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## **Persisting Poverty in Bangladesh: Does Inequality a Matter**

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### **1. INTRODUCTION**

Despite enormous development and poverty alleviation programs since long, still more than half of Bangladesh's 112 million people are living in absolute poverty. In Bangladesh, poverty is predominantly a rural phenomenon as more than 80 per cent of its population are living in rural areas. Although there was a downward trend in the incidence of rural poverty could be seen during the mid-eighties, it turned back again and rose considerably in the recent years. These findings, as a whole, question the conclusions and recommendations of hundreds of poverty studies and the effectiveness of increasing volume of poverty alleviation programs in Bangladesh. However, the focus of the present paper is rather specific, that is, inequality, most commonly discussed determinant of poverty in Bangladesh, and its relation to poverty. Inequality in a society could happen in many respects such as, incomes, properties, public opportunities, services, and so on. The basis of inequality could also be many like, sex, ethnicity, age, residence, education, power & authority, and so on. In general, it is the most important normative goal of every society, either rich or poor, to eliminate or reduce inequality from society. Inequality, particularly income inequality, has long been discussed as an important determinant of poverty. This is particularly true for Bangladesh. In Bangladesh all most all poverty studies discussed the inequality issue with poverty (*see Khan 1977, Alamgir 1978, Ahmad and Hossain 1984, Rahman & Haque 1988, Rahman M. 1993, Sen 1995, and so on*). These studies mostly considered income and landholdings inequality in this regard although inequality prevails in many other respects in

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Bangladesh society. Moreover, most of these studies have failed to establish a clear positive relationship between inequality and poverty. But, one common recommendation of these studies was that, reducing income and landholdings inequality is the most important measure to reduce poverty in Bangladesh. Off course, inequality in income and landholdings are highly undeserved in a society and should be of concern in poverty alleviation efforts. However, the other aspects of inequality such as, access to public opportunities, inequality between rural and urban sectors, etc., are also equally, if not more, important in formulating effective poverty alleviation policy. Ayres (1984, p.79) quoted that "it is only valid to study poverty within the framework of some theory of income distribution and social inequalities in general ... the causes of poverty are rooted in the same mechanisms that determines general inequalities prevailing in each society". The present paper has intended to examine this issue of rural poverty in Bangladesh through considering the available data on inequality and poverty over the years since the 1960s. Due to the scarcity of data and keeping the relevancy of analysis with the existing poverty studies in Bangladesh, inequality in terms of income and landholdings were considered. The paper discusses the concept of poverty first, followed by a description of the extent of poverty and inequality in Bangladesh, and finally, examines the relationship between poverty and inequality in terms of income and landholdings, mainly through following the trend of these variables over the years.

## 2. WHAT IS POVERTY

Poverty is a universal social problem, concerning all societies. However, it is highly relative in nature. It varies greatly in its extent and nature from culture to culture. Thus, it is not easy to define poverty. In short, it is a condition of material deprivation and its unwanted consequences to the individuals and society. Tomaskevic-Devey (1988, p.3) defined poverty as a condition of *material deprivation and a lack of social integration*. Two aspects of this definition are material deprivation and lack of social integration. In terms of material deprivation poverty is an absolute, sometimes referred to as physical (George 1973, p.28) phenomenon. On the other hand, in terms of lack of social integration poverty is a relative



phenomenon. Although, the immediate consequence of poverty is the material deprivation to the poor individuals and to their families, more importance is given to its social aspects because the material deprivation causes the poor and their families to be socially isolated and unable to participate in the expected normal social activities (*Townsend 1979*). Keeping similarity with the above conceptualization the two most common approaches of studying poverty are absolute poverty and relative poverty.

i) **Absolute Poverty**: It is a situation where people can't fulfil their basic human needs. *Robert McNamara*, once the president of the World Bank, defined absolute poverty as "a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities" (*Ayres 1984, p.76-77*). Absolute poverty is based on basic human needs. However, it includes social needs, such as literacy, health, etc., as well.

ii) **Relative Poverty**: In recent days, poverty has been increasingly defined as its very social and relative terms and often claimed that this should be the true basis of poverty measure for a particular society. This concept emphasizes the inequality in income and focuses on the relative income distribution and social needs in a society rather than merely looking into the problem of poverty in absolute terms. The term relative poverty refers to the extent of difference of income share among the groups of individuals from their population share. By this way, even if the basic human necessities of the bottom 10 or 20 percent of the population are satisfied, they may be considered among the relative poor if their absolute incomes are less than, for example, one-third of the national average per capita income. Hence, a society may have relative poverty, i.e., some members may receive income less than others by some degree, but no absolute poverty, i.e., all members receive incomes greater than the designed poverty line. In reality every society experiences significant degree of relative poverty. *McNamara* concluded that, relative poverty "means simply...that some citizens of a given country have less personal abundance than their neighbors. That has always been the case, and granted the realities of differences between...individuals, will continue to be the case for decades to come" (*Ayres, 1984, p.77*).



### 3. MEASURING POVERTY

Like poverty itself, the concepts used to define and measure it, such as nutritional requirements, incomes, are also highly relative in nature and varies greatly between cultures and even, between groups based on age, sex, residence, etc. For example, in the developing countries, like Bangladesh, a family without a Car would not be considered as poor, while in the developed countries, like Japan, a family without a Car might be considered as poor. Subsequently, a pure objective and universal measurement of poverty is elusive. Thus, several methods have been developed and used by the poverty scholars to measure poverty. *Blackwood & Lynch (1994, p.568)* grouped these methods under two broad categories, e.g., *absolute poverty measures* and *relative poverty measures*. Among these two, absolute measures of poverty are often used in the poverty studies.

i) **Absolute measures of poverty:** Absolute Poverty measures consider exclusively the well-being of the poor and there by suggesting the condition of the poor only, and not the condition of the overall society. To measure poverty absolutely, establishing a *poverty line* is required first. A poverty line is based on essential human needs. Thus, to establish a poverty line the *first step* is to determine the essential human needs. Two components of essential human needs, e.g., food and non-food items, are considered. The *second step* is to translate these needs into quantitative terms. To do this, a minimum nutritional requirement is set first then translated it into a minimum food consumption bundle required to fulfill that nutritional requirement<sup>1</sup>. Then this minimum food bundle is translated into monetary terms. Finally, a proportion, such as 30%, of this amount added for non-food essentials (*Townsend 1984, p.5-6; Rahman, Mahmud & Haque, 1988, p.17*). The total works as the poverty line. The persons whose income fall below this line are considered as poor.

There are different methods of measuring absolute poverty. *Blackwood and Lynch (1994, pp.569-572)* mentioned four types of absolute poverty measures. These are: 1) *Headcount measure*, concerned with the number or percentage of population that falls below the poverty line; 2) *Income shortfall measure*, calculates the amount of income by which the poor fall short of the poverty line and thus indicates their degree of immiseration;



3) *Income distribution among the poor*, concerned with the income distribution among the poor and not the overall population; and 4) *Composite poverty measures*, reflects the number of poor, the extent of their immiseration, and the distribution of income among the poor, such as 'Sen Index'.

ii) *Relative measures of poverty*: Relative poverty measures define the segment of population that is poor in relation to the income of the general population. Thus, poverty is not determined by a discrete poverty line rather it is determined by the relativity of the overall income of the population. Again, there are two types of relative poverty measures, e.g., *first*, the average income of a particular group; such as bottom 40%; of the population is considered and *secondly*, relative poverty measures examines the number of people whose incomes are less than or equal to a predetermined percentage of the mean income of the population (Blackwood and Lynch 1994, p.572). One problem with relative poverty measures is that they do not reflect the well-being of those who are poor. A person may be relatively poor but may or may not be absolutely poor or vice versa.

Among the methods mentioned above, headcount ratio of absolute poverty measure has been considered in this study mainly because of *firstly*, in a country like Bangladesh, where the overall level of income is very low, relative poverty measure could consider a significant number of poor as non-poor by considering the relative income difference to the whole population; *secondly*, most poverty studies (Rahman & Haque 1988, FAO 1984, Ayres 1984, ILO 1979, World Bank 1975) agree that in a situation of mass poverty<sup>2</sup>, like Bangladesh, only absolute measures of poverty could actually indicate the extent of misery of the vast poor; and *finally*, most poverty estimates in Bangladesh are calculated on the basis of headcount measures of absolute poverty (Task Force Report 1993, Rahman and Haque 1988, Khan 1977).

#### 4. THE CONCEPT OF INEQUALITY

Inequality is an important aspect of inquiry in the social sciences. In practice, it is one of the major concern of every society too. Inequality means having more share of society's available income, public service, opportunity,



etc., by certain groups than that of others. There is strong normative debate about whether inequality is an essential feature of the society or not. There are also evidences and arguments both in favor and against it. In a facilitating discussion *Lampman (1971,p.23)* summarized the vast literature of inequality around five consequential propositions. These are: 1) The *utilitarian* proposition that equalization of incomes will lead to maximization of consumer satisfaction; 2) The *liberal* proposition that economic equalization will lead to the ideal allocation of power; 3) The *classical* proposition that inequality contributes to economic progress; 4) The *Malthusian* proposition that inequality results in (or is necessary to) cultural progress; and 5) The *sociological* proposition that inequality is necessary to working of a complex society. The debate would go far more. However it might be true that it is very difficult, if not impossible, to ensure equality in all respects, if not a single, in a society as there would be numerous aspects of inequality and as there is natural differences among people or in universal social demands.

## **5. EXTENT OF POVERTY IN BANGLADESH**

### ***i) Brief Introduction to Bangladesh***

Bangladesh, situated in the South Asia, is the home of 111.4 million people. It is the eighth most populous country in the world. However, with a area of only 147,570 sq.km. it is one of the highest densely populated (755 per sq.km.) country in the world. More than 80 per cent of the population live in rural areas and about 80 percent of the population is directly dependent on agriculture. Land is the only productive asset of rural Bangladesh. But the land:man ratio is very low only 0.18 acres per person. Nearly 50 per cent of the population are functionally (owing less than 0.50 acres of land) landless. In addition, frequent natural calamities, like Floods, Tornados, Cyclone, Drought, River erosion, etc., causing significant number of persons to become destitute regularly. With these facts Bangladesh has long been considered as one of the poorest country in the world.

### ***ii) Extent and Trend in Absolute<sup>3</sup> Poverty in Rural Bangladesh***

There is no shortage of studies dealing with estimating poverty in Bangladesh. Most of these studies used the same data generated by the



Household Expenditure Survey of Bangladesh Bureau of Statistics (BBS). Table 1 presents the proportion of absolute poor in rural Bangladesh estimated by different studies for different years. Although there are differences among the estimates because of their differences in the methods used, it helps us to get an idea about the extent and trend in rural poverty in Bangladesh since the early 1960's. It is seen that, consistently by all estimates, compared to 1964, the proportion of poor increased rapidly till the late 1970's or early 1980's. Then we could see a steady decline in the proportion of poor since either at late 1970's or at the beginning of the 1980's till 1985-86. However from then there is again an increasing tendency could be seen. The proportion of absolute poor was 40.2 per cent in 1964 which increased to 76 per cent in 1969 then further increased to 82.9 per cent (BBS, 1995) in 1974 then it decreased to 40-50 per cent in 1986 and since then, it started rising again and reached to 59 per cent in 1994. Overall it could be concluded that despite enormous developmental and poverty alleviation programs the poverty situation in rural Bangladesh is worsening in the recent years rather than improving.

## 6. EXTENT OF INEQUALITY IN BANGLADESH

Inequality is the common concern of all poverty studies in Bangladesh. However, data on inequality in different respects in Bangladesh is extremely scarce. Thus, most poverty studies limited their discussion on inequality in respect to only income and landholdings. The present paper also considers the above mentioned two aspects of inequality.

### *i) Extent of Income Inequality:*

Most poverty studies in Bangladesh found significant degree of inequality in terms of income (Alamgir 1978; Ahmad & Hossain 1984; Rahman, Mahmud & Haque 1988; Hossain, Mannan, Rahman & Sen 1994, Rahman M. 1993). Comparing the extent of inequality in Bangladesh with other developing countries, Alamgir (1978, p.13-15) concluded that income inequality in both rural and urban Bangladesh represent the median value in comparison to other developing nations (see Table 2). He also concluded that income inequality in Bangladesh remained unchanged during the early 1960's



but declined during the late 1960's. The percentage of income accruing by different groups of households along with Gini co-efficient<sup>4</sup> of income concentration for different years in rural Bangladesh has been presented in Table 3. Data shows that income inequality in rural Bangladesh increased in 1974 to a Gini-coefficient of 0.36 from 0.33 in 1964 and further increased to 0.44, at its ever pick, in 1977. But, since then, it remains almost steady over the years ranging from 0.35 to 0.37. However, it was still higher in 1992 than that of in 1964. Thus, in terms of Gini-coefficient of income concentration there is a significant income inequality exists in rural Bangladesh and the trend, although not increasing it does not decreasing significantly either.

If we go through the income share of different population groups we could see that the major proportion of income has been concentrated in the hands of top few percentage of people. The top 5 per cent were accruing about 18 per cent of the total income while the bottom 5 per cent of the households were accruing only about 1 per cent of the total income in 1991-92. Again the bottom 10 per cent of the households were accruing about only 2.67 per cent of the total income while the top 10 per cent were accruing about 28.04 per cent of the income. This findings indicate a high degree of inequality in terms of income in rural Bangladesh. The trend of the share of income of different population groups is also frustrating. The share of the bottom 10 per cent households decreased by more than one-third to 2.4 per cent in 1974 than in 1964, 3.3 per cent. Although the share of income of this group increased a bit since 1974 it again started declining since 1984 and still the share is less than that of the share of 1964. In contrast the share of the top 10 per cent households has remained almost same up to 1984, then it increased to 31 per cent in 1986. After that it decreased slightly but still the proportion of share is higher (28.04 per cent) in 1992 than that of the share (27 per cent) in 1964. Almost same trend of share of income of the bottom 5 and 10 per cent indicates that there is not much change in the share of income among the lower groups in the continuum. The more or less same trend could also be seen for the top 5 per cent households. However, the increase in the share of income of the top 5 per cent was much higher than bottom 5 per cent. The increase of the share of bottom 5 per cent in 1986 than in 1964 was about 0.40 percentage points while the increase was about more than 10 times (4.6 percentage points) for the top 5 per cent during the same period. Again,



comparing the trend in the share of income of the top and bottom 10 per cent households, we could see that, the share of the top 10 per cent households in 1992 (28.04 per cent) is higher than that of the share of 1964 (27 per cent), while the share of the bottom 10 per cent in 1992 (2.67 per cent) is less than that of the share of 1964 (3.3 per cent). Finally, the income share of all 4 bottom deciles are lower in 1992 than that of 1964. All these findings indicate the increasing income inequality in rural Bangladesh. However, one thing could be mentioned here is that the decreasing share of income of both the top and bottom groups of households in the recent years indicates that the income concentration is happening among the middle order households which could be seen in Table 3. Overall it could be safely said that a high level of income inequality prevails in rural Bangladesh and in recent days although the top groups of households are losing their share of incomes these are not going to the bottom households rather than concentrating among the deciles of 5 to 9, which could also be considered as well-off households, and hence have little impact in reducing poverty.

#### *ii) Extent of Inequality in Landholdings*

The other important indicator of inequality, considered by most scholars, is landholdings, the only means of production in rural Bangladesh. Data on land ownership at the national level in Bangladesh is extremely scarce. *Khan (1977, p.157)* in analyzing this aspect of inequality, was unable to find any data on land ownership pattern and commented that, "It is a great pity that the important global surveys made little effort to obtain information on the distribution of land ownership". Then he analyzed the fact on the basis of available data on operational landholdings and concluded that there was a significant increase in the proportion of landless and small farmers between 1960 and 1967-68 (p.158) in Bangladesh. Regarding the share of landholdings of different groups of population, there is no data available over the years. However, on the basis of *BBS (Jan.1995, p.147)* data of the Census of Agriculture 1983-84 we were estimated the share of landownership of different groups of households for that particular year. BBS data presented as number of households and their percentage in each land holding class. From this data, the total amount of land owned by each group of households was calculated by multiplying the mid-value and the no. of households in that



particular group. The calculated total amount of land owned by different groups has been presented in Table 4. Like income, a high concentration of land in the hand of the few upper class people in rural Bangladesh in 1983-84 could be seen from the data. The bottom 8.67 per cent of the households did not own any land while only top 3.85 per cent of the households owned 22.1 per cent of the total land. Again, more than 46 per cent bottom households owing only about 4.5 per cent of the total land while the top 20.1 per cent of the households possessed about 68 per cent of the total land. *Ahmad and Hossain (1985, p.72)*, on the basis of Land Occupancy Survey of 1978, also quoted that, 29 per cent of the rural households did not own any land other than the homestead and about 50 per cent of the households owned up to only 0.5 acres. At the other end, the top 2.7 per cent households who owned land in the sizes of more than 10 acres controlled nearly a quarter of the total land. *Khan (1977)*, *Alauddin and Tisdell (1989)*, *Ahmad & Hossain (1985)*, *Rahman and Haque (1988)*, *Hossain et al (1994)* all showed a significant increase in the percentage of landless households in rural Bangladesh, which implying growing inequality of land distribution in rural Bangladesh. Ignoring the conceptual and definitional problems, *Alauddin and Tisdell* considered data from various agricultural censuses and concluded that there is substantial degree of inequality in land distribution. Their calculated Gini coefficients of operational and ownership of landholdings for different years have been presented in Table 5. It is seen that there was a decreasing tendency in the inequality in operational holdings from 1960 till 1977 then it increased again significantly. The Gini-coefficient for operational landholdings in rural Bangladesh in 1960 was 0.50 which was decreased to 0.48 in 1968 and further decreased to 0.42 in 1977. However, then it rose significantly to 0.53 in 1984 which is higher than that of in 1960. Inequality in land ownership, available for only two years of 1977 and 1983-84, also shows a significant increase between these two years. Thus, it could be said that high degree of inequality in terms of landholdings prevails in rural Bangladesh and the trend is, although there was a decrease, increasing in the recent years.



## 7. RELATION BETWEEN INEQUALITY AND POVERTY

There is a strong support behind the argument that poverty is a function of inequality in the society. In the same way, most poverty studies in Bangladesh also considered inequality in explaining the poverty of Bangladesh. As mentioned earlier, most of these studies considered income and landholdings inequality (*Khan 1977, Alamgir 1978, Rahman and Haque 1988, Rahman, Mahmud and Haque 1988, Malony 1991, Rahman M. 1994*). However, few studies attempted to examine the direct relationship between the incidence of poverty and inequality in respect to income and landholdings. Rather, seeing the high degree of inequality in rural Bangladesh, they simply concluded that inequality in terms of income and landholdings has important implications for the incidence of poverty. In this section of the paper the relationship between poverty and inequality has been examined.

### *i) Poverty and income inequality*

At the beginning, it might be useful to see the position of Bangladesh, compared to other developing countries, in terms of income inequality. We could see from the data presented in Table 2 that, income inequality in Bangladesh is less severe than several other countries like India, Philippines, Pakistan, Malaysia, etc. From the data, it is not evident that income inequality is directly related to poverty as we see that the countries which have been able to reduce their poverty significantly, such as South Korea, Malaysia, have had higher inequality than that of the countries like Bangladesh, India, Pakistan, which are still suffering from large scale of mass poverty.

In particular, data on proportion of poor and Gini-coefficient of income concentration in rural Bangladesh over the years have been presented in Table 6 and Graph 1. Data on proportion of poor have been taken from the Table 1. For the years of 1974 to 1989 *Task Force (1991)* data were considered. For the years 1964 and 1992, the proportion were estimated from *Ahmad & Hossain (1985)* and *Sen (1995)* respectively by considering their average differences of estimates, calculated from the overlapping years, from the Task Force estimates. It could be noted here that all the estimates by different scholars were based on Household Expenditure Data of BBS. The differences among estimates were mainly because of differences in the definition of concepts like non-food or food-items, minimum calorie



requirements, etc. So, it could be considered that inferring from these data would not differ much from the reality. Gini-coefficient of income inequality data were taken from Table 2 for the respective years.

We could see an increase in both income inequality and proportion of poor in rural Bangladesh in 1974 than it was in 1964. The Gini ratio of income inequality increased from 0.33 in 1964 to 0.36 in 1974. While increase in the proportion of poor was, from 57.1 per cent in 1964 to 60.3 per cent in 1974. This suggests an increase of 0.03 points in the Gini ratio caused in an increase of more than 3 percentage points in the proportion of poor. Which means an increase of about 1 percentage point in the proportion of poor for an increase of 0.01 unit in the Gini co-efficient. Again, after 1974, the income inequality increased to a large extent by about 0.08 points in the Gini ratio and reached to its pick at 0.44 in 1977. In the same direction, the proportion of poor also increased to its pick at 78.9 per cent in the same year, an increase of about 20 percentage points. This means an increase of about 2.4 percentage points in the proportion of poor for an increase of 0.01 unit in the Gini co-efficient. It reveals that proportion of poor increased more rapidly than increase in the income inequality during this period. One reason behind this might be the devastating flood and subsequent famine in the country in 1974 which may led increasing number of people into poverty during the following years. Since 1977, both Gini co-efficient of income inequality and proportion of poor declined to a Gini ratio of 0.36 and 55.3 per cent respectively in 1982. This means a decrease in the proportion of poor by about 2.8 percentage points per 0.01 unit decrease in the Gini co-efficient of income inequality. This is very close to the proportion of increase during the period 1974 to 1977. This increase and decrease in the same direction of the proportion of poor with the income inequality up to 1982, strongly supports the hypothesis that income inequality is positively related to the proportion of poor in rural Bangladesh. However, since 1982, we could see that income inequality remained almost same with a very slight fluctuation within the years, while the proportion of poor continued to decrease and reached to its lowest level at 37.3 per cent in 1986. Finally, since 1986 there was a constant increase in the proportion of poor could be seen till 1992. It rose to 45.40 per cent in 1992 from 37.3 per cent in 1986. However, there was no significant change in the Gini ratio of income inequality during this period. We could



also see these findings in Graph 1 where, till 1986, the proportion of poor line closely follows the income inequality line but since then the proportion of poor line rises constantly, while the income inequality line remained almost same. This increase in the proportion of poor without an increase in income inequality does not support the above stated hypothesis. However, this fluctuation in the relationship might be explained by the fact that there were two devastating floods in Bangladesh during the years of 1987 and 1988 which might have forced a large number of people into poverty during the following years without any significant change in the income inequality situation. So, we could conclude that there might be a close positive relationship between income inequality and proportion poor in rural Bangladesh, however, the relationship might not follow the same direction following the years of severe natural calamities.

#### **ii) Inequality in Landholdings and Proportion of Poor**

Now we will examine another most often discussed determinants of poverty, particularly in Bangladesh, that is, inequality in landholdings. *Rahman, Mahmud and Haque (1988, p.49)* described landlessness as the most crucial element in explaining the level and growth of poverty in Bangladesh. It is likely that command over landholdings of a rural household is strongly and positively related to its income, e.g., more the land more the income, and thus, influences the poverty status of the household. Hence, it could also be assumed that the proportion of poor is also positively related with the inequality in landholdings. Data on inequality in land ownership in Bangladesh is extremely scarce. Whatever available could not be compared over the years due to methodological and definitional problems. As data on landownership is not available we have considered the data on operational holdings which was available over the years and considered by poverty scholars (*Alauddin and Tisdell 1989, Khan 1977*). Operational landholdings could be a proper substitute of landownership as most of the cultivators (about 96 per cent) in rural Bangladesh are either owner-cultivator or owner-cum-tenant-cultivator. The other 4 per cent tenant-cultivator also having command over land, although through tenancy, and thus their income is likely to be influenced by the landholdings they are operating (*Navin et al 1988, p.32*). Data on inequality in operational landholdings for the recent years is



not available, it was available up to 1985 since 1960. These would help us to examine the relationship between inequality in landholdings and proportion of poor. Data on Gini co-efficient of operational landholdings and proportion of poor has been presented in Table 7. The proportion of poor data were taken from Table 6 and the data on inequality in operational landholdings were taken from Table 5. It could be clearly seen that there is no strong positive relationship between inequality in landholdings and proportion of poverty. Rather, the relationship is negative. The inequality in operational landholdings decreases constantly till 1977 from a Gini coefficient of 0.50 in 1960 to 0.48 in 1968, then further to 0.42 in 1977. On the other hand we could see a complete reverse trend in the proportion of poor which increased from 57 per cent in 1964, 60.3 per cent in 1974, and further to 78.9 per cent in 1977. After 1977, the Gini co-efficient of operational landholdings increased significantly to 0.53 in 1984. While the proportion of poor, again in a reverse trend, decreased to 46.3 per cent in 1984. These complete inverse relationship (see Graph 2) between inequality in operational landholdings and proportion of poor leads us to a conclusion that there is a strong relationship between inequality in landholdings and proportion of poor, however, the relationship is not positive, rather, it is negative, e.g., higher the inequality in operational landholdings lower the proportion of poor.

This situation might be explained by the fact of decreasing importance of land as source of income in the rural areas of Bangladesh. Several factors might have contributed to this. *Firstly*, with the increase in non-farm activities in rural Bangladesh, dependency on land as the basis of income has been decreased; *Secondly*, increasing urbanization and industrialization has also increased the off-farm employment opportunity for the rural poor; *Thirdly*, increase in the wage of labor has decreased the proportion of profit for the capital, such as land, which again helps to decrease the importance of land as a source of income; *Fourthly*, massive development activities and poverty alleviation programs, particularly the target oriented poverty alleviation programs, have also helped the poor to increase their income from sources other than land; and *Finally*, the changed relations between different sub-sectors of economy in the context of emerging new economic order, both within the country as well as in the international perspectives.



## 8. DISCUSSION

We have seen that though, income inequality has a positive relationship with the proportion of poor in a limited sense, inequality in operational landholdings has no such relationship in rural Bangladesh. The relationship between operational landholdings and proportion of poor does not support the conclusion of landholdings as an important determinant of poverty in rural Bangladesh. Thus, the common conclusion of most poverty studies of re-distribution of land as a necessary step to reduce poverty of many scholars, such as *Khan (1970)*; *Ahmed and Hossain (1985)*; *Rahman, Mahmud & Haque (1994)*; *Motiur (1993)*, seems less important in rural Bangladesh for the purpose. The good examples of poverty reduction and land reform of the countries like South Korea, Taiwan, China, etc., are often cited in this regard. However, the success of these countries are case specific and were effective only because of the given socio-political and resource bases of those countries. Such as, in China, the earlier collective agricultural system proved smothering initiative, effort, innovation, productivity and growth. Thus, it liberalized, rather than restricting options, and leased out land to individuals and households since 1978. This contributed to the rapid agricultural growth in China in the 1980s. In South Korea, a foreign power (US) expropriate land from non-native (Japanese) landlords and re-distributed it to the native tenants and, later, pressured local governments to take over privately held land (*ADB 1994, 26-27*)<sup>5</sup>. In addition, it is also true that these countries have achieved a significant development in the industrial sector during this period. Thus, it is also difficult to ascertain that how much is contributed by land reform and how much is contributed by the growth in the industrial sector in the success in poverty reduction in these countries. In Bangladesh, however, with the fact of extremely low land:man ratio (only 0.18 acres per person), now a days, it is increasingly realized that even massive re-distribution of land might not be proved as a viable measure to reduce mass poverty (*see Task Force Report 1991, Hossain et al 1994, Rahman M. 1995, Karim 1996*). In any case, given the high inequality in landholdings in rural Bangladesh land reform is strongly recommended and should be one of the major concern in terms of inequality. However, as mentioned, land re-distribution, might not be a viable measure in this



direction. Land re-distribution would cause more fragmentation in the already fragmented small plots, which is not economically viable at all. Hence, it might lead more people into poverty and cause decreasing productivity of land. Which, in turn, would adversely affect the overall economic growth of the country. Thus, the nature of land reform must be directed to improve the productivity of land which might be achieved through aggregate use of small pieces of land. This would allow easy application of modern technologies and thus, helps to increase the productivity. In Bangladesh, this has already been evident that aggregate use of land could significantly increase the productivity of land by using it for other purposes than cultivation of crops. The case of shrimp cultivation in the Khulna region, where land is used as large enterprises by joining the small pieces of land, is the best example of this. Data shows that, despite low level of irrigation, fertilizer use, intensity of cropping, etc., the gross agricultural products of Khulna region increased by about 22.24 per cent over 1977-78 to 1987-88 period. While the other regions in Bangladesh remained almost the same in this regard. This increase in production could be largely attributed to the use of land in shrimp cultivation in the coastal belts of Khulna region. Due to this Khulna region has also experienced a high growth of 160.5 per cent in the fisheries sector compared to the negative growth of the other regions during the same period (see *Motiur 1993, p.166-171*). This type of use of land could help to increase the productivity of land which, in turn, could contribute to the economic growth of the country. It is found in recent studies that only sustained economic growth could reduce poverty significantly. In its recent study on poverty in Asia ADB (1994) concluded that "those countries which have had the most success with reducing rural poverty seem to be those which have also had sustained growth" (p.48).

Again, there is no doubt that persistent poverty in Bangladesh is deep rooted in the existing high degree of inequality in the society but not within the landholdings and income inequalities alone, as mentioned by most poverty scholars. Rather it, most expectedly, lies with other aspects of inequality in the society such as, inequality in the share of the public facilities, public resources, and concentration of assets and services in the urban areas in comparison with rural areas, and so on. This has already been mentioned as important for the analysis of poverty. Such as *Sen (1983)* suggested analyzing poverty in terms of "entitlement" which means one's command over available



goods and services in the society. *Maloney (1991)* also mentioned that the fruits of economic growth (about 4 per cent per year) in Bangladesh compared to the population growth (about 2.4 per cent per year) goes to the richer minority, especially those in Dhaka. There is scarcity of data about the share of different groups of population in public facilities. These public facilities are highly subsidized. Generally, it could be assumed that the share of the poor in public opportunities such as, education, health, etc., is extremely low. One broad evident in support of this is that most facilities are concentrated in the urban areas and as such, remain beyond the huge mass rural poor population. In the urban area also, there might be little evidence of using these facilities by the poor section. The following example could help us to guess the extent of such inequality. In addition to the fact of very negligible public expenditure on education (under 3 per cent of GDP in Bangladesh in the 1980s), the fact of subsidy in tertiary education, no doubt enjoyed by the urban affluent section, is more than 250 per cent, while it was only 5.3 per cent to primary schooling (*see ADB 1994, p.6*). *Gunnar Myrdal (1972)* in his famous book 'Asian Drama: An Inquiry into the poverty of nations' also mentioned that inequality within the occupations or sectors, rural urban expenditure is greater in the South Asian countries than that of the western countries which have important implications in explaining poverty (p. 106).

## 9. CONCLUSION

The above discussion clearly indicates that inequality in Bangladesh society should be an important consideration. However, it is more appropriate in terms of social justice. Its implications for persisting poverty needs to be re-examined as the inequalities in income and landholdings did not follow a clear positive relationship with the proportion of poor. It is necessary to consider the persisting mass poverty of rural Bangladesh in respect to the mechanisms of general inequality in the overall society rather than focusing on particular aspects of inequality. This again, needs systematic in-depth study within the framework of general inequality prevailing in the society, particularly inequality in terms of access to public opportunities.



**Table 1: Proportion of Absolute Poor (having less than 2122 cal/day/person) in Rural Bangladesh Estimated by Different Studies**

Years Sources	1964	1969	1974	1977	1978	1979	1982	1984	1986	1989	1992	1994
Khan, 1977	40.2	76.0	78.5	---	---	---	---	---	---	---	---	---
BBS, 1995	---	---	82.9	---	---	---	73.8	57.0	51.0	48.0	---	---
Ahmad & Hossain, 1985	52.0	---	55.7	61.1	67.9	---	---	55.7	---	---	---	---
Islam & Khan, 1986	---	---	47.7	62.3	---	---	---	---	---	---	---	---
Muqtada 1986	---	---	---	68.2	---	68.7	---	---	---	---	---	---
Rahman & Haque, 1988	---	---	65.27	---	---	---	79.12	49.81	47.08	---	---	---
Hossain 1989	---	---	77.3	---	---	---	77.8	52.1	49.9	---	---	---
Task Force Report, 1991	---	---	60.35	78.91	77.45	65.87	55.34	46.29	37.27	43.4	---	---
Sen, 1995	---	---	---	---	---	---	---	53.8	45.9	49.7	52.9	---
Rahman M. 1995	---	---	---	---	---	---	---	---	---	---	---	59.0

**Sources:** Compiled from Statistical Yearbook of Bangladesh 1994 (p.575), Report of the Task Forces on Bangladesh development Strategies for the 1990's (1991, pp.55-56), ILO (1977, p.147), Ahmad & Hossain (1985, p.70) and Rahman and Haque (1988, p.2), Motiur (1995, p.430)

**Note:** '-' indicates no estimate for the respective cell

**Note:** Years Indicates the last year of the Fiscal Year

**Table 2: Extent of Inequality in Selected Countries**

Country	Years	Gini Coefficient	
		Rural	Urban
Bangladesh	1968-69	0.27	0.37
	1973-74	0.38	0.39
India	1967-68	0.48	0.46
	1965	0.43	0.53
Philippines	1971	0.47	0.46
	1969-70	0.35	0.41
Sri Lanka	1973	0.37	0.4
	1968-69	0.33	0.44
Thailand	1970	0.45	0.39
	1969-70	0.3	0.37
Pakistan	1970-71	0.3	0.36
	1966	0.31	0.32
South Korea	1971	0.31	0.34
	1967-68	0.52	0.5
Malaysia	1970	0.46	0.5
	1970	0.27	0.4
Uganda	1970	0.27	0.4

**Source:** Alamgir (1978, p.14)



**Table 3: Percentage of Income Accruing to Rural Households in Each Decile Estimated from the Household Expenditure Survey in Bangladesh for Different Years**

Decile of Household	1964	1974	1977	1982	1984	1986	1989	1992
Lowest 5%		0.8		1.16	1.19	1.23	1.10	1.07
Decile 1	3.3	2.4		2.84	2.95	2.92	2.74	2.67
Decile 2		4.8		4.27	4.37	4.30	4.13	4.07
Decile 3		5.6		5.34	5.46	5.30	5.10	5.10
Decile 4		6.3		6.37	6.46	6.20	6.05	6.05
Decile 1-4	20.4	19.1	18.3	18.82	19.24	19.95	18.02	18.96
Decile 5		7.1		7.47	7.53	7.10	7.12	7.21
Decile 6		8.0		8.71	8.67	8.20	8.25	8.57
Decile 7		9.8		10.26	10.11	9.55	9.69	10.28
Decile 8		13.5		12.33	11.75	11.36	11.74	12.30
Decile 9		16.1		15.73	14.81	14.08	15.10	15.71
Decile 10	27	26.4		26.69	27.89	31.00	30.08	28.04
Top-5%	16.8	16.0	17.3	16.78	18.14	21.36	19.81	17.80
<b>Gini Coefficient</b>	0.33	0.36	0.44	0.36	0.35	0.36	0.37	0.36

*Source:* Compiled from Bangladesh Statistical Pocketbook 1994 (p.328) & 1992 (p.311), Alamgir (1977,p.70), Haque and Rahman (1988,p.57)

*Note:* Blank cells indicate no estimates available



**Table 4: Ownership of Land by Size Class in Bangladesh in 1984-84**

Land Holdings (acres)	No. of Households			Amount of (acres) Land <sup>1</sup> Owned		
	Number	%	Cum. %	Amount	%	Cum. %
No land	1198156	8.67	8.67	0	0	0
0.01-0.04	1305266	9.45	18.12	32631.65	0.14	0.14
0.05-0.49	3895449	28.19	46.31	1051771.23	4.37	4.51
0.50-0.99	1660082	12.01	58.32	1236761.09	5.14	9.65
1.00-2.49	2978992	21.56	79.88	5198341.04	21.60	31.25
2.50-7.49	2247580	16.27	96.15	11226662.1	46.65	77.9
7.50 +	532121	3.85	100.0	5321210	22.10	100.0
Total	13817646	100.0	100.0	24067377.1	100.0	100.0

Source: Bangladesh Statistical Pocketbook, 1994 (Jan. 1995, p. 147)

<sup>1</sup> Calculated through multiplying the mid-value of each class with the respective number of households

**Table 5: Gini Coefficient for Land distribution in Bangladesh**

Year	Basis	Gini Coefficient
1960	Operational holdings	0.50
1967-68	Operational holdings	0.48
1977	Operational holdings	0.42
1977	Ownership	0.43
1983-84	Operational holdings	0.53
1983-84	Ownership	0.49

Source: Alauddin and Tisdell (1989, pp. 552)



**Table 6: Gini Coefficient of Income Inequality and Inequality in Terms of landholdings by proportion of poor in Rural Bangladesh**

Years	Income Inequality <sup>1</sup>	Proportion of Poor <sup>2</sup>
1964	0.33	57.1
1974	0.36	60.3
1977	0.44	78.9
1982	0.36	55.3
1984	0.35	46.2
1986	0.36	37.3
1989	0.37	43.4
1992	0.36	45.4

<sup>1</sup> Taken from Table 1. From 1974 to 1989 Task Force data were considered. However, For the years 1964 and 1992, the proportion were estimated from Ahmad & Hossain (1985) and Sen (1995) respectively by considering their average differences of the overlapping years from Task Force estimates.

<sup>2</sup> Gini-coefficient of income inequality data have been taken from Table 2 for the respective years.

**Table 7: Gini Coefficient for Land distribution and Proportion of Poor in Rural Bangladesh**

Years	Gini Coefficient <sup>1</sup>	Proportion of Poor <sup>2</sup>
1960	0.50	
1964		57.1
1968	0.48	
1974		60.3
1977	0.42	78.9
1982		55.3
1984	0.49	46.3
1986		37.3

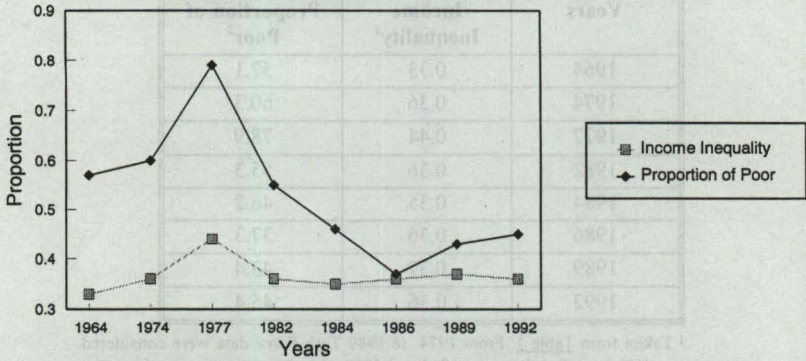
<sup>1</sup> Taken from Table 5

<sup>2</sup> Taken from Table 6

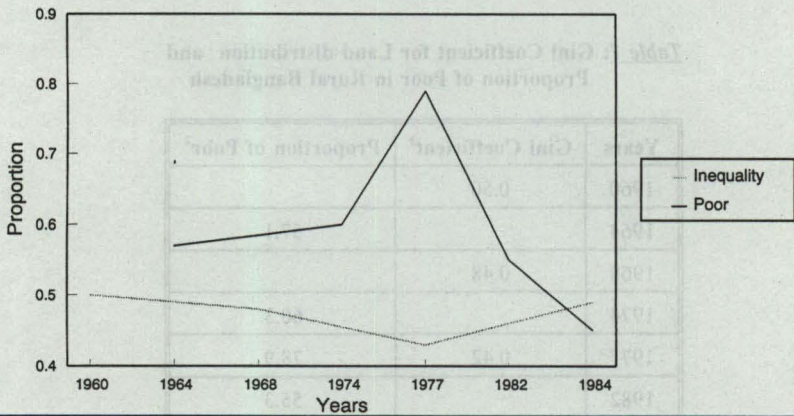
*Note:* Blank cells did not have any estimate



**Graph 1: Income Inequality and Proportion of Poor**  
(Ref.: Table 6)



**Graph 2: Landholdings Inequality and Proportion of Poor**  
(Ref. Table 7)



## NOTES

- 1 Sometimes poverty line also drawn at this level on the basis of actual nutrition intake of the population (*Rahman and Haque 1988, p.17*)
- 2 *Gallbraith (1979)* denoted the poverty of the developing countries as mass poverty, where major proportion of population is poor
- 3 Whose income is sufficient to have a minimum of 2122 cal/day/person
- 4 Higher value indicates higher inequality and vice-versa
- 5 For details of land reform experience of several Asian countries see "Escaping the Poverty Trap: Lessons from Asia" Asian Development Bank, 1994, pp. 26-27

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