

Md Abu Raihan

RURAL POVERTY IN BANGLADESH: TRENDS, DETERMINANTS AND POLICY ISSUES

Abstract

This paper reveals the scenario of rural poverty in Bangladesh and explores its underlying causes. It also analyses the ongoing government strategies to combat rural poverty and suggests several measures to produce much more success in the field. Needless to mention, Bangladesh has been experiencing large scale absolute poverty since her independence. The incidence of poverty is more acute in the rural area than in the urban area. More than 75 percent population lives in the rural area. Still now 43.8 percent rural people are absolute poor and 29.3 percent are hard-core poor. Rapid population growth, defective land ownership, overdependence on agriculture and inequality in income distribution are the main causes of rural poverty. The government of Bangladesh has been striving to eradicate poverty through a number of strategies including strengthening economic growth and human development, expanding credit facilities to targeted groups and building up of social safety nets. As an outcome of these strategies, rural poverty has registered a declining trend. However, the impact of these strategies on the reduction of rural poverty has, so far, not been strongly felt. Therefore, along with the ongoing poverty reduction strategies, the paper suggests certain measures to reform land tenure system and develop non-crop agriculture, informal sector and handloom sector in order to accelerate the pace of rural poverty reduction.

1. Introduction

Bangladesh has been experiencing large-scale absolute poverty since her independence in 1971. At the national level, 40.0 percent of the population are absolute poor (per capita daily calorie intake is less than 2122 kilocalorie) and 25.5 percent are ultra-poor or hard-core poor (per capita daily calorie intake is less than 1805 kilocalorie). The rural people are more poverty stricken than the urban people. In the rural area, 43.8 percent people are absolute poor and 29.3 percent are hard-core poor¹. Agriculture is the main source of employment for the

Md Abu Raihan is an Associate Professor, Department of Economics, Islamic University, Kushtia. His email no is : araihanu69@yahoo.com

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¹ Government of Bangladesh (GOB) 2009: Bangladesh Economic Review, 2008, Ministry of Finance

rural people. Out of 47.4 million employed labor force (15+age), 22.8 million² (48.1 percent) are employed in broad agricultural sector which has low income per worker and per unit of land. Being poor, they can not use improved methods of cultivation. Since too many people are engaged in agriculture there is disguised unemployment. Moreover, agriculture is a seasonal occupation because irrigation facilities are not available throughout the year. So, many people also suffer from seasonal unemployment in this sector. The majority of them have no land and other productive assets to be gainfully employed throughout the year. Due to rapid rise in population and low absorption capacity of the economy, unemployment problem has taken acute form. Presently, 2.1 million people (15+age) are unemployed of which 1.6 (76.20 percent) million live in the rural area³.

The living condition of the hard-core poor begs description. The hard-core poor need to spend more than 80 percent of their income on food. Very often, 100 percent of their income is not enough to get two square meals a day⁴. The vulnerability of the ultra poor of this country is aggravated by repeated floods, droughts, cyclones and other natural calamities. A large number of the hardcore poor are widowed, divorced or abandoned women. They rarely own land or have any male earning member in their families. With no bread earner, asset and source of income they have no choice but to work in other people's houses for very nominal wage or resort to begging for their survival⁵. The country has so far implemented five Five-year plans and one One-year plan. The goals of those plans were to reduce poverty by accelerating development process. The non-governmental organizations (NGOs) have also been trying to eradicate poverty through micro credit program. As an outcome of government development program and NGOs' micro credit program, the country has made commendable progress in reducing income poverty. But still now 41.2 million rural people live in absolute poverty and 18.7 million live in hardcore poverty. Since more than 75 percent of the country's total population live in the rural area, the development of the whole country depends to a great extent, on the rural development and the key to rural development is poverty reduction. Therefore, poverty reduction strategy of the government should be accelerated to achieve the poverty reduction target set in the Millennium Development Goals (MDGs).

² Bangladesh Bureau of Statistics (BBS) 2008: Labor Force Survey 2005-06, Ministry of Planning, Government of Bangladesh

³ Ibid

⁴ Khan, Z.A., 2007. "Ultra Poor Programme of PKSF: A milestone in Microcredit Lending", The Financial Express, April 16, 2007; Muhammad Sayeedul Haque and Masahiro Yamao, Can Micro credit Alleviate Rural Poverty? A Case Study of Bangladesh, World Academy of Science, Engineering and Technology 46 2008, pp. 648-656

⁵ Haque, Muhammad Sayeedul and Yamao, Masahiro 2008. Can Micro credit Alleviate Rural Poverty? A Case Study of Bangladesh, World Academy of Science, Engineering and Technology 46, 2008, pp. 648-656.

The objectives of the present paper are: i) to review the rural poverty in Bangladesh and explore its underlying causes ii) to review the government strategies to combat rural poverty and iii) to suggest measures to accelerate the progress of rural poverty reduction. Barring introduction and conclusion, the stated objectives will be studied in four successive sections. The study is based on mainly secondary data sources available from Bangladesh Bureau of Statistics (BBS), Bangladesh Economic Review, Asian Development Bank (ADB), ESCAP, World Bank, Books, Journal Articles and Seminar Papers.

2. Scenario of Rural Poverty in Bangladesh

In order to measure the incidence of poverty, Bangladesh Bureau of Statistics (BBS) has conducted several Household Expenditure Surveys (HES). HES conducted up to FY 1991-92 used Food Energy Intake (FEI) and Direct Calorie Intake (DCI) to measure the incidence of poverty. FEI method computes poverty lines by finding the value of per capita consumption in which household can be expected to fulfill its calorie requirement. DCI method is used to calculate the incidence of absolute poverty where population or household fall below a threshold calorie intake (2122 kilocalories per person on a daily basis). Similarly, a person having daily calorie intake less than 1805 kilocalories is considered as hard-core poor. In Household Expenditure Survey (HES) conducted in FY 1995-96, Bangladesh government for the first time adopted the Cost of Basic Needs (CBN) method for constructing poverty lines. The CBN method for measuring poverty is more appropriate than the other methods. Similarly in the Household Income and Expenditure Surveys 2000 and 2005 respectively, CBN method was used. With this method, an absolute poverty line is defined as the value of consumption needed to satisfy minimum subsistence needs (food, as well as non-food consumption).

Table-1 shows the incidence of poverty during the period 1973-74 to 2005 by Head-Count Ratio (HCR) and Direct Calorie Intake (DCI) method. During this period, the percentage of absolute rural poor declined from 82.9 to 39.5 while the percentage of hardcore rural poor declined from 44.3 to 17.9. Although there is considerable success in the reduction of poverty, still now 41.2 million rural people are poor and 18.7 million are hardcore poor.

According to Head Count Ratio and Cost of Basic Needs Approach, 40.0 percent of the country's population live below the upper poverty line and 25.5 percent people live below the lower poverty line. The rural people are more poverty stricken than the urban people. The percentage of urban people living below the upper poverty line and lower poverty line are 28.4 and 13.7 respectively. On the other hand, the figures for the rural people are respectively 43.8 percent and 37.4 percent (Table-2).

Based on CBN method the incidence of poverty also registered a declining trend in 2005 as compared to 1991-92. The incidence of poverty at the national

level declined from 58.8 percent in 1991-92 to 48.9 percent in 2000 based on the upper poverty line (Table-3). During this period, the compound poverty reduction rate per year is recorded at 1.8 percent.

In the rural area, the incidence of poverty declined from 61.2 percent to 52.3 percent during 1991-92 to 2000. But the rate of reduction of poverty is lower for the rural area (yearly compound rate 1.6 percent) than for the urban area (yearly compound rate 2.2 percent). On the other hand, during 2000-2005, income poverty at the national level also declined from 48.9 percent to 40.0 percent and the compound reduction rate is 3.9 percent. In the rural area, the incidence of poverty declined from 52.3 percent to 43.8 percent during this period. The reduction rate during this period is also lower for the rural area (yearly 3.5 percent) than for the urban area (yearly 4.2 percent).

Both the depth (measured by poverty gap) and severity (measured by squared poverty gap) of poverty are higher in the rural area than in the urban area. In 1991-92, the depth of poverty in the rural area was 18.1 percent which decreased to 9.8 percent in 2005. But it is still higher than the depth of poverty in the urban area (6.5 percent). Similarly, the severity of poverty in the rural area declined from 7.2 percent in 1991-92 to 3.1 percent in 2005 which is still higher than the severity of poverty in the urban area (2.1 percent).

3. Causes of Rural Poverty in Bangladesh

3.1. Rapid Population Growth:

Bangladesh has been experiencing a population explosion since 1971. During the period 1974-81 population increased at a rate of 2.33 percent annually. During 1981-91 and 1991-2001 population increased at a rate of 2.15 percent and 1.54 percent respectively⁶. Although the population growth rate is declining, the present figure of population has stood at 144.5 million (2005) which is growing at a rate of 1.48 percent annually⁷. Apart from large population, a tremendous growth potential lies in the age structure, since more than 39.0 percent of the total population is aged below 15 years, while women within the reproductive age group (15-49 years) represent about 48.0 per cent of the total population⁸.

Due to high rate of population growth, a large number of workable persons are being added to the labor force every year. The economically active population of age 15+ years (labor force) increased from 36.1 million in 1995-96 to 49.5 million in 2005-06, out of which 37.8 million live in the rural area⁹. Since there is limited scope for this huge labor force to be absorbed in non-agricultural

⁶ Bangladesh Bureau of Statistics (BBS) 2003: National Report (provisional) of Population Census-2001, Ministry of Planning, Government of Bangladesh

⁷ GOB 2009, *op. cit.*

⁸ BBS 2003, *op. cit.*

⁹ BBS 2008, *op. cit.*

sector, they remain unemployed or underemployed. The unemployed labor force was 1.3 million in 1995-96, which increased to 2.1 million in 2005-06¹⁰.

3.2. Defective Land Ownership:

In an agrarian economy like Bangladesh, land is the main resource or productive asset. But land ownership in Bangladesh is much skewed (Table-4). About 6.4 percent rural households own absolutely no land and about 49 percent are functionally landless, each household owning less than half an acre of land. About 31 percent are marginal (0.50-1.49 acre) to small (1.50-2.49 acre) farmers, about 12 percent are medium (2.50-7.49 acre) and just over 2 percent are large (7.50 + acre) farmers¹¹.

During the last four decades the process of concentration of land in the hands of few large landowners has intensified. The share of landless households has increased from 19 percent in 1960 to 56 percent in 1996. In 1960, 1 percent large landowning households had command over 4.7 percent of land but in 1996 it has gone up to 8.2 percent¹². This tendency of concentration of land in few large landlords has cast serious impacts on the rural economy of Bangladesh. Because 40 percent of the total population of the country is poor (using upper poverty line), 46.3 percent of them are totally landless and 56.4 percent have less than 0.05 acre of land. In the rural area, 43.8 percent population are living below the upper poverty line, 66.6 percent of whom have no land and 65.7 percent have less than 0.05 acre of land (see Table 5). It is also evident from the Table-4 that the incidence of poverty decreases with the increase in the size of land holding.

3.3. Over Dependence on Agriculture:

More than 75 percent of the total population live in the rural area and they are directly or indirectly engaged in agriculture. It is the single largest contributor to income and employment generation. The sector is marked with disguised unemployment because it has already absorbed excess labor force than needed. Again, agriculture is a seasonal business. Therefore, there is seasonal unemployment in this sector. According to labor force survey 2005-06, out of 47.4 million employed labor force, 11.6 million (24.53 percent) were underemployed (work less than 35 hours per week). The incidence of underemployment was higher in the rural areas than in the urban areas. The share of

¹⁰ BBS 2008, *op. cit.*

¹¹ Government of Bangladesh (GOB) 1999. Bangladesh Economic Review, 1999; Ahmed Q.K and Barkat A. 2004, 'Bangladesh in the World Economy: Development Strategy and External Assistance' keynote presented at the International Conference on Emerging Global Economic Order and Developing Countries, Dhaka, 30 June 2004.

¹² Barkat, A 2004: "Agrarian and Land Reforms in Bangladesh: An Inescapable Hurdle", Keynote Presented at the National Seminar on the Occasion of Land Rights Day, Dhaka, 09 June 2004.

the employed labor force who worked less than 35 hours per week was 27.82 percent in the rural areas compared with 13.92 percent in the urban areas¹³. Consequently, widespread unemployment and underemployment are seen among the population living in the rural areas.

In addition, agricultural sector works under several constraints. *Firstly*, agriculture is dependent on the vagaries of nature and is risky. Bangladesh is a disaster prone country because of its geographical location. The country is vulnerable to several natural disasters including flood, cyclone and storm surge, flash flood, drought, over-rainfall, tornado, river-bank erosion and landslide. These natural disasters often affect agricultural production and hit the rural economy seriously. *Secondly*, availability of cultivable land is decreasing because arable land is being destroyed to meet the residential and other needs of the growing population. The cultivable land is also being destroyed due to river erosion. The average size of the cultivable land has decreased by 0.31 percent during the last two decades¹⁴. The land holding will diminish further with the rise in population which is currently growing at a rate of 1.48 percent, and gradual conversion of agricultural land for other uses. *Thirdly*, widespread poverty among the population engaged in agriculture acts as a barrier to increasing agricultural production. Being poor, they can not use improved seeds and techniques of production which leaves them again poor. *Fourthly*, as discussed earlier, land distribution in Bangladesh is much skewed which is not congenial to increasing agricultural production. The share of landless households has increased from 19 percent in 1960 to 56 percent in 1996. In 1960, 1 percent large landowning households had command over 4.7 percent of land but in 1996 it has gone up to 8.2 percent¹⁵.

3.4. Inequality in Income Distribution

Inequality in income both widens and deepens poverty. The share of the poorest section of the population in national income shows a downward trend. It is evident from Table-6 that in 2000, income shares accruing to household belonging to Decile-1 to Decile-5 were 2.41 percent, 3.76 percent, 4.57 percent, 5.22 percent and 6.10 percent respectively at the national level. All these declined in 2005 where the figures were 2.00 percent, 3.26 percent, 4.10 percent, 5.00 percent and 5.96 percent respectively. These five deciles jointly share only 20.32 percent of total income, although they comprise 50 percent of the total population. The percentage share of income of the lowest 5 percent households decreased from 0.93 percent in 2000 to 0.77 percent in 2005. On the other hand,

¹³ BBS 2008, *op. cit.*

¹⁴ Hossain, Mahbub 2008: keynote paper on "Two Decades of Change in Rural Economy: Trends in Landownership" presented at a seminar jointly organized by the BRAC Development Institute and the Research and Evaluation Division of BRAC, Dhaka, 14 July, 2008.

¹⁵ Abul Barkat 2004, *op. cit.*

the income share of the households belonging to Decile-6 to Decile-9 increased from 39.93 percent in 2000 to 42.03 percent in 2005.

In the rural area, income share of the households belonging to Decile-1 to Decile-6 declined from 33.03 percent in 2000 to 29.90 percent in 2005. The percentage share of income of the lowest 5 percent households of rural area also declined from 1.07 percent in 2000 to 0.88 percent in 2005. On the other hand, the share of income accruing to the household belonging to Decile-7 to Decile-10 shows an increasing trend. The joint share of these four deciles to national income was 66.96 percent in 2000 which increased to 70.11 percent in 2005. Therefore, it is clear that the poorest section of the people, both at the national and rural level, continues to receive relatively the smaller part of the national income which is one of the major reason of rural poverty.

4. Current Strategies for Poverty Reduction

This section studies four major strategies for poverty alleviation as followed by Bangladesh government. They are:

- (i) Higher Growth;
- (ii) Higher Investment in Social Sectors;
- (iii) Targeted Programs of Income Generation and Employment Creation;
- (iv) Building up of Social Safety Nets.

4.1. Strategy of Higher Growth The strategy of higher growth is implemented by stimulating investment, GDP and employment. This strategy is based on the trickle-down theory which states that benefits of economic growth virtually flow from the rich to the poor. High economic growth is likely to benefit the poor through increasing demand for labor or employment opportunities in course of economic functioning, which, in turn, may lead to an increase in wage rates in the absence of unemployment at all levels and hence create a rise in income.

The growth performance of Bangladesh economy had been relatively strong during the 1990s showing considerable improvement over the last two decades. During the 1990s, growth performance had been around 5.3 percent per year with an impressive 3.3 percent growth rate of per capita GDP¹⁶. The growth rate of GDP was further accelerated and reached to 5.7 percent per year over the period 2001/02-2005/06 with 4.2 percent growth of per capita GDP¹⁷. The GDP growth over the period 2003/04-2007/08 consistently remained above 6 percent¹⁸. It can

¹⁶ Farid, S.M 1997. Rural Poverty Alleviation under Changing Economic Conditions: Bangladesh Perspective, Paper presented at the regional expert group meeting on capability-building to alleviate rural poverty, Beijing, March 25-28, 1997.

¹⁷Government of Bangladesh (GOB) 2007: Bangladesh Economic Review, 2006, Ministry of Planning, Government of Bangladesh, Dhaka.

¹⁸ GOB 2009, *op.cit.*

be said that the economy of Bangladesh has reached a sustained growth trajectory with strong macroeconomic fundamentals. Stable macroeconomic management, reforms of government, expansion of export oriented manufacturing industries and virtually no impact of quota phase-out in the RMG sector are the major causes of robust growth of GDP. However, an equitable distribution of income, opportunities and choice should be ensured by the government to reduce poverty at the grass root level. This can be done by increasing the productive capacity of the rural people through education and training and ensuring their access to land, credit, infrastructure and technology. Otherwise the rural poor will not benefit from the growth of GDP.

4.2. Strategy of Higher Investment in Social Sectors: Investment in social sector generates productive assets, both financial and physical and this in turn helps the poor to get out of the vicious circle of poverty. Consistent with the declaration of the World Summit on Social Development (WSSD) held in 1995 in Copenhagen, Bangladesh government has been allocating over 20 percent of its total public outlay against the social sector for the last consecutive years¹⁹. Education is regarded as one of the effective instruments for human development, poverty reduction, reduction of gender disparity and attaining socio-economic enhancement. The government launched compulsory primary education all over the country in 1993. For the last several years education sector has been receiving the highest budgetary allocation as the government attaches top most priority to this area.

The government is committed to ensure universal primary education in the country by 2015. To achieve the targets set in the MDGs, the Government of Bangladesh has undertaken special programs, such as the Stipend Program, the Second Primary Education Development Program (PEDP-II) and the Reaching Out - of - School Children (ROSC) project. Hence, the primary education sector has been receiving increased resources to realize its objective. In the FY 2007-08, a total allocation of Tk. 5274.89 crore has been made for the primary education sector²⁰.

The net enrolment rate has increased from 80 percent in 2003 to 87.24 percent in 2005. Gender parity in enrolment has already been achieved. Net enrolment of girl students is higher (98.41 percent) than the boy students (89.34 percent)²¹. Literacy rate (7 years+) has reached to 63 percent. However, quality of education and high drop out rate are challenges to achieve the goal of ensuring universal primary education.

Likewise, adequate provision has also been made for the health. The government with the active support and assistance from NGOs, private sector and

¹⁹ GOB 2007, *op.cit.*

²⁰ GOB 2009, *op.cit.*

²¹ GOB 2007, *op.cit.*

voluntary organizations has made remarkable achievements in terms of reducing Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR),²² preventing communicable diseases, raising nutritional status and life expectancy at birth and also reducing the population growth rate. The Ministry of Health and Family Welfare (MOHFW) along with the NGOs, international communities, development partners has strived to face the health hazards due to various natural calamities like floods, cyclone etc. that devastated Bangladesh in 2007. The government has been attempting to have a healthy and able population with a view to involving them in the mainstream development activities and generating momentum in poverty reduction programs.

Table-7 shows the total allocation in development and non-development budget in the social sectors during FY 1998-99 through FY2007-08. It is evident from the statistics that the total allocation for the social sectors in development and non-development budget shows an increasing trend over the past decade.

4.3. Targeted Programs for Income Generation and Employment Creation:

Now both the government and NGOs are running direct interventions/target group oriented programs for the poor extensively all over Bangladesh to increase their productivity through skill development and greater access to credit facilities. The most significant aspect of this strategy is credit which is now provided by the government for the targeted groups at relatively easy condition. The government established Karmasangsthan Bank in 1998 to provide collateral free credit to youths, in particular the unemployed youths of the country to engage them in production-oriented and income generating activities. The bank provides credit financing for 33 income generating activities. The potential youths can undertake any income generating project within the selected fields of economic activities and receive financial support from the bank to run the approved projects. Since its inception, the bank disbursed Tk 4.6764 billion (TK 467.64 crore) among the 1,22467 borrowers for setting up poultry, fishery, dairy farms, small trading, engineering workshop, tailoring, batik shop, handloom, nursery and agro-based projects and created jobs for approximately 3,97,925 persons. Besides, Department of Youth Development trained 30, 09,709 youths up to June 2008. Out of the trained youths, 16,93,225 youths engaged themselves in self-employment activities and 7,23805 beneficiaries have been sanctioned with an amount of Tk. 807.69 lakh as loan up to June 2008²³.

As part of poverty alleviation programs, the government has been providing credit to poultry, livestock and fishery sector for several years. The amount of

²² It should be mentioned that Prime Minister Sheikh Hasina of Bangladesh was awarded the MDG award for the country's success in reducing infant mortality, one of the sectors of development as envisaged by the UN MDG 2000. The award was given during the 65th General Assembly session of the UN in September 2010.

²³ GOB 2009, *op.cit.*

credit disbursed to the poultry and livestock sector was Tk. 79.77 crore in FY 2000-2001 and it rose to Tk. 347.8 crore in FY 2005-06. In the fishery sector, the government disbursed Tk. 57.61 crore as micro credit through 7 development projects for poverty alleviation among 390,000 beneficiaries during the period 2000-2005²⁴.

The government has taken up few micro credit programs under both revenue and development budgets for creation of employment for the poor. Up to June 2006, micro credit amounting Tk. 8128.42 crore has been distributed through different ministries/divisions/departments. The non-government organizations (NGOs) are also engaged in micro credit programs and they are providing collateral free credit to the rural poor on the basis of group liability which proved very successful. Up to 2001, total disbursement of micro credit (cumulative) by NGOs was Tk. 13640.78 crore and the amount rose to Tk. 69183.77 crore in 2008²⁵.

4.4. Social Safety Nets: The objective of the safety net program is to reach the poorest section of the society and mainstreaming them in the development process. The key social safety-net programs in Bangladesh are: (a) Cash Transfer Programs (b) Food Transfer Programs; (c) Special Poverty Alleviation Programs; and (d) Micro credit Programs for Self-employment. The cash transfer program includes i) Old-Age allowance program ii) Allowances program for widowed, deserted and destitute women iii) Honorarium program for insolvent freedom fighters iv) Training and self-employment program for insolvent freedom fighters and their dependants v) Fund for rehabilitation of the acid-burnt and the physically handicapped vi) Allowance for the fully retarded vii) Allowance for poor lactating mothers viii) Food for works program (cash), ix) Rural maintenance program, x) Primary education stipend project and xi) Female secondary school assistance program.

Food transfer program includes i) Food for works program ii) vulnerable group development (VGD) Program iii) vulnerable group feeding (VGF) Program iv) Test relief (TR) program and gratuitous relief (GR) program. Finally, Special poverty alleviation program includes i) Program under Livestock sector to alleviate poverty ii) Fund for housing the homeless iii) Abashan (Poverty Reduction and Rehabilitation) Project iv) Fund for mitigating risks due to natural disasters especially v) Program for mitigating economic shocks and vi) Program for reducing poverty and generating employment under the Ministry of Women and Children Affairs.

The government allocated Tk. 16,932 crore for the social safety program in FY 2007-08, which was 13.32 percent of the total budget outlay and 2.14 percent

²⁴ GOB 2007, *op.cit.*

²⁵ GOB 2009, *op.cit.*

of GDP. It can be mentioned here that 113.76 lakh man and 240.54 lakh man were engaged in social security and social empowerment activities respectively in the last financial year²⁶.

5. Measures to Accelerate the Progress of Poverty Reduction

As a result of government strategies rural poverty has shown declining trend but the impact of these strategies on the reduction of rural poverty has, so far, not been strongly felt. The overall GDP growth rate has been, on average, 6 percent, enabling a per capita GDP growth rate of 4.5 percent which is commendable but not so high to make any strong impact on poverty. Moreover, rural poverty is being tackled without changing land tenure where the bottom 10 percent of landowners own 2 percent of the land, compared with the top 10 percent who own 49 percent of the land. Rural non-farm activities have important poverty alleviation linkages which are not properly addressed by the government. Small and cottage industries has remained a neglected sector. Non-crop agriculture like poultry, livestock and fishery has enormous potential for rural poverty reduction. Except fishery, potentials of poultry and livestock have not been explored properly. This is why only modest improvement in rural poverty has occurred, despite the government efforts to reduce rural poverty. Therefore, the ongoing poverty reduction strategies of the government should be accompanied by the following measures in order to produce much wider outcome in the reduction of rural poverty.

5.1. Developing Informal Sector: Like other developing countries, informal sector plays an important role in the economy of Bangladesh. The contribution of the informal sector to GDP is roughly 64 percent which outweighs the contribution of the formal sector (roughly 36 percent). Out of 47.4 million employed labor force, 41.54 million (87.71 percent) are employed in the informal sector and only 5.82 million (12.29 percent) are employed in the formal sector²⁷. Workers with informal employment are mostly in the agriculture, hunting and forestry (52 percent) and they live in the rural area. Therefore, the government should emphasize on the development of the informal sector to combat the rural poverty. The informal sector is easily manageable, unsophisticated, less capital demanding and uses indigenous technology. Therefore, it is easier for the government to create employment opportunities in the informal sector spending less money and time. However, the informal sectors work under many constraints which limit its growth and productivity. The sector has been facing diverse and numerous problems for long. The major problems include lack of access to institutional credit, lack of infrastructural facilities, lack of education and skill, excessive government regulation, lack of awareness about government

²⁶ GOB 2009, *op.cit*

²⁷ ADB 2009: *Informal Employment in Bangladesh*, ADB Economics Working Paper Series, No 155, ADB, Manila

regulation, lack of organization and lack of social protection. The government should remove these obstacles as far as possible to create work opportunities for millions of poor, illiterate and unskilled people in this sector. Otherwise, it would be difficult for the government to combat the severe poverty in the rural area.

5.2. Developing Handloom Industry: The small and cottage industry has a significant role in the economy of Bangladesh. Handloom is the main cottage industry of Bangladesh. The handloom industry can fight rural poverty by providing employment to a substantial part of the rural unemployed people. More than 75 percent people live in the rural area and their demand for fabrics can be fulfilled by the handloom sector. In addition, the demand for fabrics in the foreign exchange earning garment sector is increasing rapidly which is also a good market for handloom products. The foreign market for certain handloom products including Zamdani sari, Mirpur Banarasi sari, Tangail Musline/ Silk sari, Bedsheet, Bed cover, Tapestry, Lungi is very bright. The demand-supply gap of fabrics in the country during the period 2001/02 - 2004/05 will help us realize the prospects of this industry (see Table-8 and Figure-1). The demand-production gap was 1996 million meters in 2000-01 that increased to 2740 million meters only after four years in 2004-05. The sharp rise in demand production gap of fabrics indicates that the handloom sector has vast scope to broaden its contribution to the country's total fabrics production. But it is a matter of regret that this promising sector has not been given due importance by the government since after liberation. According to World Bank report of 1991, the production capacity of handloom is 105.50 core meters but due to various reasons actual production ranges between 50-60 crore meters per annum²⁸. Therefore, the government should undertake immediate action plan to develop this promising sector for reducing rural poverty and hereby developing the whole economy.

5.3. Reforming Land Tenure System: In a country like Bangladesh land is the main resource or productive asset. Skewed land distribution is one of the main reasons for rural poverty in Bangladesh. One of the main objectives of the land reforms so far undertaken in Bangladesh was to identify and release the total government land and distribute it to the rural poor to improve their economic condition. There is no accurate estimate regarding the total amount of government land. According to a recent research, the estimated amount of total identified government land in Bangladesh is 3.3 million acres with 0.8 million acres of agricultural government land, 1.7 million acres of non-agricultural government land and 0.8 million acres of government water bodies. But it is matter of regret that only 12 percent of the agricultural government land has been

²⁸ Center for Policy Dialogue (CPD) 2007: An Analysis of the National Budget for FY 2007-08, paper prepared for IRBD, 14 June, 2007.

effectively owned by the landless and the poor and 88 percent is illegally occupied by the powerful land grabbers. About 20 percent of the direct beneficiaries of the distributed government land comprise of those who are not entitled to receive the same. There is another inhuman device frequently practiced by the rich and powerful section of the society against the poor. The landless people receive the deed of government land but in practice they can not possess the government land to utilize it under the barriers made by the land grabbers. Local influentials, ruling party leaders and government officials are all more or less involved in the whole process of depriving the poor from access to government land²⁹. Therefore, the government should undertake stringent measures to release the total amount of government land (agricultural and water bodies) and distribute it to the rural people with a view to enhancing their economic condition.

5.4. Developing Non-Crop Agriculture: The per capita agricultural land is shrinking in Bangladesh. Therefore, attention should be diverted to developing non-crop agriculture. Non-crop agriculture like poultry, fishery and livestock has a significant role in poverty reduction since land requirement is small and potential return is high. But poultry and livestock sub-sectors work under several constraints including disease, poor genetic stock, shortage of land for pasture, and inadequate feed supplies which bar the growth of this sector. In addition, the production is dominated by small-holder farmers who are relatively unfamiliar with basic animal nutrition, feed value of different sources, disease control and breed selection³⁰. Therefore, commercial production of poultry, beef and dairy should be strengthened. Poultry and Livestock have enormous potential because demand-supply gap of poultry, livestock and dairy output in our country is very high. This sector can be flourished by introducing modern methods of production, improving technical skills of the farmers, and building supportive policy framework and infrastructure.

6. Concluding Remarks

Addressing poverty remains a great challenge for the government mainly due to huge population and resource constraint. The government of Bangladesh has been striving to eradicate poverty through a number of strategies including strengthening economic growth and human development, expanding credit facilities to targeted groups and building up of social safety nets. As an outcome of these strategies, the country has made commendable progress in terms of

²⁹ Barkat A, Zaman S and Raihan S (2001): Political Economy of Khas Land in Bangladesh, University Press Limited, Dhaka.

³⁰ ADB 2001: Rural Development Priorities for Poverty Reduction in Bangladesh, ADB Economics Working Paper, ADB, Manila.

reduction of income and human poverty. However, the impact of the development programs on poverty reduction has, so far, not been strongly felt for the rural people. More than 75 percent people of our country live in the rural area. If we can not reduce rural poverty more rapidly it will not have remarkable impact on the poverty scenario at the national level. Besides agriculture, there are some other sectors including informal sector, handloom sector and non-crop agriculture which can give productive employment to the rural people and hence reduce rural poverty. Therefore, if the ongoing government strategies for poverty reduction are accompanied by the above-mentioned measures, it will strengthen and accelerate the progress of rural poverty reduction.

Table-1: Trends and Incidence of Income Poverty based on Head Count Ratio and DCI Method.

Year	Upper poverty line (daily less than 2122 kilocalorie food intake)				Lower poverty line (daily less than 1805 kilocalorie food intake)			
	Rural		Urban		Rural		Urban	
	Number Of people (million)	%	Number Of people (million)	%	Number Of people (million)	%	Number Of people (million)	%
1973/74	57.5	82.9	5.6	81.4	30.7	44.3	2.0	28.6
1981/82	60.6	73.8	6.4	66.0	43.1	52.2	3.0	30.7
1988/89	40.5		10.8		24.9		5.0	
1991/92	44.8	47.6	6.8	46.7	26.6	28.3	3.8	26.3
1995/96	45.7	47.1	9.6	49.7	23.9	24.6	5.2	27.3
2000	42.6	42.3	13.2	52.5	18.8	18.7	6.0	25.0
2005	41.2	39.5	15.8	43.2	18.7	17.9	8.3	24.4

Source: BBS: Statistical Year Book of Bangladesh, various years

Table-2: Incidence of Poverty based on Head Count Rate and CBN Method

Residence	Upper Poverty Line		Lower Poverty Line	
	2005	2000	2005	2000
National	40.0	48.9	25.5	33.7
Rural	43.8	52.3	29.3	37.4
Urban	28.4	35.2	13.7	19.4

Source: GOB, 2007, P.172.

Table-3: Poverty Reduction Rate during 1991/92-2005.

	2005(%)	2000(%)	Annual Change (%) (2000-2005)	1991-92 (%)	Annual Change (%) (1991/92-2000)
Head Count Index					
National	40	48.9	-3.9	58.8	-1.8
Urban	28.4	35.2	-4.2	44.9	-2.2
Rural	43.8	52.3	-3.5	61.2	-1.6
Poverty Gap					
National	9	12.8	-6.8	17.2	-2.9
Urban	6.5	9.1	-6.51	12	-2.5
Rural	9.8	13.7	-6.48	18.1	-2.8
Squared Poverty Gap					
National	2.9	4.6	-8.81	6.8	-3.8
Urban	2.1	3.3	-8.64	4.4	-2.7
Rural	3.1	4.9	-8.75	7.2	-3.8

Source: GOB, 2009, P.178

Table-4: Land-ownership distribution of households, 1995-96 (%)

Size of Land Holding (acre)	National	Rural	Urban
Total	100.00	100.00	100.00
Landless	9.97	6.43	28.02
0.01-0.04	14.05	12.34	22.78
0.05-0.49	35.19	36.46	28.71
0.50-1.49	19.03	20.80	10.04
1.50-2.49	8.89	9.84	4.04
2.50-7.49	10.88	11.92	5.36
7.5+	1.98	2.16	1.08

Source: GOB, 1999, P.94

Table-5: Incidence of poverty (CBN) by ownership of land-2005.

Size of land Holding (acres)	Upper Poverty Line (%)			Lower Poverty Line (%)		
	Total	Rural	Urban	Total	Rural	Urban
All size	40.0	43.8	28.4	25.1	28.6	14.6
No land	46.3	66.6	40.1	25.2	49.3	17.8
<0.05	56.4	65.7	39.7	39.2	47.8	23.7
0.05-0.49	44.9	50.7	25.7	28.2	33.3	11.4
0.50-1.49	34.3	37.1	17.4	20.8	22.8	9.1
1.50-2.49	22.9	25.6	8.8	11.2	12.8	2.7
2.50-7.49	15.4	17.4	4.2	7.0	7.7	3.0
7.50+	3.1	3.6	0.0	1.7	2.0	0.0

Source: GOB, 2009, P.181.

Table-6: Percentage distribution of income accruing to households in Groups (Deciles) and Gini Coefficient.

Household Income Group	2005			2000		
	Total	Rural	Urban	Total	Rural	Urban
National	100.00	100.00	100.00	100.00	100.00	100.00
Lower 5%	0.77	0.88	0.67	0.93	1.07	0.79
Decile-1	2.00	2.25	1.80	2.41	2.80	2.02
Decile-2	3.26	3.63	3.02	3.76	4.31	3.07
Decile-3	4.10	4.54	3.87	4.57	5.25	3.84
Decile-4	5.00	5.42	4.61	5.22	5.95	4.68
Decile-5	5.96	6.43	5.66	6.10	6.84	5.60
Decile-6	7.17	7.63	6.78	7.09	7.88	6.74
Decile-7	8.73	9.27	8.53	8.45	9.09	8.24
Decile-8	11.06	11.49	10.18	10.39	10.97	10.46
Decile-9	15.07	15.43	14.48	14.00	14.09	14.04
Decile-10	37.64	33.92	41.08	38.01	32.81	41.32
Top 5%	26.93	23.03	30.37	28.34	23.52	31.32
Income Gini Co-efficient	0.467	0.428	0.497	0.451	0.393	0.497

Source: GOB 2009, P. 183.

Table-7: Allocation (Dev & Non-Dev) in the Social Sectors of Selected Ministries by Year 1998/99-2007/08 (TK in Crore).

Sector	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
Education, Science & Technology	4850	5430	7079	6063	6736	4878	7381	9373	11057	11654
Health & Family Welfare	2080	2363	2627	2649	2797	3445	3175	4112	4957	5261
Labor & Manpower	38	46	54	133	70	56	90	106	96	119
Social Welfare, Women's Affairs & Liberation War Affairs	255	294	322	354	484	713	1152	1353	1468	2028
Total Allocation	7223	8133	10082	9199	10087	9092	11798	14944	17578	19062

Source: GOB 2009, P. 157.

Table-8: Demand-Production Gap of Fabrics: 2000/01-2004/05 (in million meters)

Financial year	Demand for Fabrics		Total Demand	Domestic production	Demand-Production Gap
	Domestic	Export Oriented RMG			
2000-01	1595	2246	3841	1845	1996
2001-02	1618	2568	4186	2050	2136
2002-03	1754	2779	4533	2200	2333
2003-04	1865	3323	5188	2750	2438
2004-05	1960	3880	5840	3100	2740

Source: Hassan 2007

Figure-1: Demand-Production Gap of Fabrics: 2000/01-2004/05