

# **The Persistence and Transition of Rural Poverty in Pakistan: 1998-2004**

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# Introduction

- Poverty debate in Pakistan has largely focused on the poverty levels and its measurement issues
- Poverty dynamics which helps to understand the movements into poverty and movement out of poverty, have been rarely studied in Pakistan
  - i. Panel data requirement
  - ii. Analysis of two or more rounds of panel datasets

# Poverty trends: a brief review

- Pakistan has not witnessed a secular decline in poverty for a long period
- Poverty is a rural phenomenon
- Changes in poverty levels since 1990s are largely due to
  - poverty changes in rural Sindh and to some extent in Balochistan
- The focus of this paper is to analyze the poverty dynamics in rural Punjab and Sindh

# Objectives

- to examine the rural poverty trends across the provinces;
- to analyse the poverty dynamics in rural areas of two large provinces of the country
  - Punjab and Sindh
- to explore the association between socio-economic conditions of the households and poverty dynamics.

# Data description

- Two panel datasets:
  - PRHS(2001 & 2004) and
  - PSES(1998 & 2000)
- The province Punjab has been divided into two categories:
  - ‘Southern Punjab’ and ‘Central and North Punjab’ to examine the poverty dynamics in the both regions

## Sampled households of the PSES and PRHS

panel/ attrition	All	Rural	Urban	Province			
				Punjab	Sindh	KPK	Balo.
PSES-II (1998)	3564	2268	1296	1952	848	508	256
PSES-II (2000)	2774	1789	985	1650	604	338	182
Attrition (%)	22.2	21.1	24	15.5	28.8	33.4	29.1
PRHS-I (2001)	2740	2740	-	1077	816	45	395
PRHS-II (2004)	1609	1609	-	929	680	0	0
Attrition (%)	41.3	41.3	-	13.7	16.7	100	100

# Methodological framework

The official poverty line as applied on the PRHS and PSES datasets has been derived in five steps

- *The inflation adjusted official poverty line for 2000-01 period (Rs. 723.4 per adult per month) was applied on the PRHS data to find the poverty rate for rural Punjab and Sindh (38.5 percent)*
- *A monthly per equivalent adult consumption of Rs 792.1 was derived by calculating the population percentile threshold value that generates the same poverty headcount rate of 38.5 percent using the PRHS-I (2001) data*
- *An inter-temporal inflation rate of 15.2 percent between PRHS-I (2001) and PRHS-II (2004) was estimated by weighting monthly CPIs by the number of observations for each corresponding month for PRHS-I and PRHS-II data. The poverty line for 2004 period was derived as Rs. 912.3 per adult per month by multiplying the PRHS-I poverty line (Rs 792.1)*
- *The same procedure was adopted for the PSES panel and the poverty line for 2000-01 period was deflated for the 1998-99 period*

	Round-II		
		Poor	Non-Poor
Round-I	Poor	Chronic Poor	Moving Out (Transient)
	Non-Poor	Moving In (Transient)	Non-Poor

The following three models has been estimated to find out the correlates of poverty dynamics for PSES and PRHS datasets;

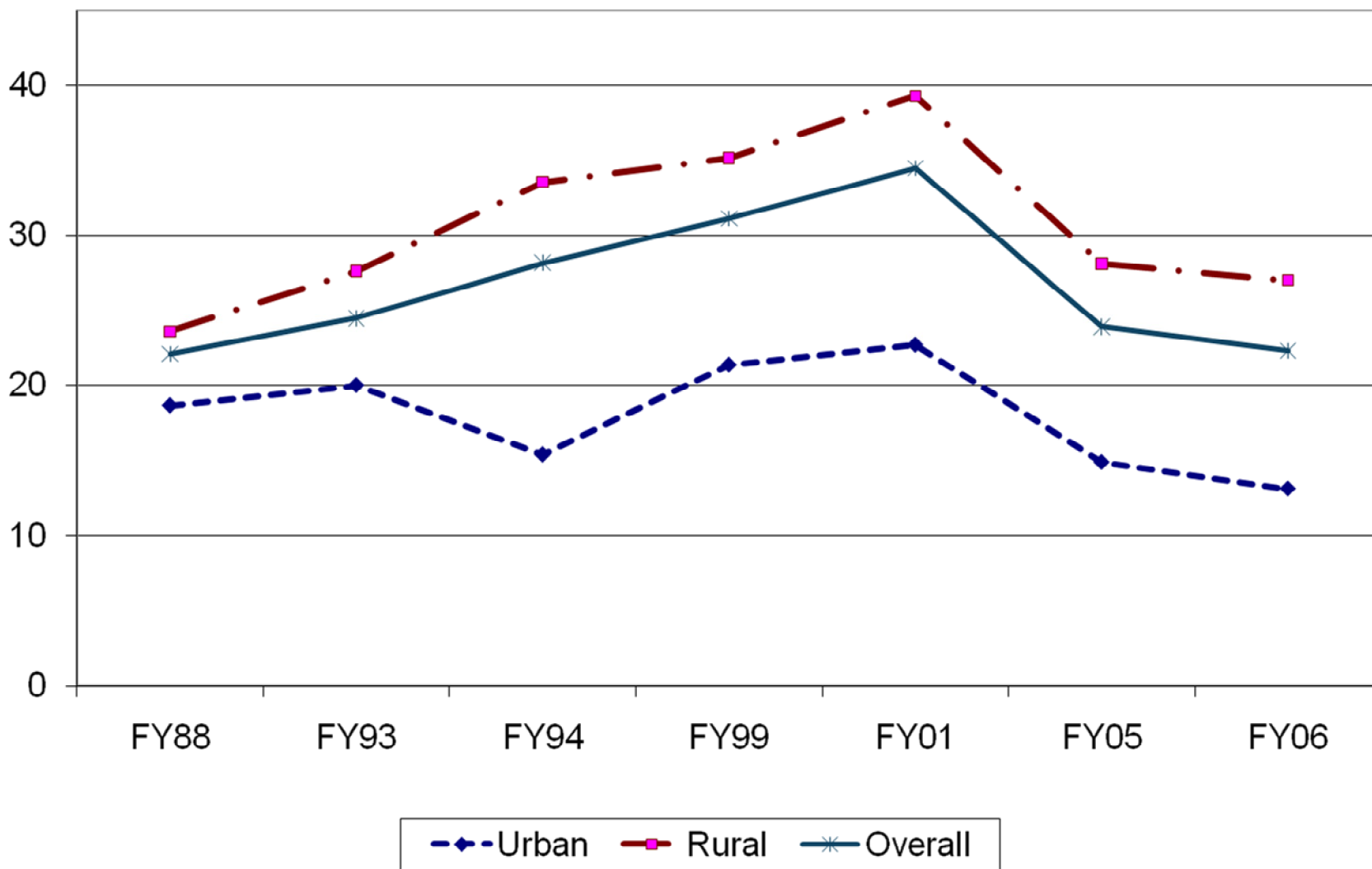
$$1) \quad PD_{psi} = a_{psi} + a_1 I_{psi} + a_2 Hd_{psi} + a_3 Rg_{psi} + \mu_{1i}$$

$$2) \quad PD_{pri} = a_{pri} + a_1 I_{pri} + a_2 Hd_{pri} + a_3 Rg_{pri} + \mu_{2i}$$

$$3) \quad PD_{pri} = a_{pri} + a_1 I_{pri} + a_2 Hd_{pri} + a_3 Rg_{pri} + a_4 \Delta As_{pri} + \mu_{3i}$$



## Poverty Trends in Pakistan



## Trends in rural poverty across provinces (cross-section analysis)

Source	Pakistan	Punjab	Sindh	KPK	Balochistan
Cheema (2005)					
1992-93	27.6	25.4	28.6	34.9	26.2
1993-94	33.5	33	30.2	38.2	36.8
1996-97	30.2	27.9	19.2	42.4	41.6
1998-99	35.1	34.6	34	43.7	21.3
2000-01	39.3	36.9	45.1	43.6	37.5
World Bank (2007)					
1998-99	33.8	32.2	34.5	43.3	21.6
2000-01	39.1	33.8	48.3	44.4	39.3
2004-05	34	33.4	28.9	41.9	35.8

## Incidence of rural poverty (cross-section analysis)

Source	Punjab and Sindh	Punjab only	Sindh only	South Punjab	North and central Punjab
<b>PSES panel</b>					
1998	26.1	28.2	18.6	35.5	23.2
2000	38.3	39.5	34.1	50	32.4
<b>PRHS panel</b>					
2001	38.6	28.3	50.7	37.9	19.3
2004	26.2	21.5	31.3	28.7	14.6

## Poverty dynamics in rural Punjab and Sindh

Change in poverty	Total sample	Punjab			Sindh
		Total	Central – North	South	
<b>PSES (1998-2000)</b>					
Chronic	21.3	23.6	17.6	31.4	14.1
Moved out	10.2	10.5	9.5	11.9	9.2
Fell into	23.3	21.9	19.3	25.3	27.6
Never poor	45.2	44.0	53.6	31.3	49.0
<b>PRHS (2001-2004)</b>					
Chronic	11.3	8.3	5.3	11.9	15.3
Moved out	21.2	14.8	11.2	19.1	30.1
Fall into	11.0	9.6	8.3	11.2	12.8
Never poor	56.5	67.3	75.2	57.8	41.7

## Effects of socio-economic characteristics on poverty dynamics-PSES

Correlates (1998)	Chronic Poor/ Non-poor	Moved out/ Non-poor	Moved into/ Non-poor
Sindh/ North Punjab	-0.887*	-0.457* *	0.025
South Punjab/ North Punjab	0.188*	0.325	0.570*
Household size	0.396*	0.270*	0.226*
Female is Head	-0.629* *	0.144	-0.717*
Literacy of the Head	-1.239*	-0.574*	-0.741*
Head is Employed	-0.527* *	-0.279	-0.495*
Electricity Connection	-1.161*	-0.883*	-0.623*
Land Ownership	-1.228*	-0.730*	-0.398*
Remittances Overseas	-0.1522*	-0.719	-0.067

## Effects of Socio-economic Characteristics on Poverty Dynamics-PRHS

Correlates (2001)	Chronic Poor/ Non-poor	Moved out/ Non-poor	Moved into/ Non-poor
South Punjab/North Punjab	0.136	0.317	0.129
Sindh/North Punjab	1.183*	1.281*	0.620*
Household size	0.269*	0.198*	0.173*
Dependency Ratio	0.384*	0.234*	0.091
Literacy of the Head	-0.483*	-0.449*	-0.265
Health Expenditure	-0.001*	-0.001*	0.00
House Structure	-0.667*	-0.232	-0.236
Electricity	-0.564*	0.014	-0.616*
Total Large Animals	-0.308*	-0.212*	-0.133*
Total Small Animals	-0.067**	0.001	0.053*
Land Holdings	-0.094*	-0.048*	-0.015*
Agriculture Employed	-0.22	-0.461*	-0.264
Construction Employed	0.196	0.529	0.909*

## Effects of Socio-economic Characteristics on Poverty Dynamics-PRHS

Correlates (2001)	Chronic/ Non-poor	Moved out/ Non-poor	Moved into/ Non-poor
$\Delta$ in Household Size	0.114*	-0.018	0.115*
$\Delta$ in Dependency Ratio	0.408*	0.189	0.375*
$\Delta$ in Large Animals	-0.105*	0.008	-0.026
$\Delta$ in Land Holdings	-0.061*	-0.024* *	-0.602

# Summary

- Both chronic and transitory poverty is higher in Sindh and 'southern Punjab' as compared to 'central and northern Punjab'
- Household size increases the risk of remaining in poverty or being transitory poor. High dependency ratio is also associated with long-term poverty
- Both health (expenditure) and education level have a close association with poverty dynamics
- The proportion of households which depend on livestock only for their livelihood is small in Pakistan
- Ownership of both land and livestock works together to mitigate poverty and vulnerability in the country



# Recommendations

- Reaping the demographic dividend
- Asset creation for the poor
- Health insurance for the poor