rises at the same period.

However, different international indexes disclose that, Bangladesh achieved the great success and changed its position in reducing human poverty. Global hunger index reports that, hunger decreases faster in Bangladesh in 2013 compared to the last two decades. Bangladesh is no longer the member of 'alarming hunger countries'. According to Human development index, Bangladesh exceeded the HDI 0.500 score in 2008 and still included in the 'group of low human development countries'. Moreover, poverty among illiterate, literate and landless people is also decreases in 2000s.

In south Asian region, Bangladesh has the highest level of income poverty (31.5 percent) comprising the highest number of extreme (43 percent) as well as moderate (76 percent) poor population followed by India (29.8 percent). On the other hand, the

lowest number of extreme as well as moderate poor lives in Sri Lanka (8.9 percent).

In addition, Multi-dimensional poor are higher in Bangladesh while it secures the third position in hunger index in this region. According to Human development report, Bangladesh occupied the fifth position (0.515 HDI score) in reducing human poverty in this territory.

VIII. RECOMMENDATIONS

This article finds that, though the head count ratio of poverty decreases, but the income inequality rises. To reduce income inequality, Government should take pro-poor policy to increase the access to credit, opportunity to participate in economic activities and equitable distribution of resources. Moreover, Education must be ensured for the poor people because research found that, poverty is lower among the literates' people. Education also contributes to health and productivity. Higher level of employment can reduce the income gap, so both labor as well as capital intensive industry should be facilitated by the government to create employment. Government can strengthen the youth development center to make the labor force more efficient. Special emphasis on health care is needed to increase the productivity of people which may reduce human poverty. Finally, Government should fix target to reduce poverty faster than other countries in the south Asian region.

IX. CONCLUSION

The poverty in Bangladesh decreases during the last four decades. The declining rate became faster after 1990s and reached to 30 percent poverty in 2010. The fastest poverty reduction was attributed to the expansion of labor-intensive Exports (such as garments and fisheries) business and the increase in employment in the rural nonfarm sector comprising Small and cottage industries, construction and other non-tradable services. To reduce the poverty, the development of all sectors is needed to boost up the employments and productivity. Finally we have to recognize that, Poor people are none but our neighbors. So Government of every country and the development agencies of the world should take initiative to eradicate extreme poverty. Otherwise, this world would be a hell instead of a peaceful living place

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