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## Table Of Contents:

Behind the scenes of informed consent: Problems and solutions from Bangladesh	Nabila Idris	University of Cambridge, UK	5
Child wellbeing and the Child Support Grant in South Africa	Jacqueline Moodley	University of Johannesburg, South Africa	6
	Jenita Chiba		
Crossing boundaries and borders: Life experiences of street children in Bulawayo, Zimbabwe	Ian Ndlovu	The Open University, United Kingdom	7
Developmental Strategy in Senegal appertaining to Ghana: International Job Portal & Education Algorithm	Ah Hyun Seo	Hankuk Academy of Foreign Studies, Republic of Korea	8
	Seohyeon Kang		
Equality matters: The Norwegian experience	Masudur Rahman	Nord University, Norway	19
Factors affecting child poverty in Sub Saharan Africa revisited with special reference to education and rural women 1990-2010	Rose Ingutia	University of Helsinki, Finland	37
Has the Neo-Liberalisation of microfinance turned it into an instrument of perpetuation of poverty in the global south?	Jean Claude Havyarimana	University Cape Town, South Africa	58
Impact of a Microcredit Group-Lending Program on household income -Case Study of Aurangabad District, Maharashtra State in India	Masanobu Kimura	Kanazawa Seiryō University	83
	Abhay Joshi		
	Megumi Nishimura		
Marketers' price perceptions on weights and measures at the local markets of Ghana	Adwoa Oforiwa Antwi	University of Tsukuba, Japan	84
	Kenichi Mastui		
	Ondiba Hesborn		
Poverty and anti-poverty policies: What do we know?	Victor A. Beker	University of Belgrano and University of Buenos Aires, Argentina	92
Poverty reduction and human development program: Impact of ENRICH program on income poverty in Bangladesh	Dr. Farhana Nargis	Institute for Inclusive Finance and Development (InM), Bangladesh	111
Telling their story of homelessness: Voices of Victoria's tent city	Dr. Michael G. Young	Royal Roads University, Canada	131
The Civil Society and Poverty in contemporary India	Indrajeet Singh	Khalsa College, Delhi University, India	132
Transcultural Development; Remembering the People in Development	Bastian Thomsen	College of Idaho, USA	133

## **Index Of Authors:**

Antwi, Adwoa Oforiwa	84
Beker, Victor A.	92
Chiba, Jenita	6
Havyarimana, Jean Claude	58
Hesborn, Ondiba	84
Idris, Nabila	5
Ingutia, Rose	37
Joshi, Abhay	83
Kang, Seohyeon	8
Kimura, Masanobu	83
Mastui, Kenichi	84
Moodley, Jacqueline	6
Nargis, Dr. Farhana	111
Ndlovu, Ian	7
Nishimura Megumi	83
Rahman, Masudur	19
Seo, Ah Hyun	8
Singh, Indrajeet	132
Thomsen, Bastian	133
Young, Dr. Michael G.	131

# **Behind the scenes of informed consent: Problems and solutions from Bangladesh**

Nabila Idris  
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## **Abstract:**

‘Informed consent’ is an ethical cornerstone of research and praxis, especially when vulnerable subjects are involved. The medical community robustly embraced it decades ago, and was instrumental in social science researchers adopting it afterwards. Journalists, in contrast, eschew it, arguing that ‘public interest’ trumps the drawbacks of not seeking informed consent. We juggle both these competing priorities in the development industry: we need to protect our vulnerable clients even as we bring them and their causes into the limelight. In developing countries, added to this mix is a culture where privacy is a nebulous concept, literacy is not guaranteed, and photos are a novelty. This presentation is based on a six months long study that employed qualitative interviews, document analysis and participant observation in urban and rural Bangladesh to investigate how informed consent truly manifests in the field. There are two crucial takeaways: a) not taking truly informed consent can have harmful and unforeseeable consequences for subjects; and b) the ‘stakeholder test’ is a simple technique to explain to subjects the possible consequences of their consent.

**Keywords:** Ethics, Photography, Informed consent, Bangladesh

# **Child wellbeing and the Child Support Grant in South Africa**

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## **Abstract**

This paper seeks to understand whether the Child Support Grant, an unconditional cash transfer in South Africa, influences children's education and health capabilities. With over 60% of South African children living in poverty, the CSG is a mechanism aimed at restoring social justice. For children aged five to 14 years old, who are legally required to attend school, the presence of the grant was associated with higher enrolment in early years of education and with healthier body mass indices of children. This was despite child beneficiaries residing in poorer households with lower access to services. Some services, such as access to water and electricity were fundamentally important, in addition to the CSG, in determining both school enrolment and health of children. The research therefore advocates for basic services for all children and especially those who live in poverty. These amenities have been made available in one municipality in South Africa, where a basic package inclusive of water and electricity follows CSG recipients. However, to enable the restoration of social justice of children in South Africa, this research points to the need for broader implementation of this package to enhance the wellbeing of all children in South Africa.

## **Keywords**

Child Wellbeing  
Child Support Grant  
Education  
Health  
Capabilities  
Services

**Crossing boundaries and borders:  
Life experiences of street children in Bulawayo, Zimbabwe**

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**Abstract**

This paper draws on findings from research by the author on life experiences of street children living on the streets of Bulawayo between 2011 and 2013. The researcher uses street children's narratives infused with humanising perspectives and their accounts relating to their individual and group journeys to life on the streets. Sometimes these journeys lead them across borders and boundaries. These borders and boundaries exist in both visible and non-visible forms but in essence there are a result of human imagination and agency. The paper considers the concept of boundaries and borders in relation to the street children's struggles to resolve the crisis which afflict their young lives. Issues of identity formation, territorialisation, contesting space and relocation are viewed as important aspects of street children's lives. The research reveals how image journeys project street children into the future and how imaginary journeys take them from reality now and transfer them into unreal existences or different worlds that can only exist in their minds. Finally, the paper sums up these unique experiences into a useful perspective and prism to look into street children's lives as full of innovation, negotiating skills and sophistication that their counterparts living at home may not possess.

**Key words:** street children, boundaries, borders, collective identity

**Developmental Strategy in Senegal appertaining to Ghana:  
International Job Portal & Education Algorithm**

**Ah Hyun Seo, Seohyeon Kang**

**Hankuk Academy of Foreign Studies**



## **Abstract**

Issues regarding poverty in developing nations have received noticeable attention around the globe. Notwithstanding the universal efforts including the Millennium Development Goals (MDGs) that ended in 2015, only four countries out of 52 countries were freed from the title of Least Developed Countries (LDCs) for the last 50 years. The LDCs are still in a dire need of sustainable solutions to help them escape from abject poverty.

In this present situation, Africa is the continent with the most LDCs in the world though with its abundant natural resources. A number of complications such as tribal and religious conflicts, diseases, prospering dictatorship and warlords are causing a headache for both African nations and the global community. However, the most chronic problem with Africa is that many people in the continent still do not recognize the importance of education and how it is beneficial for the sake of their economy.

This research aims at Ghana and Senegal, which are both nations with similar population density and basic social background in West Africa: one of the regions suffering the most from endless troubles coming from underdevelopment including the Ebola virus disease. Although Ghana and Senegal are under analogous conditions, Ghana was able to become one of the most thriving countries in Africa, while Senegal is still goaded at all times until this day.

The paper mainly focuses on changing such perception and successfully implementing the creation of poverty reduction strategies we introduce—establishment of the International Job Portal (IJP) and education algorithm—in Senegal. We conducted a case study of Ghana's success in overcoming poverty with education to generalize the solutions and make our solutions more viable and applicable to Senegal. Through this process, we ultimately will portray the expected results of the suggested approaches to economic development in Senegal in this paper.

*Keywords:* International Job Portal (IJP), Education Algorithm

# **Developmental Strategy in Senegal appertaining to Ghana: International Job Portal & Education Algorithm**

## **Case Studies**

We aim to analyze the cases of both Senegal and Ghana. Senegal is a nation that is currently in poverty, and Ghana is a nation that has already escaped much of abject poverty and is now standing as one of the most developed countries in Africa.

### **Current Society of Senegal**

Senegal is quite different from Ghana, in that it is one of the underdeveloped nations of Africa with its GDP reaching only 13.6 billion (2015). Although with a high-developed capital of Dakar and well-established immunization system, the other parts of the country are relatively poorly refined. The poverty headcount ratio was 46.7 (2010), and this is about twice as big than Ghana's ratio in 2012. However, this number is getting lower, thus revealing the economic development that is being made in the society. Still, Senegal has problems with their economy and exploitation of natural resources.

The education situation in Senegal is not that great, further deepening the problem. In 2015, the gross enrollment of men reached 77.59 percent, and women 86.85 percent, which is a surprising number since the literacy rate in Senegal's total population only reaches 57.7 percent. Female literacy rate is especially low in Senegal, becoming both cause and effect of inequality between genders due to their religion. The gap between male and female literacy rate is about 18 percent, which is three times that of Ghana.

This proves the need for improvements in Senegal's education system. Several schools in Senegal adopt a multigrade school system. Although this is not a bad choice regarding the relative low ratio of children to Senegal's land size, the major problem with the multigrade schools in Senegal is that they are not in good condition. 18 percent of schools are multigrade schools, and 10 percent of students are enrolled in them. However, there is no systematic sensitization between leaders or teachers of the region. Teachers are unable to receive adequate education, thus leading to situations where teachers without any precise knowledge on the technology teaching students based only on experience. Even people who did not attain the required certifications for teaching are thrown into the field, thus decreasing the overall quality of education provided to the students.

Not only with the infrastructure of education system, but there are even more problems regarding the curriculum. The current education curriculum in Senegal shows no significant distinction for students who wish to pursue further careers, and the exam between first and secondary schools do not allow much students' entry to further education. After receiving

elementary education, students take an entrance exam for middle schools, and 20 percent of them are allowed to enroll in good schools, while who have done poorly can either enter schools with over 80 students per class or become out of scope. After 2 years of further education, there is another exam to sort students who are eligible for university education. Most of the students who fail the exam do not have other option than going out to the society to work without receiving any practical vocational education. Furthermore, higher education is problematic, for the fraud issues exist in the process of obtaining a degree

### **Current Society of Ghana**

Ghana is currently one of the leading nations of Africa, with its GDP reaching 37.543 billion USD in 2015. Its total population reaches about 27,409,893, or approximately 1.8 times that of Senegal. The poverty headcount ratio was 24.2 in 2012, and is assumed to be much lower now. They are showing continued growth in their society, showing the cut in the poverty rate from 52.6 percent to 21.4 percent (1991-2012). Their poverty rate is lower than the African average of 43 percent, while extreme poverty rate dropped even steeper from 37.6 percent to 9.6 percent (1991-2012).

For the education sector, 90 percent of children in Ghana were know to be enrolled in school according to the Guardian newspaper. This is one of the highest rates in Africa, thus leading to a significance of the total literacy rate: 76.6 percent.

In Ghana, there are 38 Colleges of Education that produce teachers to enhance the overall quality of their education. Moreover, the education curriculum in Ghana is diversified within specific areas of distinct purposes such as vocational, technical, and business, allowing an acceleration in sustainable economic development.

The education curriculum is suited for the specific age group of students of each school levels. Junior secondary school differentiates agriculture and general science sectors while integrating major skills and knowledge essential to life as “Pre-vocational” and “Pre-technical”. The senior secondary school has both mandatory and elective subjects available, thus making education more practical and useful to the students and further economic development. They are able to learn about various areas of their choice--arts or science, business, vocational, technical, and agriculture--while learning the four core subjects: English language, mathematics, integrated science, and social studies. These subdivided areas of study allow students to receive education based on their interest and future careers they wish to pursue, while encouraging economic development in both technical and agricultural sectors.

## Need for Education for Sustainable Development

Ghana's economic development was mainly made through education, which proved to be successful. Thanks to their diversification in education curriculum based upon the conveyance of practical knowledge, they were able to see an increase in educated and mobile labor force, resulting in better job opportunities for people. There was a significant drop in the number of people who thrust into working environment without any education--from 41 percent to 21 percent--which prove the efficiency of education as the fundamental solution to poverty.

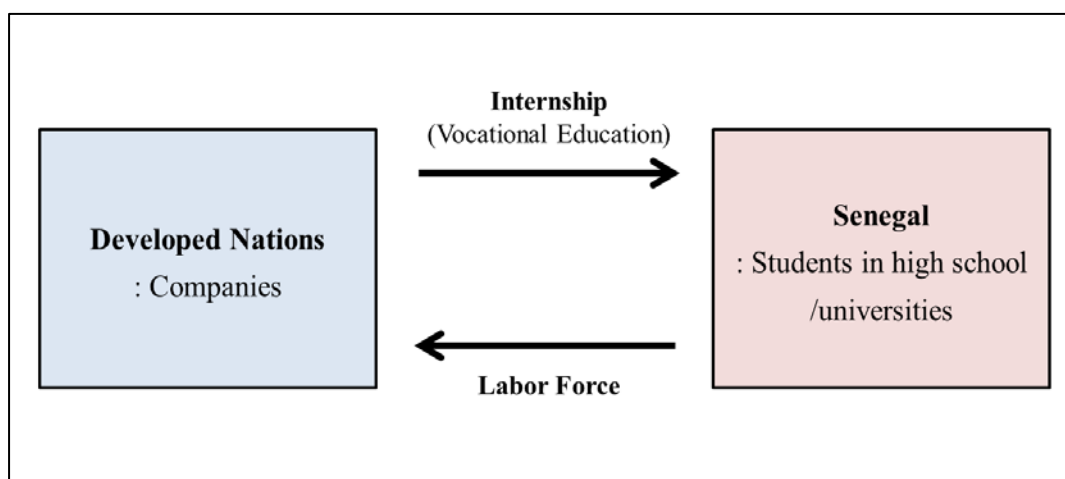
Economic development is essential for Senegal as they need diversification of the economy, extending from agriculture and exports of natural resources. They also need economic independence in order to prevent their country from falling apart due to poverty and failing economy that will become severe as external forces will keep trying to exploit what they need from Senegal. Of course, rapid development may be available through increasing the portion of agriculture and exploitation of resources in the economy, but the point here is that this method is sure to show a decline, which is apart from our ultimate goal of developing a sustainable strategy to eradication poverty. Thus, to achieve the goal of a sustainable development, improvements in education is inevitable.

## Solutions

### International Job Portal

The International Job Portal (IJP) that we suggest is an extended form of inclusive business. Inclusive business of developed nations involves underdeveloped nations for the profit and development of both nations. As in the case of Africa Enterprise Challenge Fund (AECF) in which helped to create jobs and increase to the average annual salary for people in Africa, we believe that inclusive business can be the key to further development in Africa.

The IJP aims to provide the key to increase in career opportunities and real-life vocational education. See the diagram below:

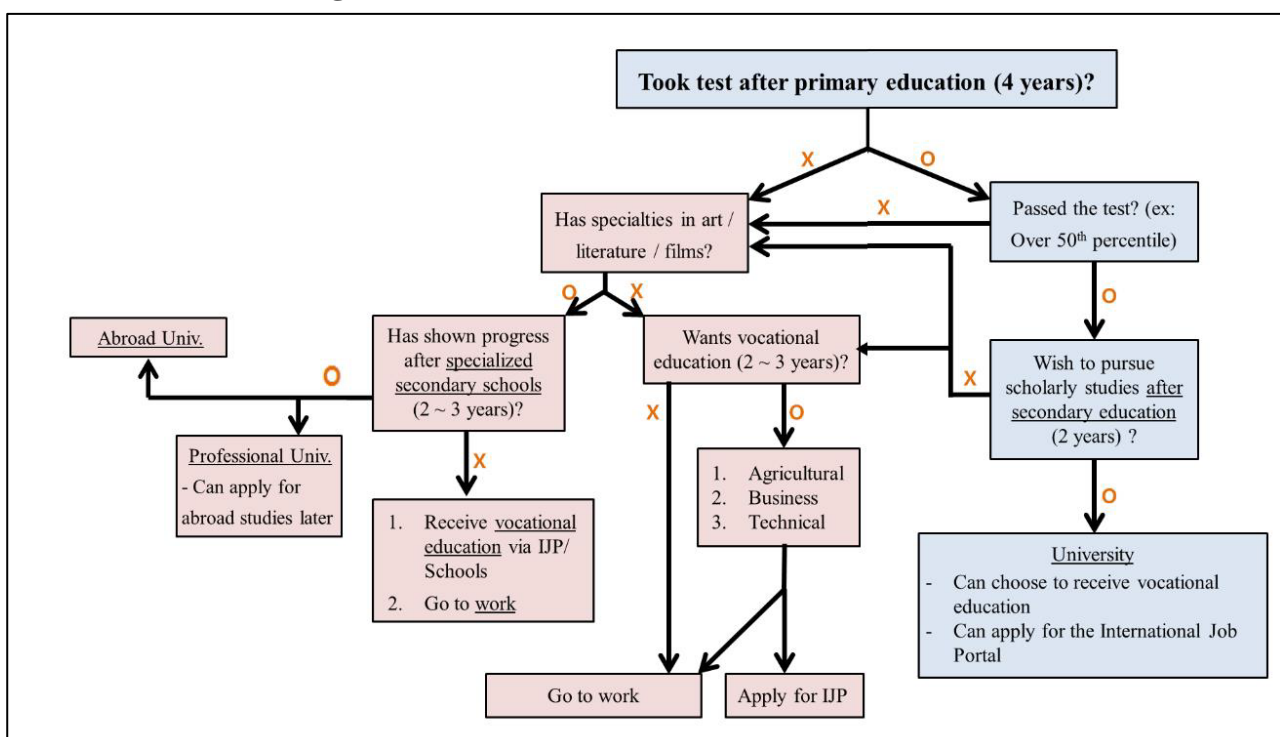


As shown in the diagram above, Senegal students will be provided with internship offers from corporations in developed nations, thus gaining chances to receive vocational education in detail through actual experience. After the internship, the students will be able to make a variety of choices: returning to their home country to trigger economic development, pursuing further studies, or continuing to work at the company if arranged.

There may be certain concerns regarding this method, the primary regarding the involvement of developed nations. We expect developed nations to participate in the IJP as it would be a chance for them to leave a positive impression on the people around the globe, bringing a new form of marketing. Also, they can see an increase in their profit through the enlargement of their labor force, with the potential of recruiting members with high-quality working ability. The other concern is about the future of the youths that serve as the interns, for there is a high chance for them to leave their home country and choose to work longer in the enterprises. However, this can be solved through several ways: implementing higher qualifications in order to prolong the contract such as consequent testings over working skills, and providing subsidies for people who choose to return to their home country. The higher qualifying conditions would also bring an increase to work efficiency. These strategies would help to successfully actualize the IJP.

On its application to Senegal, we thought that promotion using the local schools would help to encourage participation in the IJP. The campaigns through international nongovernmental organizations would also work as a method to get people involved. The funding for the advertising can come from international donations, sponsorship, and governmental budget.

### The New Education Algorithm



Another solution to Senegal's poverty we suggest is the new education algorithm. Since there is no exact curriculum in which students are able to receive practical education essential to obtain jobs that can bring economic development, we believe that the diversification of the education curriculum is in dire need to serve as the infrastructure for economic development in Senegal.

As shown in the diagram, the algorithm suggests to put focus on giving all students an opportunity to receive some kind of education regardless of whether it is academic, vocational, or specialized education. Through the algorithm, we suggest that students who fail the advancement exams to secondary schools should also be able to receive vocational education with various fields of study or go to specialized schools that can foster art, music, literature, and film industry as Senegal has many people famous in these areas.

The most evident barrier to rendering the algorithm into success is in the budget and the lack of teachers. However, as the current budget for education was so low, there is a sure need to increase the allocated amount for education. This will bring much money to finance the algorithm. Furthermore, since the educational facilities are mostly already construct in major cities including Dakar, there will be less need to build all the buildings. The teachers can be recruited through international NGOs and UN agencies such as the UNDP, and as the algorithm comes to action, there will be a natural increase in teachers, thus solving the problem without much effort.

Another plausible concern regarding the new education algorithm may be the low participation rate of students and parents. This issue can be solved through social campaigns for parents to advertise the fact that there will be a significantly larger economic development and enhancement in the quality of life if their children are enrolled in schools receiving adequate education of their interest. This can be done through NGOs and UN agencies, with worldwide donations for the improvement of recognition of education.

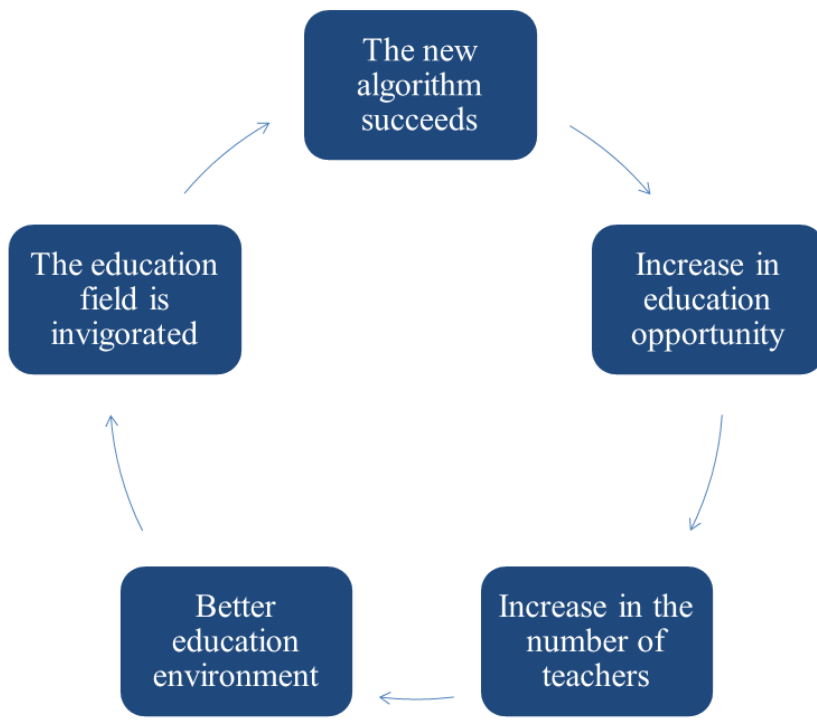
Furthermore, if the students are too concentrated on vocational education schools, there will be two major solutions for the community: limiting the number of students eligible for vocational education and promoting the significance of scholarly education. These would enable a more equal development for both vocational and scholarly education sectors while facilitating fair economic development.

### **Potential Effects of the Solutions in Senegal**

Through the IJP, we expect there will be a significant increase in students with advanced skills that will allow further progress of the country's industry of various fields. The IJP would offer students chances to gain real-life experience, which is actually proven to be much more helpful than

theoretical approaches when related to careers. Also, the solution could be applied to not only Senegal, but far wider in underdeveloped nations in Africa that has the basic infrastructures but still needs a push to invigorate the economy.

Through the new education algorithm, the students will be able to receive both vocational and scholarly education based on their interests without high barriers. It will be a tread-board for Senegal to see a large progress in scholarly, cultural, and industrial fields of the society. There will be more teachers that will be fostered through the algorithm, thus creating a virtuous circle that can be seen in the diagram below.



These solutions will give economic independence to Senegal, which is important to keep the country from becoming a prey of powerful nations. Developed nations have a tendency to wield colonial powers for the purpose of exploiting energy and resource for their own good. However, if Senegal shows economic development through the encouragement of education of various fields, this would enable them to protect themselves from such outer forces.

### Conclusions and Future Study

The solutions project on the possibility of Senegal as a successful model nation for sustainable economic development. If Senegal shows development in their economy through these solutions, it will promote education as a practical and basic trigger to boosting economic development of other nations.

Further study should be done on the issue of child labor, which is one of the common problems in both Ghana and Senegal, and also in other nations in Africa. Current children's rights are not protected many nations, which leave parts for further improvement. If children's rights are promoted, adults will begin to provide education to their children rather than abusing them as labor force. Within solutions regarding education, there is a need for future studies above issues of child labor and their rights.



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# Equality matters: The Norwegian experience

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## *Abstract*

The sceptic view on globalization claims, the neoliberal agenda led to increased inequalities and global crises; economic, political, social. Amid global crises, the performances of the Nordic countries draw curious attention of the development researchers. Globalisation of Social Democracy is recommended in order to redress the growing inequalities, and meet the challenges posed by global crises. This calls for examining the policies and strategies that shaped the patterns of Nordic model of development. This paper makes a brief analysis of some major features of Norwegian development model: growth with equity; a high degree of public commitment; income and means of subsistence independent of market forces; a high rate of employment; class compromise between capital, labour and peasants. The analysis directs our attention to the crucial relationships between sustainability and equality, a core social value in Norway.

*Key concepts: Equality; Inequality; Social Democracy; Sustainability*

## Introduction

The experiences of globalization are diverse, so are different views on globalization. The optimist view claims that the world poverty has reduced. The statistics on poor people that came out of poverty level during last three decades support such a claim. The pessimist view directs our attention to growing inequality. Despite differences in views, there is an agreement on limits to our way of life having implications on sustainability all over the world. We are facing challenges of economic recession and viable global order. Along with such challenges the trend of uneven development contributed to economic, social, political and cultural crises.

Amid global crises, the performance and experiences of the Nordic countries draw curious attention. During economic recession in the last decades, the Nordic countries, Norway in particular, managed continued economic growth and social integrity. The social democratic values; equality, simplicity, and solidarity distinguish the Norway from economically advanced as well as backward economies.

David Held (2004) argues for the necessity of a progressive framework that would encourage and sustain enhancement of productivity and wealth. Such a framework would ensure sharing the benefits fairly and address the extremes of poverty and wealth. Held calls this an approach that sets itself these tasks, Social Democratic Globalization, which, would replace the narrow scope and vision with a free and fair global economy. Adapting the (social democratic) economic and social policies may facilitate bridging the gulf between the rich and the poor. There are obstacles to overcome.

Firstly, how to transmit the value of equality, to rest societies where exists extreme inequality, expressed in gulf between the vast poor and a handful rich. Most countries in Asia, Africa and Latin America fit this picture.

Secondly, as McMichael raised the issue, the idea of economism, the growth mania, that frames policies, and solutions to economic, social and environmental crises. The discourse of development was, and continues to be, founded in economic terms, language, and economic laws. Put another way, monetarism assuming the efficiency of market in resource allocation where the state has just a night watchman role.

Thirdly, the European experiences raise doubt about the prospect of welfare societies. The German model of capitalism, which, in many respects similar to the Nordic model, is one example. Globalisation processes were undermining the conditions of its existence.<sup>1</sup>

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<sup>1</sup> Streeck W. 1995.

Economic recession in the early 1990s affected the Norway as well. However, its institutional capacity in implementing policies, along with social values and cultural traits that have crucial role on social organisation of activities like voluntary organisation, on formulating policies on education, health services, child care etc., proved to be successful in sustain equality. The contention of this paper is that equality depends crucially on institutional capacity to ensure equal distribution of growth outcomes, as well as on social values.

In the following is an account of the relationships between the norm of equality and sustainability, followed by a brief account of the Nordic welfare states. Exclusive attention is paid to Norwegian social value of equality, a historical legacy embedded in social relations, cherished and nourished both individually and collectively. The discussion involves comparing the Nordic model with the institutional perspective and embeddedness approach.

### **Sustainability and equality**

In present development debate, there has been a growing concern about the limits to our way of life having implications both for our everyday life, for present and future generations. In order to be sustainable, development policies require a commitment to better and more equitable outcomes in areas such as income distribution, health services, education, gender, housing, sanitation etc. These are the pre-conditions for bringing the mass poor out of poverty. There are different perceptions of poverty, so are there varied views on causes of poverty; one that claims poverty is an original state, another that claims poverty is an outcome of unequal distribution of income and wealth.

Development in order to be sustainable, growth outcomes must be shared by all in the society. To this end, strategies and policies ought to be inclusive, participatory, reciprocal (society-individual relationships, duties-rights), redistributive (distribution of income, socially produced goods and services, as well as social positions based upon meritocracy and democratic values). In this regard, the performances of the Nordic countries are outstanding. One explanation of Nordic success story is the redistributive strategy and the policy of “growth with equity”, which means, in the words of Senghaas, German sociologist, “in conditions of moderately unequal distribution of resources and incomes, forced growth does not necessarily have to result in the further absolute impoverishment of the lower social classes”.<sup>2</sup> Senghaas emphasizes that “the development implications of forced growth processes depend on the socio-structural condition prevalent at the onset of economic growth. In conditions of only moderate inequality there is no automatic connection

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<sup>2</sup> Senghaas D. 1985:93

between growth and the lack or elimination of absolute poverty”.<sup>3</sup> Held’s claim thus comes closer to Senghaas’ study: “If historical proof of these recent insights produced by international development debate were needed, it would be quite appropriate to point to the Scandinavian development despite integration into a world market characterized by productivity and competence differentials... The Scandinavian social structure has helped to prevent the emergence of structural heterogeneity”.<sup>4</sup>

The concept of equality is the core issue. At national levels, equal distribution of growth outcomes, income and resources makes development participatory, may reduce social tension. The Nordic model maintains equality in terms of consumption and life styles, pays attention to human development, like investment in education, health and job creation, and avoided extremes of inequality.

The debate on equality confirms the need for ongoing critical consideration of whose values and interests are encompassed in particular kind of policy and practical intervention. There are deep conflicts around how equality should be understood and fostered.

The concept of equality has always been an area of interest to social sciences, sociology in particular, yet, did not get attention of development theorists, and of agencies, in the past. The theory of underdevelopment, the Dependency school, focused on inequality in the international division of labour. It claimed that inequality was the outcome of the world economic structure that allowed unequal exchange between the poor periphery countries, the producer of raw materials, and the rich core countries, producer of finished goods. The core countries enjoyed technological and financial superiority, and had the capacity to decide at what price they would pay for the raw materials from the economically and technologically backward poor countries. The finished products again was sold back to the raw material producing countries at a much higher prices. Such a structurally embedded division of labour created and perpetuated unequal exchange. Development researchers became aware, and critical, of such a process of transfer of resources. International development agencies also redefined aid assistance in order to create skill in developing countries in order to redress the tendency of dependency. The Norwegian Development Agency in particular, paid special attention to inequality. Development aid was increasingly directed to empowerment of the marginalised groups in the aid receiving countries, bridging the gender gap etc.

Inequality does exist in the rich world as well, however, in highly developed countries, Norway in particular, inequality is mostly subtle. In the developing countries inequality is widespread and multi -dimensional; the gulf between the rich and the poor, the land lord and

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<sup>3</sup> Senghaas, D.1985:93

<sup>4</sup> Senghaas D: 1985:94

the farmer, the elite of various kinds and the common people just to name a few. The poor mass also accept the differences between them and the rich. Traditional forms of division of labour, as well as cultural values, perpetuate inequality be that in access to economic resources, education, health services, life-styles etc.<sup>5</sup> Despite success in achieving high economic growth, the emerging economies, showed little success in bridging the gulf between rich and poor. Rather, those countries now boast of a few ultra-rich, the new billionaires.

Comparing economically advanced and backward economies is not the aim of this paper. But, the very suggestion of transmitting social democratic values to rest of the world calls for varied perception of equality. I am also aware of some difficulties in making international comparisons of inequalities. Firstly, social inequalities are due to many complex reasons; historical legacies, class structures, cultural values etc. Secondly, problems of inequalities of economic conditions may be owing to purchasing power of a currency, varied tax level, life-styles etc. Sweden, Norway, for example, impose wealth tax and gift tax, but not England. Furthermore, various forms of tax evasion and exemptions are practiced in very many countries. The issue of tax evasion concerns most developing countries having impacts on public expenditures on education, health services, employment etc. Thirdly, access to economic resources are secured by kinship relations, political affiliation, patron-client relations in very many developing societies. There, various exclusive social networks are used for privileged access to economic resources, higher education, services such as credit, loan etc., and for securing political power. Those who lack such connections are frozen out. Growth outcomes do not reach those socially marginalised groups.<sup>6</sup> “Competitive spending and conspicuous consumption turn the affluence of some into the social exclusion of many”.<sup>7</sup>

Comparison of how inequality is created and perpetuated, and how equality is sustained, though not easy, yet, it is possible to classify a group of countries into categories showing similarities and differences, which also varies over time. Let us look at the notion of equality of opportunity. Studies focus patterns of recruitment into prestigious and highly paid occupation. Until 1950s, the opportunity to get access to job with higher salary and higher status, i.e. upward mobility, in Sweden and England was mostly similar. However, post 1950 picture is different. In Sweden, the chances of a manual worker becoming a white collar worker came to be much higher than in England (Miller S. 1960, Comparative social mobility, Current Sociology, Vol. 9 (1960)).

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<sup>5</sup> UNDP Human Development Report 1998; Rahman M. 2000.

<sup>6</sup> Jansen 1988; Kochanek S.1993; Rahman M 2000; 2007;2011., Wood J. 1994.

<sup>7</sup> Human Development report 1998: 5

Contrasts among different countries is easier to trace, especially between social democratic countries and developing countries, in terms of values and institutional performance in sharing power and wealth, and when we talk about bridging the gulf between the poor and rich. In Norway, voluntary associations, labour unions and Social Democratic government have, together, provided some kind of check and balance to the concentration of wealth and power. The political parties represented interest groups; the labour party which can claim to be the pioneer in introducing Social Democratic values represented the working class interest. The Right party, Høyre, represented the capitalist interest. The Centre party represented the peasant interest. There has been some changes during the last three decades. The recent trend is that Social Democratic Party no longer represent the interests of labour class. The leadership, together with big business constitute a national elite. The leadership consists of professional, middle-class. Yet, the middle-class in Norway and its class-character is not as that of middle-class in England, France and Germany. In Norway, there is a strong Social democratic ideology of egalitarian individualism.<sup>8</sup> There, meritocratic ideas have been emphasised by all social groups including trade unions and labour movements. A study found such ideas have been less emphasised in Britain. In many respect Nordic countries and Britain show similarities, however, they differ on their conceptions of the respective class structures. In Norway, Sweden, individual social positions depend on meritocratic achievement. In Britain, people are more likely to stress the importance of traditional and ascriptive factors.<sup>9</sup> In very many developing societies, the earlier British colonies, such ascriptive pattern of positions allocation is embedded in social relations and social institutions.<sup>10</sup>

The concepts, equality and inequality have double meanings in Norwegian language; *likhet* refers to equality and similarity, and *ulikhet* refers to differences and inequality. This double meaning has impacts on people being sceptical to distinctive lavish life styles. Such an attitude is embedded in the egalitarian heritage. People think and make efforts to maintain the social, economic equality, the key social democratic values, as much as possible.

There is a consensus among all the political parties on the core Social Democratic values. On the notion of choice of means, their emphasis is on socio-economic processes related to the level of social and individual welfare that is to be maintained for future generations.

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<sup>8</sup> Eriksen, G.T.H.

<sup>9</sup> See Scase Richard:1977: 115.

<sup>10</sup> Rahman, M. 2000.



The double meanings of equality and inequality include distinctions between equality of opportunity, equality of treatment, and equality of outcome. Equality of opportunity implies that all in the society have the same rights, rights of access to education, job, health services etc., irrespective of social, economic, gender backgrounds. Equality of treatment refers to means to achieve their ends; that people in the same situation have a right to be treated equally. For instance, child benefit is distributed by the state according to the number of children, not according to whether the parents are rich or poor. Equality of results means although equality of opportunity and equality of treatment may end up in unequal standards of living. It is the outcome that is very controversial, often in conflict with the principle of justice, i.e. equality of performance or achievement. Implicit in this principle is a connection between how one is treated and what is achieved. The achievement may be the result of one's own performance. However, it is also recognized that what one can achieve is not only because of one's own merit. The argument, therefore, for a system of redistribution to compensate for inequalities of real opportunities. Here comes the role of the state in delivering material and economic support to citizens. The state and the people also rely on civil society in order to improve people's lives. Furthermore, the traditional norms of solidarity, sense of fellowship added more in pursuing the norm of equality reinforced by reciprocal relationship between the state and the people.

### **The development of the Nordic welfare states**

The welfare state, in the words of Esping-Anderson, flowered at the very same moment that 'Golden Age' capitalism began to wilt.

A detailed study of the Nordic development demands taking account of a number of factors, both internal and external. Demographic structure, growth of public sector, economic policy measures, internationalization of industries involving both adaptation to changing conditions and making use of international opportunities, international cooperation both technological and financial, developing competitive advantages and so on. The development process, in Norway for example, was facilitated by political alliances and interest groups representation through respective political parties, on the one hand and institutionalization of class conflicts between capital and labour, on the other. Let's have a close look at the development paths of four Nordic countries, as pictured in Senghaas' analogy.

Following Dieter Senghaas, the Nordic development adopted the policy called "growth with equity". The successful development of Scandinavia was based on a secular increase in the overall productivity of its economies. The social structures of those countries

helped to prevent the emergence of structural heterogeneity. In the same world market conditions, but different local circumstances, Scandinavia could have become a kind of south-eastern Europe, a part of the Third World.<sup>11</sup> To make the long story short, following is a brief presentation of some of socio-structural and institutional prerequisites for the development Scandinavian type:

A moderate rather than gross inequality in the distribution of important resources

An income distribution, which facilitated macro-economically relevant saving directed towards productive investment, and fueled a sufficiently large demand for additional as well as new equipment and consumer goods as to make an impact on the domestic economy

A high average level of education of the population (high literacy level, growing enrolment in institutions of advanced education such as vocational training schools, secondary schools, technical colleges, technical universities and polytechnics)

Private enterprise prepared to invest, facing the risks of capitalist competition and backed by an expanding banking system

A peasantry politically organized, and an industrial working class organized in trade unions, and the Labour Party as a counterweight industrial and state bureaucracies

The spread of technical innovation in all sectors as a basis for sectoral and macro-economic productivity gains as well as international competitiveness

A stable political framework, resulting from an increase democratization of political institutions and from growing political power of new social movements

The building of an infrastructure as a basis for and consequence of intra- and inter-sectoral differences, especially the intermeshing of agriculture and industry and the emergence of urban agglomerations.

Source: Senghaas, 1987

Senghaas is aware that not all these factors were simultaneously present in each individual Scandinavian country; but where they were initially lacking, they achieved during the first decades of development. In Norway agricultural modernization came later than in Denmark. Finland experienced infrastructural development much later than Sweden and Denmark.

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<sup>11</sup> Senghaas 1985:94.

Senghaas' comparative study explains why, despite similarities in some major socio-economic backgrounds, the Nordic countries managed to develop to wealthy nations where social tensions are at their minimum, while the south European countries failed. Still further, the Nordic countries are now richer than those where the original development took place. Income statistics during 1925-1934 show that the figure of the Scandinavian countries stood at 50 -60 per cent of the British level. The World Development Report 1979 shows the per capita income of Denmark was 82 per cent, that of Norway 100 per cent and that of Sweden 109 per cent above the British one. These countries had edged over closer to the leading economies, the U.S.A and Canada, or have overtaken them. Nordic countries are considered as societies where egalitarian values have had greater success than elsewhere. Their social structures have prevented the emergence of structural heterogeneity.

### **The Norwegian Social transformation**

Norway was in union with Denmark for almost four centuries, from early 15<sup>th</sup> century to beginning 19<sup>th</sup> century. Norway came in union with Sweden in 1814, when Norway's union with Denmark came to an end as a consequence of the Napoleonic War.

Scandinavian countries have common historical legacies and similar culture, politics, economy, yet, Norway stands out as unique as regards some of its structural qualities. Only 13 per cent of Norway is inhabitable and only 3 per cent is arable. Its sparse geography did not allow agricultural cultivation in large scale. Unlike Western Europe, and its neighbors, Norway did not have an aristocracy, which had impacts on present Norwegian social value of egalitarian individualism.

Norway, a relatively poor country in the European periphery in the beginning of the 20<sup>th</sup> century, transformed to one of the richest countries in the world enjoying the most generous welfare system. During less than half a century, from beginning of the last century to 60s, it has transformed from a society characterized by necessity to a society where people can make a choice. Its economy, like many developing countries, depended mainly on agrarian primary sector, fishing and raw material export. It had lower rates of per capita production and consumption; a dualistic social structure, the peasantry depended on subsistence agriculture (80%, in 17<sup>th</sup> -19<sup>th</sup> century, mainly family farming) and an urban population (10%) whose prosperity depended on foreign trade (controlled by foreigners; first by the Hansiatic League; after 1560, by Danes, Dutch, Scots and Germans).

Comparing the past with the present

**Norway: 1914-2013 (99 years):**

1914-1918: GDP growth +22.2%

1920-1930 a decline in the economy (shrunk opportunities):GDP growth -7.9%

Individual income (Nkr):

1914:	1930:	1979:	2013:
1,400	2,000	61,400	<480,00

**Poverty:** In the 1930s, both public and private resources were scarce.

**Social relations:**

There was no aristocracy, only a small capitalist class managed to secure control over natural resources.

**Post 2<sup>nd</sup> World war Norway:**

Economic policies: The state's role in economic planning, capital accumulation supporting a long term structural change; regulating interest rate, credit, price, wage etc., constructing infrastructure; job creation, providing people with housing, health services, information etc.

Education policies: Equal opportunities to all for higher and vocational education through state funds paving the path for intensified participation in economy, politics etc. A creative and integrative education system

**Structural changes:**

De-domestication of productive activities. Increased proportion of adults in the paid labor market

Feminization of the labor force, the service sector in particular. Increased qualified labour force

**Political and social power relations**

Political mobilization of farming classes, in 19<sup>th</sup> century, countered the urban bureaucratic elites. The farming class gradually became a rural middle class, while growing rural and urban lower classes mobilized within social democratic parties. Farmers frequently co-operated with labour movements in the extension of democratic rights.

During the First World War, Norway's exports were in great demand in the countries involved in the war, and many new jobs were created. Both men and women were employed in the newly established factories, also were self-employed in small farms, shops, or as craftsmen. But, when the war ended, the demand and markets abroad shrank resulting in unemployment. People returned back to primary sector-agriculture, fishing and forestry. Norwegians showed their capability to adapt to the changed situation, they adjusted to the changed economic conditions, "people responded to the situation by falling back on second-best solutions, and that necessity won out far more often than choice".<sup>12</sup>

In post war Norway, its rich natural resources, forests, fish, fjords and waterfalls attracted foreign investments. Women's participation in paid work was quite high already in 19<sup>th</sup> century, some 30 percent of total labour force consisted of women. Young men working in the factories and farms, paid workers, were organized themselves in trade unions allowing them collective strength. Women had not yet achieved such strength. And those who mainly worked in households of a relatively small rich business class worked without formal

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<sup>12</sup> Ramsøy. N.R.1987:76

contract. The law of 1950 governing the employment of housemaids brought an end to such a plight of women.

Data on income distribution give some indication of inequality, which was mainly due to different conditions in rural and urban areas. In 1930, the median income was 1400 crowns and the mean income was 2360 crowns. The explanation is that in rural Norway, much of the family's livelihood came from its own production of food. Despite a relatively poor country in the European periphery, the level of living was about the same in Norway as in the industrialized countries at that time (Houthakker 1957), and better off than many of the developing countries today<sup>13</sup>). Neither industrial workers nor civil servants represent the extremes of the income distribution. There were certain categories of businessmen, ship owners, with an average income 12 time higher than that of industrial workers and almost 20 times what their own employees, seamen, earned.<sup>14</sup>

The average income in 1979 was 61,400 crowns, while the median was 60,700, three and five times the corresponding figures for 1930. The statistics for 2015 it was 517,800 crowns for all, 554,400 crowns for men and 477,600 crowns<sup>15</sup>

During the 1930s, both private and public resources were scarce. Responsibilities of many municipalities were greater than their incomes and assets and those lacked capacity to meet the minimum budgetary needs of families with respect to food. Civil servants accepted a reduction in salaries. Urban workers were poor. During depression they could neither find job nor continue going to school. The family income of the urban well-offs supported attending school.

The urban workers were organized in trade unions, which were decisive for the future of Norway. The labour Party, as the governing party from 1935 and most of the post 2<sup>nd</sup> World War, was able to harness their own experiences and aspirations in their policies for transforming Norway into a prosperous welfare state. The labour party adopted a reformist or social democratic strategy which, through legislation and political control, created a welfare state. Subsidies served to bolster the support of small farmers for labour's policies. Simultaneously, a compromise between labour and capital was consolidated at the industrial level: the main agreement of 1935 established a general framework for collective bargaining.

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<sup>13</sup> Ramsøy 1987

<sup>14</sup> NOS IX 47:33.

<sup>15</sup> SSB

The policies of the Labour party gave priority to full employment. The postwar Norway never experienced more than 4 percent people out of work. Even when most countries had to trade off unemployment against inflation, Norway had only insignificant unemployment.

Its demographic factor along with various policies kept the level of unemployment low. In the first decade after 2<sup>nd</sup> World war, the cohort of job seeking young labour force was very small, owing to lowered fertility during the depression in the 1930s. Secondly, the improvements in old-age pension drew the elderly into the ranks of the retired. Furthermore, more and more young people preferred higher education, entering job market much later. Thanks to state education fund. And finally, the state also created more jobs in health services, education and social services.

Universal health insurance and old-age pensions were introduced in 1957. In 1966, the various pieces of social security legislation were coordinated in one National Insurance system which includes all types of pensions as well as health, accident, and unemployment insurance. Child allowances were introduced just after the 2<sup>nd</sup> World war. The reform of 1978 provides full compensation for wages and salaries from the first day of absence from work due to illness. The combined effects are de-domestication of productive activities, reduced number self-employed persons and increased participation in the paid labour market, both men and women.

Let's take look at the distribution of net wealth in Norway. Average net wealth for household is NOK 1.6 million, the median net wealth is NOK 900,000. Household in the highest 10 per cent for net wealth own roughly 53 percent of total net wealth, the richest 1 percent control 21 percent of total net wealth.<sup>16</sup> Gini coefficient for income 1986-201: 21-32, compared to the world 70; EU 30.35, and USA, Russia 40.<sup>17</sup>

The earlier negative relationship between household income and household size has been dampened today as a source of social inequality. Most family today have two incomes and few children. Furthermore, for each child the family receives a family allowance resulting in larger households on a par with small one.

Education reforms enriched the lives of people. Education also was necessary for other goals of the welfare state including increased human capital and qualified administrative personnel. Rapid expansion of participation in schools required construction of school

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<sup>16</sup> Source: <http://www.ssb.no>

<sup>17</sup> Source: <http://www.ssb.no>

buildings all over the country, the young aspiring youth need not move out of their home. Stipends and education loan functions both as attracting young people to continue schooling and also keep unemployment rate low. The Nordic model, and the Norwegian experience manifests institutional capacity and role in social organization of the economic activities.

By mobilizing large, active popular movements and organizations, and combining these with advanced research, technology, and industry, the Norwegian Welfare state, has in a few decades wiped out mass poverty, to a great extent evened out traditional differences in living standards, almost eliminated overcrowding in housing, won out over long-standing insecurity in the face of illness, old age, and unemployment, strengthened the rights of trade unions in working life, and opened up further education to the great masses of the population (Slagstad, 1980 in Ramsøy).

Norway today is a highly prosperous society with high quality of life. It has a very good record in work force participation and low unemployment. Internationally, Norway has a unique position in the global economy. Despite global recession Norway showed strong economic performance. Norway also enjoys a unique position in the dialogue between advanced economies and natural resource rich economies.

## **Discussion**

As apparent in the above analysis, the major features, that distinguish the Norwegian model from liberal capitalism are: economic policy aimed at growth with equity; a high degree of public commitment; income and means of subsistence independent of market forces; a high rate of employment; class compromise between capital, labour and peasants.

Norwegian economic policies are aimed at strong growth and full employment- hardly a hallmark of liberal capitalism. A distinctive set of institutions and collective patterns of social justice principles shape policies. Citizens experience a high degree of decommodification. There, labour is no more a commodity. The loss of job involves little or no loss of income. Gosta Esping Anderson analyses “The welfare state de-commodifies social needs, redistributes the costs of risks, and attempts to construct collective rather than individualized or familial solidarities”.<sup>18</sup>

Decommodification tend to support Sustainable Development. The explanations are, firstly, the aggregate level of employment is not reduced, secondly, employee friendly policies sustain Sustainable Development values. The Nordic model, the evidence of such reciprocal relationship between decommodification and sustainable development, maintains a relatively

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<sup>18</sup> Esping-Anderson Gosta:1999: 147

'decommodified' wage relation. In this model, income and means of subsistence are independent of market forces; individual earnings and livelihood are guaranteed to a significant extent. In Nordic countries, there is a high degree of public commitment to employment-promoting policies. The norm of equality, in terms of services and entitlements are provided and maintained by the welfare state. The state, through various measures and policies, guarantees gender equality expressed both in opportunities and supports given to women independent of their status as wives and mothers.

Social democracy involves a key role of the state in the protection and promotion of economic and social well-being of citizens through a transfer of funds from the state to the services provided to individuals, redistributive taxation (progressive), based on principles of equality in distribution of wealth, and responsibility for the vulnerable.

People in Nordic countries have been receptive to trends emphasizing such factors as codetermination, integration and economic equalization, reflected in economic policies aimed at economic growth in combination with distribution of growth outcomes among all in the society, i.e. growth with equity. There exists class compromise between capital, labour and peasants. And most importantly, there are social and cultural values which are unique characteristics of the Nordic countries; equality, simplicity and solidarity. Nordic social classes, including working class, are more aware of social inequalities. Furthermore, as Bo Rothstein claims, Nordic welfare universalism correlates positively with high levels of social capital, trust and civic involvement.<sup>19</sup>

The development of the Scandinavian welfare states can be attributed to special set of social organization of economic activities which include social, political and economic policies. The improvements in people's livelihood were brought about by major political reforms and deliberate creation of new structures, they were not simply the side effects of affluence. Furthermore, the political legitimation for reforms was that of social equality, better living conditions and opportunities for underprivileged groups as worthy ends in themselves. In this process, security provisions, income, housing, education, and the status and roles of women have been given priority.

The social democratic values, economic, political and social indicators of Nordic countries are impressive. However, there are views that claim a decline of social democracy. Norwegian sociologist, Lars Mjøset identifies two such groups; one the conservatives, who

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<sup>19</sup> Bo Rothstein 2001



have in the Nordic setting often been minor parties with much less influence than the social democrats, regularly point to the failure of social democracy. The other group is the left wing parties, often marginalized on the far left side, are ambivalent; they would not mind a decline of social democracy if it led to increasing support for more genuine socialist politics, but as long as this is not the case, they lament the Golden Age of social democracy, in which everything was much better than now. In the international debate, there are numerous voices from scholars sympathetic to e.g. Sweden's programme of third way between capitalism and socialism, who tend to think that Nordic labour parties have betrayed their successful full employment programmes of their earlier postwar decades.

In his study, Mjøset traced five relatively coherent economic policy models of the Golden Age in the 1960s, and studied the response to the world economic downturn of 1974/5. The finding suggests that economic policy routines were maintained with the expectation that the situation would soon normalize. As no such normalization followed, a number of unexpected consequences of economic policies were experienced, and a process of fumbling started. Mjøset termed this a first disappointment. In the same paper, Mjøset presents three such disappointments. This implied that fumbling has been going on since the late 1970s. The notion of disappointment is intended as a specification of this process of fumbling or searching. Disappointments indicate that one pattern of fumbling has failed, and that the search for another solution intensifies. This produces a periodization based on the business cycle.

During late 1970s and early 1980s, Norway, Denmark, Iceland and Sweden were influenced by the neoliberal market oriented approaches to economic policies, entering a road away from their key social values and economic policy based upon Keynesianism, marked by a policy mix in which a tight monetary and fiscal policies coupled with devaluation, and deregulation of credit markets, pursuing public spending cuts, tax relief for high income groups. Consequences were manifold; unemployment higher than any time during the 70s. Finland, meanwhile stands out as an exception in the sense it did not have any significant neoliberal turn.

People in the Nordic welfare states, Norway in particular, experienced an extraordinary level of consensus and solidarity brought about by their equality in terms of access to economic and social resources. Conversely, they also give expression of regulations imposed by the authorities. There is an increasing awareness on the sustainability of the welfare state. Questions that dominate the welfare debate are: An end to the happy, post-war marriage

between the nation state and the welfare state? Is the welfare state incompatible with post-industrial society?

The answer to these questions neither yes nor no. What can be said is that the more the welfare state seems unsustainable, the greater are the demands for social protection. Furthermore, failure of the labour market and the family puts more pressure on the state. In 1980s & 90s, continuous growth of Welfare states of Europe was followed by growth in welfare expenditures, growth in beneficiaries, growth in employees in the welfare sectors, growth in increased aged population, more health promises, more split families. Furthermore, there appears to be a crisis of government overload of public budgets and debts. The number of old age pensioners, who live longer, has impacts on future state budgets. Thus, the young are at risk, most in Continental Europe, least in Scandinavia.

Like all other societies the Nordic countries also show the conflict of values and interests. But, they resolve such conflicts and provide themselves with enough satisfaction to win their confidence and secure adherence to basic values. Norway, for instance, relies in good measure on a pattern of responsible negotiating patterns as its solution to these problems- virtually all major economic, cultural, occupational and social groups are organized in nationwide voluntary associations which have been granted official status to negotiate either with the government or with their opposite numbers with regard to the distribution of rewards, privileges, and obligations. The success of this pattern depends on the degree of responsibility with which the various interests groups fight for their rights, and this, in turn, requires that each organization identifies enough with the society as a whole, to keep the demands each makes within some reasonable limits. So, in Norway, there is conflict, but the society is not ridden by its conflicts. The inherent conflicts are institutionalized, there is ritual of annual negotiation between the employee union and the employers union.

The Norwegian polity is firmly committed themselves to a host of policy decisions implied by the idea of welfare state, despite the implementation of policies has given a plethora of unexpected difficulties. Many of these unanticipated consequences stem from the particular difficulties of applying the general and generally accepted idea that society is to take on the responsibility of guaranteeing the economic security and well-being of those who cannot provide for themselves.

Meanwhile, what appears to be a challenge to the Nordic countries is the unintended or unanticipated inequality for the incomplete families. The economic discrimination against single parents and their children becomes especially severe. Tax system discriminates the single parent, and those who have not yet chosen a family life.

Nordic countries are integrated with the international communities; economically, politically, culturally. They also possess unique characteristics. They adapt and adjust to the international environment and they also show their capacity to set limits. Norway for instance, is committed to international norms, it made use of international opportunities, it pursues its customs, norms and values. Capitalist societies generate economic growth but also economic disparity, while the aim of social democracy attaining equality through redistribution of goods and services and the state has an important role in this process. Despite a comprehensive system for redistribution through economic and social policies, aimed at equality, the challenge meanwhile appears to be new forms of inequality, owing both to internal and external forces.

A final comment on globalization of social democratic values. Globalization implied globalization of liberal capitalism, free market forces integrating all the nations with the capitalist world economy. Held's claim "if globalization is to be steered for the benefit of all the best way to achieve this is by globalizing social democratic values" gets its manifestation not only in the success of the Nordic model, but also in four disappointments, experienced by the Nordic countries when they entered a road away from social democracy or Keynesianism.<sup>20</sup> Held argues, and rightly so, in the current era, social democracy must be defended and elaborated not just at the level of nation-state, but at regional and global levels as well.<sup>21</sup> What pose to be challenge to globalization of social democratic values is the norm of equality and development policies of the Nordic countries that are aimed at strong growth and full employment- hardly a hallmark of liberal capitalism. The analysis above suggests that the interaction between politics and social structures, cultural values and institutions, a mix between market and non-market principles, explains the sustainability of the Nordic model. In Norway, collective mobilization, and alliances of various interest groups (agricultural-fishing- labour- and business groups) established a number of institutions setting limits to market.

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<sup>20</sup> Mjøset 2004.

<sup>21</sup> Held, 2004. Pp.11-12.

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# **FACTORS AFFECTING CHILD POVERTY IN SUB SAHARAN AFRICA REVISTED WITH SPECIAL REFERENCE TO EDUCATION AND RURAL WOMEN 1990-2010.**

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## **ABSTRACT**

A majority of Africa's disadvantaged children are mostly – rural, malnourished, orphans, invisible, out of school, child brides or child labourers, have illiterate mothers who are denied access to productive resources, mothers who watch helplessly as their children waste away and die of easily treatable illnesses. Our objective is to analyse factors affecting child poverty, factors like women's low status because the wellbeing of children cannot be separated from that of their mother's; child poverty is inseparable from mother's poverty. The analysis has been done through the investigation of questions like: does the lack of access to education cause child poverty or does child poverty cause the lack of access to education; to what extent can the low status of rural women be considered as a contributing factor to child poverty and Africa's progress in child poverty issues, differences between low and high income countries; and region wise differences. The investigation has been undertaken on 30 African countries between 1990-2010. Due to the nature of multiple interdependencies among factors affecting child poverty, the principal component analysis statistical technique (PCA) was applied to eliminate redundant variables and to retain those that explained most of the variations in the dataset.

The main variables used in this study are under-five mortality rate (U5MR), primary school enrolment (PSE), child underweight (CU), gender parity index (GPI) and the Ibrahim index African governance (IIAG). In addition PCA, the issue of endogeneity among the dependent (U5MR) and independent variables (PSE and CU) has led to the use of 3 Stage Least Squares simultaneous equations and fixed effects methods. The econometric model has 3 equations each corresponding to one of the following endogenous variables – U5MR, PSE and CU. We used Agglomerative Hierarchical Clustering (AHC) to cluster countries based on their similarity in GDP per capita into low and high income, Democratic Republic of Congo was excluded for being an outlier. The regressions were run on the whole dataset and then on country clusters (3 groups in total). The results of equation 1 show that the estimated female employment in agriculture (FAG) has the greatest effect on U5MR in all the 3 groups. The estimated elasticity indicates that a 1% increase in FAG will lead to a decrease in U5MR by 2.59% in the low- income group and 2.48% in the whole dataset. Ethnolinguistic fractionalisation (ELF) ranks second; estimated elasticity shows that a 1% increase in ELF will reduce U5MR by 2.17% in low income and 2.02% in the whole dataset. CU ranks third, with a 1% increase in CU increasing U5MR by 1.29% in the low income group and by 1.35% in the whole dataset.

In equation 2, the estimate crop production index\_1 (CPI\_1) has the greatest effect on PSE in all 3 groups. The estimated elasticity indicates that a 1% increase in CPI\_1 will increase PSE by 1.16% in the low- income group, by 0.62% in high- income group and 2.49% in the whole dataset. The estimates of U5MR and IIAG are more potent in reducing PSE in high than in the low income group and in the whole dataset. In equation 3, CPI\_1 again ranks first in all 3 groups, and the estimated elasticity indicates that 1% increase in CPI\_1 decreases CU by 2.40% in low- income group, 0.41% in the high income group and 1.63% in the whole dataset. Female enrolment in secondary vocational education (FSV) has more effect on CU in the whole dataset than in the country clusters. The estimated coefficient of PSE has a modest effect on CU in comparison to other estimated coefficients like U5MR and IIAG.

The findings suggest that although causes of child poverty are multidimensional; and call for simultaneous solutions, estimated elasticities indicate that FAG has the greatest effect on U5MR, while CPI\_1 has the greatest effect on both PSE and CU. These findings tend to point to agriculture as the solution to child poverty issues in Africa. This is by providing an enabling environment for women in agriculture to access productive resources which will contribute to better crop production that will both increase PSE, decrease CU and in the process reduce child poverty (U5MR). Elasticity ranking shows that what is at issue is not the impact of education on reducing child poverty or the impact of child poverty on reducing education but the improvement of women's status particularly in the agricultural sector. Policies for long lasting solutions should highlight institutional quality as a prerequisite in child poverty reduction, it presents children and women with equal opportunities to access basic needs. Education investment should shift focus from higher investments in primary school to preschool with feeding programs to cater for underweight children because the early years of life are crucial for cognitive development which eventually enables adults to reach their full potential.

## 1. INTRODUCTION

*The continuation of this suffering and loss of life contravenes the natural human instinct to help in times of disaster. Imagine the horror of the world if a major earthquake were to occur and people stood by and watched without assisting the survivors! Yet every day, the equivalent of a major earthquake killing over 30,000 young children occurs to a disturbingly muted response. They die quietly in some of the poorest villages on earth, far removed from the scrutiny and the conscience of the world. Being meek and weak in life makes these dying multitudes even more invisible in death. UNICEF Progress of Nations 2000*

The rates of child poverty levels in Sub Sahara Africa are still rising despite the progress made over the years in the reduction of child deprivation indicators. In the quest to fulfil the Millennium Development Goal of universal primary education, a large majority of African countries had a tendency to focus on increasing primary school enrolment rates at the expense of preschool enrolment rates, this is evidenced by the substantially low preschool enrolment rates across the region of Sub Sahara Africa (Murungi 2012). The success of Sustainable Development Goals ranging from ending poverty and hunger to improving health and education which have been built on Millennium Development Goals largely depends on the access to good quality education.

Sub-Sahara Africa's women who have limited access to productive resources are generally characterised as malnourished and most probably give birth to undernourished children. This set of children tend to have cognitive disabilities which require early development in order to reverse their underdeveloped status. Enrolling underdeveloped children directly into primary schools without first having them receive preschool education, has considerably contributed to the poor performance in schools which as a result has led to high repetition and dropout rates (Heckman 2006). This phenomenon of interrelated chain of reactions has largely contributed to the increasing numbers of out of school children (UNESCO 2012), who most likely grow up into poor adults consequently undermining education's potential to break the cycle of poverty.

We define children living in poverty are those who are deprived of interrelated material and sociocultural resources which are economic, political, social, cultural, physical and environmental in nature and are generally known to be very vital for child development.

### *Objectives and purpose of the study*

The reasons for choosing to focus on child poverty are firstly, a large percentage of Africa's population are children (approximately 50-60% of the population are under 18 years of age). Secondly, the incidence of poverty among children is higher than the incidence of poverty amongst the population as a whole in Africa. Thirdly, the future and wellbeing of any nation depends on the quality of life of the children of today, this implies a nation infested by children whose lives are those of deprivation already spells doom on that nation's future. And finally to counteract Africa's doom predicted by World Bank (2007) report, 'Global Economic Prospects', today's children are the adults of 2030 destined to be the world's poorest.

Since the incidence of poverty is higher among children than adults, this study's main objective is to analyse the factors affecting child poverty. The wellbeing of children cannot be divorced from



that of their mother's, a mother suffers the consequences of her children's poverty while at the same time transmits her poverty to them, thus mother's and child's poverty are intertwined. Most of Africa's population is rural and thus there is a high concentration of poverty in rural areas, besides this a study by Gordon et al. (2003b) showed that the percentages of rural poor children severely deprived of basic needs were much higher than those of urban poor children. And also under five mortality rates are much higher in rural areas than in urban areas (105 and 69). These facts imply that to reduce child poverty calls for focus on rural areas and since child poverty is inseparable from the mother's poverty, rural women is a point of reference in this study.

### *Research question*

Since this study echoes Sen's definition of poverty as a deprivation of capabilities, the above objectives will be realized by answering the following research question. (1) Does lack of access to education cause child poverty or does child poverty cause lack of access to education? Or both and to what extent? (2) To what extent can the low status of rural women be considered as a contributing factor to child poverty? More particularly what is the impact of women's low status on children's health and education status. (3) What has been Sub Saharan African progress in child poverty issues? Are there any differences between (a) low income and high income countries, (b) region wise differences.

## **LITERATURE REVIEW OF FACTORS AFFECTING CHILD POVERTY**

Children's needs are multifaceted and therefore require multidimensional measures and since child poverty has to do with deprivation of basic capabilities, this study uses selected readings that focus on child poverty (child deprivation) with insights of basic capabilities. Deprivation is defined as a state of being disadvantaged relative to the local community, or the wider society or nation to which an individual, family or group belong. Deprivation is associated with unsatisfactory and undesirable circumstances, whether material, emotional, physical or behavioural. Deprivation involves a lack of something generally held to be desirable such as adequate income, good health, education, participation in society (Brown and Madge 1982, and Townsend 1987). High deprivation is equivalent to a low standard of living. Deprivation indices are broader measures for they are more inclusive and reflect different aspects of living standards including personal, physical and mental conditions, local and environmental facilities, and social activities and customs (Gordon et al. 2003a). Deprivation approach is one of the measures that is specific to children's needs and focuses on them. Under deprivation approach we analyse three approaches: Bristol approach, Young Lives Project and Child's perspective approach.

Bristol measures of child poverty are based on child rights, it analyses child poverty by measuring deprivation indicators such as education, health, food, information, safe drinking water, sanitation and shelter (Gordon et al. 2003a). A child is said to live in absolute poverty if he/she is deprived of two or more deprivations. The Bristol group with the help of data from household survey conducted an empirical study on how children fare with respect to the seven deprivation indicators in all developing countries. Their findings report that 56% of children in low and middle income countries suffered from one or more forms of deprivation. South Asia and Africa had deprivation rates of more than 80%. Rural children in these two regions suffered deprivation rates of more than 90% (Gordon et al. 2003a).

Approximately 1.8 billion children in low and middle income countries experienced deprivation as follows: 15% of under-fives were food deprived, 20% either did not have access to water or had to walk more than 15 minutes to access safe water, 31% suffered from sanitation deprivation, 15% from health, 34% from shelter, 13% of those aged 7-18 had not been to school and 25% from information deprivation (Gordon et al. 2003b). This report indicates that poor shelter and sanitation take the lead in deprivations experienced by children, whereas education and health which feature most in poverty alleviation strategies were only half the percentages of shelter and sanitation. Minujin et al. (2006) argues for localised deprivation such as to carry an analysis focused on gender, due to the fact that girls and boys face different conditions in terms of various deprivations.

Young Lives Project investigates the changing nature of child poverty, by analysing the causes and consequences of child poverty. The Young Lives project focuses on filling in the gap of lack of information on the changes in children's well-being overtime. It does this by putting under observation about 12,000 children and their families for over 15 years in Ethiopia, Peru, Vietnam and India (Camfield et al. 2008).

The project aims to examine all aspects of children's lives including: (a) access to basic services such as electricity, safe drinking water and sanitation, (b) access to healthcare and children's health: vaccination, prevalence of childhood diseases, distance to medical care, (c) childcare and child rearing, (d) child malnutrition, (e) literacy and numeracy, (f) child work and (g) social capital among the community (UNICEF 2006a).

The Young Lives project carries empirical regressions on the chosen children every three years, to analyse deprivation indicators. The empirical results of the first attempt revealed that in all the four countries, children experienced high levels of deprivation from basic needs such as clean water, quality education, electricity and proper shelter. Countries like Ethiopia had infant mortality rate of 116 deaths per 1,000 live births in 2001 compared with the regional average of 107. Only 34% of children aged 7-12 were enrolled in primary school in 2000 (UNDP 2004:5, REF. UNICEF 2006a). The study pointed out that deprivation was more prevalent among rural children, particularly girls.

Young Lives project covers areas that are crucial to children's wellbeing that have not featured in the Bristol study such as childcare, child work and childrearing. Girls' education is affected, when girls take up the roles of childminders while their parents take up other family activities. This mostly happens because childcare centres are not a common practice in Africa and even if they existed, poor families are not in a position to afford them. Childrearing is crucial in child wellbeing, this claim is strengthened by common cases where children suffer and some eventually die because their parents lack knowledge on child rearing. Young Lives Project also addresses social capital which is of great significance in the community. Finding ways and means to bring together members in the community with a common cause such as children's wellbeing is sure to produce positive outcomes in alleviating child poverty. In addition to this the study is enriching because by following up a set of children for a period of time, the study is in a position to determine any changes in the causes and consequences of child poverty, and this will guide policymakers and budget allocation authorities to directly address the special needs of children for the hour.

Children living in poverty being the best consultants to give first-hand information, their perspectives led to the formation of 'Child's perspectives deprivation approach'. Child's perspective deprivation approach is founded on children's views on living in poverty gathered from them during interviews. Africa Union was reviewing its progress towards an "Africa Fit for Children", Plan International presented the views of 1,000 children from 30 countries across the



continent. Children's verdict was that adults had not kept their promises nor had they sought their expertise and opinion on what they had been doing for them (Khanna 2007). Witter and Bukokhe (2004), carried out interviews on children's perceptions of poverty, participation and local governance in Uganda. The findings from children's response are similar to those given by children from "Africa Fit for Children", however children stressed the fact that, it is crucial to deal with child poverty issues separately from general poverty, the other remarkable addition was that children wanted to be trained in life-skills so that they could also be part of a solution in reducing their poverty by working. They also wanted to be part of the committee overseeing the running of school funds, participate in local council and district level meetings with the object of presenting their views on what should be done in order to improve their wellbeing.

Children's World Congress on Child Labor (CWCCCL) hosted in Florence Italy in May 2004 invited around 200 children mostly between the age group 14-17 years from different regions, countries and organisations as main speakers. Most of the child delegates were former child labourers and activists, implying that they understood better than adults children's wishes on how a child's life should be. The mission of child delegates was to express their opinions and to identify their capabilities. Their responses to the three most relevant capabilities ranked education first with 75% scores, followed by health with 36% scores, leisure with 25% scores, social relations takes the fourth position, information the fifth and shelter the sixth (Biggeri et al. (2005).

Smith et al. (2003) defines women's status as "*women's power relative to men*". Women with low status are generally known to have both less access to and control over productive resources (natural, physical, human, social and political capital), tighter time constraints, poorer mental and physical health and lower self-esteem. How does rural women's low status contribute to child poverty? Women play three significant roles in the lives of children: (i) as mothers (ii) as main carers of children and (iii) the traditional domestic division of Labor leaves the management of poverty as women's responsibility (Lister 2005). In Africa women produce 80% of the continent's food, including both subsistence and market food, on small land holdings with very limited access to productive resources, land inclusive (SOFA Team and Doss 2011). Duties of rural women connotes that they play a major role in both child wellbeing and agricultural productivity.

The ability of children to be healthy, to be educated among other capabilities is determined by economic, social, political and cultural institutions whose individual actions should not act in isolation, but should synchronise to enable the achievement of the multifaceted needs of children. A definition of Institutions - "*It is a set of humanly devised behavioural rules that govern and shape the interaction of human beings, in part by helping them to form expectations of what other people will do*" Rodrik (1999). The definition of institutions in terms of child poverty can be interpreted to imply that institutional actors and agencies have distinct roles, responsibilities and capacities that govern both policies of resource allocation as well as provision of basic needs and services. In doing what is expected of them, they fulfil their commitments to child rights which enables children the freedom to access basic needs and thereby develop their capabilities.

Institutions depend on economic growth as a source of sufficient revenue to execute budget allocation which enables public expenditure to be directed towards priority sectors that enhance child wellbeing (Dzator and Chen 2015, Easterlin and Angelescu 2007). Studies have in the past questioned if there was any systematic relationship between economic growth and the income share of the bottom quintile. These studies concluded that the share tended to decline in the early stages of

development, but increased in the long-run Lopez (2004) and Kraay (2004). Ravallion and Chen (1997), with the measure of poverty defined in absolute terms found that the elasticity of the headcount ratio was higher than 2. This implies that when average income increases by 10%, the proportion of the poor declines by more than 20%. Recent work by Ravallion (2013) shows that the rising economic growth in the developing world since 2000 has reduced poverty and is expected to continue to reduce if there is no further deterioration in overall inequality. Literature review points out that increasing economic growth does not automatically translate into child poverty reduction (Akobeng 2016 and Foster and Szekely 2001).

Poor people can only benefit from economic growth if institutions frame pro-poor growth policies which in the process reduce inequality levels. Labor intensive economic growth provides more jobs, thereby enabling the poor to participate and work themselves out of poverty. Diao et al. (2010) analysed the relative importance of agriculture and industry in helping Africa to significantly reduce poverty. The study observed 5 African countries – Ghana, Kenya, Rwanda, Uganda and Zambia. They found that poverty growth elasticity is consistently larger when growth is driven by agricultural growth than non-agricultural growth. Alongside economic growth, government strategies have to turn to social protection programs directed to areas which positively impacts children's capabilities. Public expenditure has been limited in most African countries because of poor budgetary procedures and corruption (Delavallade 2006).

The poor benefit from expenditure in primary healthcare and primary education and not much benefit from spending on secondary education and tertiary healthcare. A large proportion of poor children have a limited access to secondary education, this fact exacerbates the plight of families because a survey has revealed that household per capita expenditure in rural areas is highest when household head has attained secondary education (Wilhelm et al. 2005).

Increasing the amount of public expenditure in schools by itself does not benefit the children. Al-Samarrai (2002) cross country analysis indicated that the link between public expenditure on education and education outcomes measured by a range of indicators was relatively weak. This finding does not imply that public expenditure is not important, what needs to be given attention is prudence (government effectiveness and efficiency) in the composition and allocation of resources based on poverty profile and focus should be centred on priority areas like learning, teaching materials and other crucial school inputs.

## **METHODS AND DATA**

We use under-five mortality rate (U5MR) as a dependent variable to measure child poverty. U5MR is the probability expressed as a rate per 1,000 live births, a new born baby will die before reaching age five, if subject to current age specific mortality rates. U5MR is chosen by UNICEF as its single most important indicator of the state of a nation's children and human development. The reasons being U5MR measures an end result of the development process rather than an input such as school enrolment level or per capita calorie availability, which are means to an end. U5MR as an accurate measure of children's wellbeing is used by UNICEF to rank the nations of the world not in ascending order of their per capita GNP, but in descending order of their under-five mortality rates (UNICEF 2002 and 2008).

### **The general equation-**

$$(a) U5MR = f(PSE, CU, WS, OSEF) \quad (1.1a)$$

U5MR (Under 5 Mortality Rates per 1,000 live births) is the dependent variable. PSE (primary school enrolment), CU (child underweight), WS (women's status) and OSEF (other social economic factors) are explanatory variables.

$$(b) PSE = f(U5MR, CU, WS, OSEF) \quad (1.1b)$$

PSE is the dependent variable, while U5MR, CU, WS and OSEF are explanatory variables

$$(c) CU = f(U5MR, PSE, WS, OSEF) \quad (1.1c)$$

CU is the dependent variable, while U5MR, PSE, WS and OSEF are explanatory variables.

### Empirical equation

$$(a) U5MR = f(PSE + CU_{-1} + GPI + FAG + AGV + HE + RS + ELF + GOS + WA) \quad (1.2a)$$

$$(b) PSE = f(U5MR + CU + GPI + CPI + PRD + PLG + CL + GOS + IAG + ORP + FPST + MPH + SA + WA) \quad (1.2b)$$

$$(c) CU = f(CU_{-1} + U5MR + PSE + GPI + CPI + CPI_{-1} + FSV + WF + MA + OOSC + MWBA + IAG + ELF + MPH + WA + SA) \quad (1.2c)$$

U5MR (under-five mortality rate), PSE (primary school enrolment) and CU (child underweight) are dependent variables in equations 1.2a, 1.2b and 1.2c.

PSE, CU<sub>-1</sub> (child underweight with 1 year lag), GPI (gender parity index), FAG (female employment in agriculture), AGV (agriculture value added), HE (health expenditure), RS (rural sanitation), ELF (ethnolinguistic fractionalization), GOS (girls out of school) and WA (West Africa) are explanatory variables for under-five mortality rate (child poverty).

U5MR, CU, GPI, GOS, CPI (crop production index), PRD (paved roads), PLG (persistence to the last grade), CL (child labor), IAG (Ibrahim's Index, African governance), ORP (orphans), FPST (female primary school teacher), MPH (mobile phone subscribers), SA (South Africa) and WA (West Africa) are explanatory variables for primary school enrolment.

CU<sub>-1</sub>, U5MR, PSE, GPI, CPI, CPI<sub>-1</sub> (crop production index with 1 year lag), FSV (female secondary vocational enrolment), WF (wood fuel), MA (age at first marriage), OOSC (out of school children), MWBA (married women can open a bank account), IAG, ELF, MPH, WA and SA are explanatory variables for child health.

### Endogeneity

The interdependence and reverse causality among the dependent and independent variables raises the issue of endogeneity. Reverse causality creates endogeneity in the measurement of child poverty using U5MR as a dependent variable and independent variables of primary school enrolment rates and child underweight. High primary school enrolment rates are assumed to reduce child poverty because of the benefits of education. While high percentages of OOSC are assumed to increase child poverty because of lack of education. However there is the probability of reverse causality high levels of poverty may cause children from poor families not to be enrolled in school because of lack of funds to meet schooling costs thereby leading to low primary school enrolment rates and increasing numbers of OOSC.

Children from poor families tend to suffer from malnutrition (child underweight) because of lack of access to adequate nutritious food, thus child poverty contributes to child underweight. While child underweight contributes to child poverty because malnourished children generally have poor health which affects school attendance, concentration while at school leading to poor performance and in the long run affects earning potential in adult life. Simultaneous causality bias, takes place when causality runs both from X (primary school enrolment) to (U5MR) Y and from Y to X. There are

possibilities that one part of X is correlated with the error term ( $\epsilon$ ), this causes inconsistency in the estimated coefficient of X. whereas the other part is uncorrelated with the error term. To determine the correlation between X and Y requires the knowledge of the variations in X that are uncorrelated with the error term. These are the variations that cause changes in Y. The coefficients of primary school enrolment and child underweight are the endogenous variables suspected to be correlated to the error term. We resolve the endogeneity issue by running simultaneous equations model consisting of three equations under-five mortality rates, primary school enrolment and child underweight with the help of the 3SLS system that combines multivariate regression generally known as Seemingly Unrelated Regression (SUR) with 2SLS system. Econometrically, we employ- Simultaneous Three Stage Least Squares and fixed effects model with the help of panel data methods to run the econometric regressions of the 3 equations. The statistical package used is NLOGIT5 version 5. Missing data are very common in panel data sets. Panels in which the group sizes differ across groups are not unusual, these panels are called unbalanced panels. Data on child poverty in SSA is scarce and this has given rise to unbalanced panel data. The total number of country-year observations is not consistent it entirely depends on variable combination, NLOGIT5 delete all missing data and report only the variable combination with complete data.

The econometric analysis on child poverty equations have been estimated with a sample of 30 countries (between 1990-2010) out of the 48 sub Saharan African countries, the criteria of the choice of countries has entirely been based on the availability of data of our interest. A sample of 30 countries which although constrained by the availability of data, is broadly representative.

## RESULTS AND DISCUSSION

*“ On a purely economic basis it makes a lot of sense to invest in the young.....early learning begets later learning. And early success breeds later success”* James J. Heckman, PhD. Nobel Prize Laureate Economist.

In reporting the results of the effect of primary school enrolment (PSE) on both under-five mortality rate (U5MR) and child underweight (CU), the effect of U5MR on both PSE and CU; and the effect of CU on both PSE and U5MR, every estimated coefficient is explained holding other variables fixed in terms of its effect on the dependent variable

**Table 1 ESTIMATES OF FACTORS AFFECTING CHILD POVERTY**

EQUATION 1: DEPENDENT VARIABLE-UNDER FIVE MORTALITY RATE 1990-2010					
VARIABLE	COEFFICIENT	STD ERROR	T-STAT	P-VALUE	ELASTICITY
Constant	76.0533***	13.4750		5.64 0.0000	
Primary school enrolment (PSE)	-0.0896***	0.0164		-5.44 0.0000	-0.46
Child underweight_1 (CU_1)	0.7604***	0.0433		17.56 0.0000	1.35
Gender parity index (GPI)	0.0948***	0.0214		4.42 0.0000	0.56
Female employment in agriculture (FAG)	-0.5489***	0.1265		-4.34 0.0000	-2.48
Agricultural value added (AGV)	-0.0004***	0.0001		-3.83 0.0001	
Health expenditure per capita (HE)	-0.1306***	0.0369		-3.53 0.0004	-0.05
Rural sanitation (RS)	-0.2146***	0.0596		-3.60 0.0003	-0.39
Ethnolinguistic fractionalization (ELF)	-0.4178***	0.0648		-6.44 0.0000	-2.02
Girls out of school (GOS)	0.0310	0.0191		1.62 0.1054	0.10
Country dummy-West Africa (WA)	-0.0680**	0.0300		-2.27 0.0234	
Number of observations	630	Durbin - Watson test		2.325	
EQUATION 2: DEPENDENT VARIABLE- PRIMARY SCHOOL ENROLMENT					
Constant	183.653**	87.9421		2.09 0.0368	
Under five mortality rate (U5MR)	-2.6917***	0.3710		-7.25 0.0000	-0.53
Child underweight (CU)	-6.4803**	3.3039		-1.96 0.0498	-2.23
Gender parity index (GPI)	0.3678***	0.1067		3.45 0.0006	0.45

Crop production index_1 (CPI_1)	1.9541***	0.3034	6.44	0.0000	2.49
Roads, paved (PRD)	0.2822***	0.0461	6.12	0.0000	0.09
Persistence to last grade of primary (PLG)	0.3550***	0.0746	4.76	0.0000	0.29
Ratio of female to male labor F.P. rate (RFM)	-1.0215***	0.2022	-5.05	0.0000	-1.19
Children in employment (CL)	-0.0003***	0.6912	-4.31	0.0000	
Girls out of school (GOS)	-0.2161***	0.0729	-2.96	0.0030	-0.14
Ibrahim's Index of African Governance (IIAG)	-1.1841**	0.5397	-2.19	0.0282	-0.87
Orphans (ORP)	-0.0016*	0.8487	-1.84	0.0660	
Female teacher primary school (FPST)	0.1793*	0.1029	1.74	0.0814	0.11
Mobile phone subscribers (MPH)	1.0197*	0.5271	1.93	0.0530	0.52
Country dummy-Southern Africa (SA)	-0.3326***	0.0816	-4.07	0.0000	
Country dummy-West Africa (WA)	-0.3582***	0.1230	-2.91	0.0030	
Number of observations	630	Durbin Watson test	2.149		

**EQUATION 3: DEPENDENT VARIABLE CHILD UNDERWEIGHT**

Constant	24.8681***	3.7269	6.67	0.0000	
Child underweight_1 (CU_1)	0.4841***	0.0691	7.01	0.0000	0.48
Under five mortality rate (U5MR)	0.0332***	0.0119	2.79	0.0053	0.02
Primary school enrolment (PSE)	-0.0840***	0.0277	-3.02	0.0025	-0.23
Gender parity index (GPI)	0.0059***	0.0016	3.68	0.0002	0.04
Crop production index (CPI)	0.3309***	0.0611	5.41	0.0000	1.25
Crop production index_1 (CPI_1)	-0.4375***	0.0668	-6.54	0.0000	-1.63
Enrolment in sec. vocational, female (FSV)	-0.7144***	0.1880	-3.80	0.0001	-1.15
Wood fuel (WF)	0.6085***	0.1668	3.65	0.0003	0.29
Child marriage (CM)	0.0039***	0.0013	2.83	0.0047	0.04
Out of school children (OOSC)	0.0829***	0.0285	2.91	0.0036	0.11
Married women can open bank acc. (MWBA)	-0.0021**	0.0009	-2.27	0.0233	
Ibrahim's Index of African Governance (IIAG)	-0.0207**	0.0109	-2.06	0.0394	-0.04
Ethnolinguistic fractionalization (IIAG)	-0.0109**	0.0051	-2.13	0.0334	-0.03
Mobile phone subscribers (MPH)	0.0186*	0.0098	1.09	0.0576	0.03
Regional dummies, West Africa (WA)	-0.0046**	0.0019	-2.37	0.0177	
Regional dummies, Southern Africa (SA)	-0.0024	0.0016	-1.56	0.1191	
Number of observations	630	Durbin Watson test	2.037		

The numbers in parentheses below the estimated coefficients are absolute values of the "t" ratios. Three asterisks, two asterisks and one asterisk besides. The estimated coefficients denote statistical significance at 0.01, 0.05 and 0.10 levels respectively valued at two-sided test. All the variables are in percentages, with the exception of regional dummies and married women with access to bank account which is a dummy variable.

The results of the estimated coefficients of the factors affecting child poverty based on three stage least squares (3SLS) estimation in table1 have the expected signs and are mostly statistically significant. In equation 1, the benefits of education in reducing child poverty (under-five mortality rate) are evident through the estimate of primary school enrolment which is statistically significant at 0.01 level. Furthermore the estimated elasticity indicates that 1% increase in primary school enrolment will decrease under-five mortality rate by 0.46%. Gender parity index (GPI) is used as a proxy for the status of rural women. In the present context the low status of women connotes not having equal access to education as compared to men. Regression results reveal that gender parity index is positive (0.09) and statistically significant at 0.01 level of significance. Furthermore the estimated elasticity indicates that 1% decrease in the number of girls enrolled in primary school as compared to the number of boys will increase child poverty by 0.56%. The benefits of girls education in terms of reducing child poverty are for instance among educated women are known to have good health practices such as controlling fertility rates, good nutrition and good hygiene practices that boosts children's wellbeing and performance at school which translates into better future prospects in adult-life thereby minimising intergenerational child poverty.

To what extent can lack of access to education (PSE) cause child poverty (U5MR) or how strong is the impact of education on child poverty?

Generally it is assumed that lack of access to education leads to higher poverty levels, whereas education tends to reduce poverty level, but what is the corresponding elasticity? Results of education elasticity of child poverty in table 1 equation 1 indicates that education can reduce child



poverty to a large extent. Primary school enrolment and gender parity index (ratio of girls to boys' primary school enrolment) are both significant in reducing child poverty and the null hypothesis is rejected at 0.01 level, while girls out of school the null hypothesis is rejected at 0.10 level.

The findings of this study on the impact of primary school enrolment on child poverty are similar to those of Barro and Lee (2010) who used average years of schooling to show that African countries like Mali, Democratic Republic of Congo and Cote d'Ivoire do not invest heavily in primary school education and therefore have few average years of primary schooling which consequently leads to high losses in GDP per capita. Burnett et al. (2013) reveals calculations of the foregone income of today's OOSC of selected Sub Saharan African countries – in Cote d'Ivoire lack of completing primary school leads to income losses of 29%, losses of wage premium to primary education of 15% and direct costs as a percentage of GDP per capita of 4.3%, Democratic Republic of Congo losses are- 12%, 9% and 1.1%, while Mali's are 33%, 9% and 2.9% respectively. UNESCO (2012) reports that education makes people more skilled and employable at the same time provides an escape route from poverty, an additional year of education adds about 10% increase to a person's income on average. Psacharopoulos and Patrinos (2002) found that social returns from primary education are much higher, than those from secondary education particularly in low income countries as compared to high income countries. They report that private returns from primary education are far higher than social returns and that private returns from primary education are higher than private returns from both secondary and higher education, this pattern is common to low, middle and high income countries.

However, our findings are contrary to those of Faux and Ntembe (2013) who investigated the impact of primary education attainment on poverty in Cameroon, and found that primary education had no impact on poverty reduction, but added that as education level rises, it negatively affects poverty. Appleton (2000) review on 9 African studies concluded that the estimated effects of education were typically insignificant. He found that a mean increase in self-employment income associated with an extra year of education is 7% at primary level and 12% at the secondary level.

Female employment in agriculture has a statistically significant negative (-0.54) effect on child poverty, the null hypothesis of the factors that determine the low status of women having a positive effect on child poverty is rejected at 0.01 level. Furthermore the estimated elasticity shows that 1% increase in the number of female employed in agriculture will decrease child poverty by 2.48%.

Child underweight significantly increases child poverty (0.76) and is statistically significant at 0.01 level. The estimated elasticity indicates that 1% increase in child underweight will increase child poverty by 1.35%. Public health literature suggests that a large influence of under-nutrition on child mortality is due to the fact that under-nutrition increases the susceptibility to and severity of illness. The empirical literature on these linkages is not strong probably due to the lack of social-economic data in most of these studies, or lack of large representative panel data sets. These shortcomings have led to debates on the size of the influence of childhood under-nutrition on child mortality. Klasen (2007) suggests that 60% of childhood deaths are directly or indirectly attributed to moderate or severe under-nutrition. Most micro-level empirical evidence suggests some negative effects of moderate under-nutrition and clearly identifies high morbidity and mortality risks to severe under-nutrition.

Equation 1 attempted to answer the question that are children poor because they cannot access education, equation 2 attempts to answer the reversed question that do children lack access to education because they are poor? This question suggests that the causality between child poverty and lack of education is bi-directional. In the light of this understanding, equation 2 uses primary school enrolment as a dependent variable, while under-five mortality rate is used as an explanatory variable to gauge its negative impact on education and at the same time to demonstrate that since causes of child poverty are interrelated, factors that positively affect child poverty negatively impact children's education and vice versa.

There is a reverse causality between primary school enrolment and under five child mortality rate, primary school enrolment negatively affects under-five mortality rate, while under-five mortality rates negatively affects primary school enrolment. In equation 2 the estimate of under-five mortality rate is negative (-2.69) and statistically significant, the null hypothesis that under-five mortality rate has no effect on primary school enrolment is rejected at 0.01 level. The estimated elasticity indicates that 1% increase in under-five mortality rate reduces primary school enrolment by 0.53%. Household income is not the only factor determining children's access to school, Dieltieno and Meng (2008) are of the same opinion, for they argue that absolute poverty (which refers to households living below a minimum necessary to sustain subsistence) on its own is not sufficient to account for South Africa's access or dropout patterns. For instance they report that approximately 31.1% of South Africa's population lived below the poverty line in 2007, whereas primary school enrolment rate in the same period was 96%. In the same breath Hunter and May (2003) found that during the socio-economic shocks of 1999 in South Africa 41% of the households were affected but only 3% of those households were constrained to remove one or more of their children from school.

The regression results reveal that child underweight is negative (-6.48) and statistically significant at 0.05 level. A child who is underweight is most likely to be either absent from school due to poor health or if he/she attends school may end up performing poorly probably because he/she is suffers from underdeveloped cognitive skills. The estimated elasticity indicates that 1% increase in underweight children will decrease primary school enrolment by 2.23%, these results suggest that of all the determinants of primary school enrolment, great attention should be given to children's nutritional status because it shows the highest effect on primary school enrolment.

Child malnourishment is attributed to several factors such as child's health, mother's health and education status, family income, availability of food supply and the accessibility of food which largely depends on its affordability. Children from poor families who barely have subsistence income, tend to suffer from malnutrition because their families are unable to make food purchases. Therefore it is assumed that an increase in crop production may reduce food prices, and in the process enable poor families to access food. Crop production index is a proxy for food supply, the estimated coefficient of crop production index is positive (1.95) and statistically significant at 0.01 level. A mother with the possibility to access food has more probability to maintain good health and give birth to healthy children, who can be enrolled in school and be retained in school. The estimated elasticity shows that 1% increase in crop production index will increase primary school enrolment by 2.49%.

Regression results show that the estimate ratio of female to male labour force participation is negative (-1.02) and is statistically significant at 0.01 level. In circumstances where low household

income constrains parents to limit the number of children they send to school, sociocultural factors tend to favour sons over daughters, thus lack of income acts as a strong case against girls being sent to school. Subsequently, girls denied education grow up into illiterate adults which adds up to the already existing barriers in the labour market. With the widening of the gap between the ratio of female to male labour force participation rate, the estimated elasticity indicates that a 1% decrease in the ratio of female to male participation in the labour market will reduce primary school enrolment by 1.19%.

Rural Sub Saharan Africa is largely characterised by poverty, the effects of poverty are not only felt in families but also in schools, therefore the burden of developing schools particularly in poverty stricken areas is mostly borne by the African governments. The estimated coefficient of Ibrahim's Index of African Governance is negative (-1.18) and statistically significant at 0.05 level. If the low proportion of education funds allocated to rural schools and poverty stricken areas in general diminishes, the estimated elasticity shows that 1% decrease in Ibrahim's Index of African governance will decrease primary school enrolment by 0.87%. The negative effect of African governance could be partly because there is a tendency to spend more in the tertiary sector as compared to the primary sector.

Rajkumar and Swaroop (2008) found a negative relationship between public expenditure and educational outcomes, they associated the negative relationship to lack of efficacy spending, not channelling resources to crucial areas in the education sector probably due to corrupt practices. Their first results on the relationship between public spending on education and its impact on education attainment were weak with the expected sign, but when they added corruption to control for the quality of governance, the public expenditure sign became negative. The effect of corruption on the poor people can be gauged through both its direct impact like increasing the cost of public services, lowering their quality, restricting access to basic needs such as water, health and education. And the indirect impact is the diversion of public resources away from social sectors thereby depriving children of their rights and in the process increase child poverty. Siddique et al. 2016, study on the impact of governance and institutions on education and poverty alleviation in SAARC economies found that governance had a positive impact on poverty and a negative effect on education because of poor government policies.

The findings of equation 1 suggests that child poverty can be reduced largely through improved status of women in agriculture. While equation 2 explains that increased crop production index increases primary school enrolment, whereas increased percentages of underweight children decreases primary school enrolment. Good health being a prerequisite for education, brings us to equation 3. In equation 3, we have used the dependent variable child underweight as an explanatory variable with one year lag to control for autocorrelation. Women's status are represented by gender parity index and female enrolment in secondary vocational. Estimate female enrolment in secondary vocational is negative (-0.71) and is statistically significant at 0.01 level. Female enrolment in secondary vocational education positively impacts household economic conditions, household sanitation, family formation pattern and size of child at birth and in the process will consequently reduce child underweight. The estimated elasticity indicates that 1% increase in female enrolment in secondary vocational will decrease child underweight by 1.15%. Smith et al. (2003) reported that *"women's status and the long-term and short-term nutritional status of children are linked. If men*



*and women enjoyed equal status, child malnutrition in Sub Saharan Africa would decrease by nearly 3 percentage points—a reduction of 1.7 million malnourished children under three”.* Mahgoub, S.E.O. et al. (2006) study on factors affecting prevalence of malnutrition among children under three years of age in Botswana found that the higher the level of mother’s education the lower the level of child underweight.

The estimated coefficient of gender parity index is positive (0.01) and statistically significant at 0.01 level. Women’s status significantly affects child nutrition because women with higher status are better cared for and provide higher quality care for their children. Studies have found that if women and men enjoyed equal status in Africa, child malnutrition in the region would decrease by nearly 3 percentage points, reducing the number of malnourished children under the age of 3 by 1.7 million (Smith et al. 2003). Conversely the low status of women in Africa positively affects child underweight, the estimated elasticity indicates that 1% increase of women with low status will increase child underweight by 0.04%.

The estimated coefficient of unlagged crop production index is positive (0.33) and statistically significant at 0.01 level. The increase of the portion of cultivable land used for cash crops is extended at the expense of food crops. The estimated elasticity shows 1% increase of the land under crop production index may initially increase underweight children by 1.25%. However with the lapse of time, families may use the revenue from cash crops to buy food, thus 1% increase in crop production (one year lag) will decrease underweight children by 1.63%.

Child poverty limits the ability of children to access and obtain sufficient nutritious food, thereby their poverty state exacerbates their undernourished status. Normally there is a tendency to associate underweight children with poverty for they mostly suffer from deprivation of food, particularly nutritious food. Estimate under-five mortality rate is positive (0.03) and is statistically significant at 0.01 level. The estimated elasticity indicates that 1% increase in child poverty, increases underweight children by 0.02%.

Primary school enrolment can reduce child underweight indirectly through the pathway of the benefits of education. Estimate of primary school enrolment is negative (-0.08) and is statistically significant at 0.01 level. Primary school enrolment for instance may increase mother’s knowledge on healthy food and habits, give better job possibilities thereby increase earning power to access health services, good housing and food; this may consequently reduce child underweight. The estimated elasticity indicates that 1% increase in primary school enrolment will decrease child underweight by 0.23%.

Primary school enrolment can directly reduce child underweight through school feeding programs which enables poor children to access nutritious food which they would otherwise never have accessed if they were not enrolled in school. Out of school children are largely characterised by malnutrition, school feeding programs may act as an incentive for children to enrol and remain in school. Estimate out of school children is positive (0.08) and statistically significant at 0.01 level. Furthermore the estimated elasticity shows that 1% increase in out of school children will increase child underweight by 0.11%.

Estimate Ibrahim index of African governance (IIAG) is negative (-0.02), and statistically significant at 0.05 level. Conversely IIAG had a negative effect on primary school enrolment in

equation 2. This turn of events does not necessarily imply that resources channelled to health sector positively promotes children's wellbeing. The case as with the public expenditure on education applies to healthcare as well, resources are mostly channelled to tertiary healthcare which largely benefits rich people at the expense of primary healthcare which mostly benefits poor people. The negative impact of IAG on child underweight could be probably because of child vaccines such as DPT\_3 which are easily accessible by poor families and greatly prevent children from certain diseases that could have otherwise tampered with their health status and in the process increased the percentage of underweight children.

Results of GDP per capita growth are not shown because we found imperfect correlation between child underweight and GDP per capita growth. Notwithstanding the fact that GDP per capita growth reduces child undernutrition, sustained GDP per capita will go a long way toward the goal of minimising child underweight. We thus apply variables that tend to accelerate the reduction of child underweight within a short time. However, the potential of the variables with direct negative effect on child underweight will most likely not have much impact, in the absence of economic growth.

To what extent can the low status of women be considered as a contributing factor to child underweight? The estimated elasticity indicates that 1% increase in female enrolment in secondary vocational decreases child underweight by 1.15%. Whereas 1% decrease in the ratio of girls to boys' primary school enrolment (gender parity index) will increase child underweight by 0.04%. The low status of women (GPI) is significant in explaining child underweight and the null hypothesis is rejected at 0.01 level. The effect of primary school enrolment on child underweight is modest. Education is significant in explaining underweight children and the null hypothesis is rejected at 0.01 level. However, the explanatory variable in equation 3 with the greatest potency on child underweight is crop production index, child underweight decreases by 1.63% for 1% increase in crop production index.

## CONCLUSION

Previous studies on child poverty had a tendency to focus on child poverty in general with minimal attention to children living in poverty in rural areas, who in most cases happen to be the majority. Maternal nutrition is intimately intertwined with infant health and survival right from the foetal stage through infancy. The kind of prenatal care a mother receives, the birthing care as well as the neonatal care for both the baby and mother mostly depends on the financial status of the mother and yet the link between mother's poverty and child poverty has not been given the due importance in the precedent studies. There has been more highlights on female's education and health with minimal attention given to their availability and accessibility. However, to have good health and education largely depends on the availability of these facilities and the means to access them which mostly depends on the well-functioning of respective institutions that determine the availability and accessibility of these services. Child participation in making decisions on issues that affects them is largely absent. Instead most of the knowledge on child wellbeing is based on adults and institutional requirements, this is done at the expense of real situations which are best known by the children living in poverty. This has resulted in coming up with indicators and interventions which in some ways are irrelevant to child poverty solutions. Although education is discussed most attention has been on primary school, with little insights on preschool education, female primary and secondary education is stressed but little is mentioned about women's illiteracy. And finally, the in depth

analysis of the relationship between education, health and child poverty is largely missing in literature.

There is need to expand the literature on child poverty and make up for the missing part because as mentioned above a majority of poor children live in rural areas, it should be noted that the socioeconomic factors common to children in poverty in rural areas are not the same as those of children in poverty in urban areas and thus solutions to the two groups have to be tailored to their specific needs. The consequences of low birth weight children such as underdeveloped cognitive ability are mostly irreversible and negatively affects child's health leading to poor performance at school and may carry on into adulthood and in the process affect his/her income earning prospects consequently creating vicious cycle of transgenerational poverty demands due attention to be given to mother's wellbeing. Our focus on child poverty is important because poverty causes lifelong damage to children's minds and bodies, turning them into adulthood poverty and thereby perpetuates vicious cycle of poverty through generational transmission. This study revisits child poverty by giving education its rightful position as a solution to most of the other child deprivation indicators. A body of studies (Appleton et al. 2009, EFA 2013 and Botha 2010) explain lack of education in general (without detailed specifics) as one of the causes of child poverty. This study takes up this point further through econometric analysis to show that it not just education but the multidimensional nature of child poverty calls for the analysis of factors that interact with education in child poverty.

Our objective is to analyse factors affecting child poverty by finding answers to the research questions (1) Does lack of access to education cause child poverty or does child poverty cause lack of access to education? Or both and to what extent? (2) To what extent can the low status of rural women be considered as a contributing factor to child poverty? (3) What has been Sub Saharan African progress in child poverty issues? Are there any differences between (a) low income and high income countries, (b) region wise. The search for answers began with the help of child perspective deprivation approach to identify children living in poverty and found that a majority of African children lack access to good shelter and sanitation.

Attempts to answer the 1<sup>st</sup> question that "are children poor because they cannot access education or do children lack access to education because they are poor" using econometric model suggests that the causality between child poverty and lack of access to education is bi-directional. Although education plays a crucial role in the pathway out of poverty, the order of elasticity ranking shows that female employment in agriculture, ethnolinguistic fractionalization and child underweight are more potent in explaining child poverty than primary school enrolment (education). As much as child poverty (U5MR) affects children's access to education, elasticity ranking indicates that the impact of child poverty on primary school enrolment is not as potent as that of crop production index, child underweight, ratio of female to male labor force participation rate and Ibrahim index African governance. However, all these factors are mostly influenced by child poverty, suggesting that the indirect impact of child poverty on primary school enrolment is stronger than the direct impact. For instance, child underweight is generally associated with children from poor families. The results suggest that child poverty is statistically significant in explaining lack of access to education and the null hypothesis is rejected at 0.01 level.

Crop production index elasticity of child underweight takes the first position, followed by female enrolment in secondary vocational elasticity of child underweight, wood fuel takes the third position, while primary school enrolment elasticity of child underweight takes the 4<sup>th</sup> position. 1% increase in anyone of them with the exception of wood-fuel corresponds to a decrease in the percentages of child underweight. Low status of women (gender parity index) and education (primary school enrolment) are significant in explaining child underweight and the null hypothesis is rejected at 0.01 level.

From our findings both access to education and women's access to productive resources are crucial factors in explaining child poverty. However as much as education is important, it takes resources such as good health, school inputs before enrolling in free universal primary school. Based on econometric analysis results, the answer to the 2<sup>nd</sup> research question is that the low status of women affects child poverty to a large extent. Rural women's access to productive resources takes pre-eminence by laying a sound foundation for education boosting factors to create a virtuous cycle of growth. Our findings suggest that child poverty (U5MR) can be reduced largely through improved status of women in agriculture, while increased crop production leads to increases in primary school enrolment and reductions in underweight children. Women in agriculture elasticity of U5MR and crop production elasticity of primary school enrolment taking the lead in elasticity ranking implies that strategies to reduce child poverty and increase education should focus on creating an enabling environment for women in agriculture which in the process will increase agricultural output which positively affects education. Elasticity ranking shows that what is at issue is not the impact of education on reducing child poverty or the impact of child poverty on reducing education but the improvement of women's status particularly in the agricultural sector.

The contributions of the study can be explained in the following way for instance we expand on the previous research by adding the need to improve on the quality of institutions particularly those concerned with budget allocation, to shift high investments away from tertiary sectors to primary sectors which tend to serve the needs of a large proportion of poor children and their families.

Previous studies on child poverty have mostly focused on the conventional multidimensional child deprivation indicators such as food, water, education, sanitation, shelter, information and health in general. We have added to the conventional multidimensional indicators child specific indicators – OOSC, child marriage, orphans and children in employment; and general indicators including women's status and institutional quality in describing children's plight.

We have contributed to the precedent studies on child poverty by bringing on board agricultural productivity. A combination of regression results and theory suggests that agricultural production which is a labour intensive sector is the password for child poverty reduction particularly in rural Africa. Africa's poor being mainly rural and their livelihood being mainly subsistence farming, agriculture is their lifeline. Increased agricultural productivity acts both as a source of increased food availability and incomes of the farmers. It enables farmers to increase their household consumption expenditure which consequently improves children's nutritional status and subsequently augments school enrolment rates thereby reducing OOSC and subsequently in the long run reduces child poverty and adult poverty.

In sum this study has given a new interpretation of child poverty by applying the established theory of child deprivations in a new setting to add on the existing studies of child poverty. We have done this by showing the effect of women's limited access to productive resources such as education, labor market and credit facilities on under-five mortality, primary school enrolment and child underweight. We have stretched the body of knowledge of child poverty, particularly in Africa where preschool enrolment is still largely low, increasing school dropouts, female illiteracy rates are on the rise, invisible children whose births go unregistered, social cultural institutions still override the constitution of equality and declining percentages of women in agriculture.

### *Recommendations*

Our recommendations are the following, there is need for African governments to shift focus from prioritising investments in primary school to preschool. This shift is of great benefit to preschool age children who are out of school, particularly those with cognitive impairment. Child underweight is a major cause contributing to OOSC partly because of the underdeveloped cognitive skills. To avoid irreversible damage to the development of undernourished children, effective preschool curriculum should incorporate feeding programs as well as stimulation of cognitive development. Preschool lays a better foundation for later achievements in school including achievements in adult life and contributes to low repetition and dropout rates. Waiving tuition fees or increasing budgetary expenditure on school inputs or improving other schooling facilities is insufficient in reducing child poverty. There is need to reinforce school feeding programs as well as invest in other child poverty reducing programs that will enable families to access productive resources.

OOSC should be at the centre of strategies to reduce child poverty and there is need to subcategorise OOSC in terms of individual child circumstances and their needs. For instance subcategories like child brides, malnourished children, orphans, and children who study and work require different solutions in getting children into school and in alleviating their sufferings. An orphan who is not only underweight but studies and work and eventually gives up on schooling to opt for fulltime working will require different solutions from a child bride who may probably be a teenage mother. Child poverty studies should include Africa's invisible children such as the disabled and orphaned children, who mostly have no birth certificates. As a resultant there is a tendency for these sets of children to miss out on public services, because a birth certificate is one of the requirements before a child enrolls in school or accesses most of the publicly provided services.

There is need to increase the number of private non-profit making schools based on learning outcome-oriented curricula with flexible hours of instructions. Children who work to supplement their families' incomes will not enrol and retain in a conventional school due to inflexible instructional hours. Child poverty can largely be reduced if this set of children are enrolled in private non-profit making schools with flexible hours of instructions. Solutions to malnutrition and instructional hours will most likely cater for the relatively large numbers of orphans, reduce child marriages, minimise the number of OOSC and increase the number of children who combine studying and working and will enable many children to persist to the last grade of primary school with the overall achievement of child poverty reduction.

Women's characteristics affect children's characteristics through mother's health affecting her children's health, mother's low status affecting her children's education and overall wellbeing. Mothers' limited access to productive resources is aggravated by their illiteracy status which subsequently creates a chain of repercussions that compounds their children's deprived status as



evidenced by this study's findings. Thus it is not only children's lack of access to education that increases child poverty of the next generation, but also women's low status such as illiteracy. This connotes that educational strategy to reduce child poverty should comprise of both child education and adult multiple literacy programs. Rural women who missed the opportunity to attend primary school can have hope if good quality adult multiple literacy programs with curricula that both interests rural women and at the same time meets the needs of the changing labour market are established. Reduced decision making power of women within households due to societal restrictions largely associated with women's illiteracy will lose its ground and thereby substantially reduce child poverty and at the same time improve the status of rural women. There is need to incorporate provision of credit together with literacy programs for this will be an incentive for attendance at the same time learn how to gainfully invest credit.

There is need for child poverty studies to include the role of institutions in their research undertakings. Our results show that Ibrahim's index African governance has a negative effect on primary school enrolment, this implies that inefficient public expenditure increases the rates of child poverty in the long run. The positive impact of economic and social cultural institutions on child poverty is most likely to undermine all the other efforts towards the reduction of child poverty because both regression results and theory points out to the focal position of institutions in child wellbeing, their impact is felt through women's access to resources and public expenditure on basic services.

The well-known benefits of female education per se will not improve the status of women and enhance the wellbeing of their children, unless complimented by the change of attitude from social-cultural institutions. We emphasise that it is not enough to highlight economic policies in favour of mothers' education and health. To ensure their success there is need for them to be backed up by social norms which are expected to be receptive to gender equality in employment opportunities and wages, in accessing credit, in accessing productive inputs and information, in inheritance rights and in power sharing such as in matters of decision making. It is not sufficient to enact laws and policies, their enforcement is of utmost importance, and political institutions have to see to it that these laws are enforced to effect the positive changes. Our findings clearly signals to the policymakers and all those concerned with child poverty alleviation in Africa, that all said and done without highlights on reformations of social cultural institutions, reduction of child poverty and for that matter improved rural women's wellbeing is far from being accomplished.

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**HAS THE NEO-LIBERALISATION OF MICROFINANCE TURNED IT INTO AN  
INSTRUMENT OF PERPETUATION OF POVERTY IN THE GLOBAL SOUTH?**

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## Abstract

Many analyses of the failure of microfinance to address poverty and underdevelopment in the Global South focus on the internal weaknesses of microfinance. These are seen to stem from the need for self-sustainability of microfinance institutions which crashes against the pro-poor mission that requires subsidising those institutions for them to be able to lend at low interest rates. However, there has seemingly been a hidden neoliberalism whose interests conflict with the social mission of uplifting the poor and therefore have thwarted the best of microfinance's efforts to serve the poor, have received less attention. The neoliberals needed microfinance to serve other interests than addressing poverty in the Global South and had the funding power to push the industry into that direction. From an extensive of the literature from the Global South, this hypothesis seems plausible and calls for further empirical investigation. This paper suggests reckoning with the power of neoliberal thought in the current global development policy makers and funders, and proposes ways to manoeuvre to fine-tune microfinance and refocus its on its original mission for the Global South, without much threatening neoliberal interests.

**Key words:** commercialisation of microfinance – mission drift - neoliberal capitalism-profit accumulation – underdevelopment and poverty in the Global South

## 1. INTRODUCTION

*“Within a few years, microfinance has changed from being a niche market to becoming progressively an interesting industry for mainstream investors. The rapid growth of the sector has pushed in new players, including those that are more concerned with optimizing financial results than social performance”*( Daher & Le Saout, 2013:31).

Contemporary microfinance arose promising to uproot poverty in the Global South, but has rather been a “poverty trap” and “an anti-development policy” (Bateman, 2010:5; Bateman, 2011:2 &4). Yet, ignoring microfinance models that had proved efficiency in addressing poverty and underdevelopment elsewhere, the funders keep promoting the failed model. They take advantage of the availability of poor people who, despite many of their predecessors dropping out, join the programme, their only hope for survival and thus worth trying (Banerjee and Duflo, 2011: 234). They have now repainted the model to keep it attractive. For instance, its mission is now said to be no more poverty alleviation but ‘the financial inclusion’ of the poor (Taylor, 2012:601), as if giving the poor a bank account meant putting money in that account to prevent over-indebtedness for them.

Consequently, microfinance clientele keeps growing. “The number of very poor families with a microloan has grown more than 18-fold from 7.6 million in 1997 to 137.5 million in 2010” (Banerjee *et al*, 2015a:22). In 2012, 3500 microfinance institutions were serving 205 million clients worldwide (Milana & Ashta, 2012:300). Moreover, “The global microfinance market should grow by 15-20% again in 2015.” (Mix-market report, 2015). Though many microborrowers drop out, many others join the programme, their only hope for survival and thus worth trying (Banerjee and Duflo, 2011: 234); and the MFIs are happy because experience has shown them that “The Poor Always Pay Back” (Dowla/Barua 2006). This paper reviews extensively the empirical literature from the Global South, investigating why funders have kept supporting the failed model of microfinance.

The roadmap will be this: after defining ‘the Global South’ and ‘microfinance’, a brief history of contemporary microfinance will follow, followed by a literature-based demonstration of its failures to uplift the poor throughout the Global South, and show why. Then some of the reasons behind the continued funding of the commercial microfinance despite its failures to achieve its original pro-poor mission will be put forward.

## 2. UNPACKING KEY CONCEPTS: THE GLOBAL SOUTH AND MICROFINANCE

For Thomas-Slayter “the Global South” comprises all “the less developed countries” of the globe (2003:3). I prefer to call them “less technologically equipped and less industrially advanced” because industrialisation and technological equipment it gives is what makes the Global North ‘developed’ and the Global South ‘underdeveloped’.

As for ‘microfinance’, this term has replaced ‘microcredit’ as a generic term. ‘Micro’ meaning small, microcredit is a non-collateral loan lent at low-interest to enable a borrower to do some income-generating activity and repay after making a profit. The business would expectedly grow and the benefits accumulate and eventually the micro-entrepreneur would exit from poverty (Bakhtiari, 2011:65-66). Soon, other financial services were added to such loans: microsavings, leasing, money transfers, financial education, micro-insurance, micro-

franchising *etc.* (Bateman & Chang, 2012:13). Then ‘microfinance’ dethroned ‘microcredit’ as a generic term for the new poverty alleviation tool<sup>1</sup>.

By neoliberalisation of microfinance I mean the application to microfinance of neoliberal principles such as unregulated market, privatisation, market-based competition for profit, and self-sustainability of financial institutions (Rankin & Shakya, 2011:56-7).

### 3. A BRIEF HISTORY OF CONTEMPORARY MICROFINANCE

#### 3.1. The ‘first wave’: the Grameen Bank model

Centred on uncollateralised microloans disbursed to the poor, contemporary microfinance originated in Bangladesh by Dr Muhammad Yunus. After a successful experiment with 42 women to whom he lent an equivalent of US\$42 in 1976, he founded the *Grameen* (village) Bank in 1983, to lend to rural poor people without collateral. The model spread quickly even to other countries: subsidies were ensuring success (Microworld, 2015). In 2006, Yunus and the *Grameen* Bank were awarded the Nobel Prize. In his speech, he stated that with his model, future generations would have to go to ‘poverty museums’ to see what poverty was like (Yunus, 2006). This attracted even more funding to the *Grameen* Bank from the global financial sector (Bateman, 2014 a: 95). This era of subsidised microfinance is called ‘first wave’ microfinance.

#### 3.2. The ‘second wave’ model: commercial microfinance

From the 1990s, the United States International Development Agency (USAID) and the World Bank’s Consultative Group to Assist the Poor (CGAP) led a movement calling for the commercialisation of microfinance: interest rates had to be market-based. Microfinance institutions (MFIs) had to recover all the costs, that is, “coverage of administrative cost + loan loss + cost of funds + inflation + capitalisation for growth from operating income” (Baumann, 2005:98). For Neoliberals, ‘Full-cost recovery’ was the definition of “efficiency”. MFIs had both to good and do well (Harper, 2011:55). For the neoliberals, subsidising

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<sup>1</sup> Institutions that deal with micro-lending exclusively are termed microcredit institutions (MCIs), while those offering the majority of the different types of services identified above are termed microfinance institutions (MFIs). Nonetheless, the Microcredit Summit continues to use the term ‘microcredit’ in its wider context defining it as comprising loans, savings and other financial services (Simanowitz, 2000:3). This is certainly being done to keep the original term consistent with the name of this global movement’s publicity campaign.

As institutions, MFIs and MCIs differ, too, from each other. MCIs primarily seek to reach the poorest by providing microloans at the lowest possible interest rate (poverty lending approach) (Robinson, 2001:7; Bateman, 2010:13; Bateman, 2014a:95), forcing the MCIs to rely on subsidies as their loan interest rates cannot fully cover their operational costs (Robinson, 2001:8). MFIs, by way of contrast, “are meant to be self-financed eventually” (Elahi *et al.*, 2003:72); hence they charge higher interest rates on their loans. Their lending system is called a financial systems approach which emphasises institutional self-sufficiency. To achieve this self-sufficiency, MFIs charge higher interest rates, and furthermore, they require mandatory savings from their clients, a condition that only clients who already have alternative sources of income can fulfil (*ibid.*: 9).

microfinance would lead to increasing taxes for other citizens, which would be unfair (Bateman, 2010:13). Commercial, subsidy-free (called ‘second-wave’) microfinance was then imposed by financiers, even to the *Grameen* Bank itself.

### **3.3. Commercialisation microfinance drifted the model away from poverty alleviation**

Noteworthy is that all of microfinance operations’ costs had to be incurred by the very poor who expected microfinance to lift them out of poverty (*ibid.*). Microfinance’s interest-rates are normally higher than those in formal banks. The cost of operating microfinance is high by the virtue of dealing with the illiterate, rural, geographically dispersed; and loans are small and uncollateralised, increasing the risk (Bauman, 2005:103 &113), and the lack of infrastructure, especially in Africa, further hiked the labour and operational costs (Lapenu and Zeller, 2002; Weiss and Montgomery, 2005).

But other factors hiked the interest rates. First, profit maximisation pursued by the competing mushrooming MFIs necessitated hiring high quality employees and managers, which implies higher salaries. Bonuses and shareholding rights as incentives were added as ‘poaching’ the high-quality employees (Bateman, 2010:14). At this point, the staff’s interests and MFI’s capital expansion, implying profiteering (Lascelles & Mendelson, 2008:1), became the primary goals, and not service to the poor (Bateman, 2010:21; Fouillet & Augusburg, 2010). For instance, for small loans, the rates have ranged from thirty to three hundred eighty-eight percent in Zambia, in 2014! (Sherratt, 2016:50); and while commercial banks have a gross return of 5 to 10%, a 2008 research by CGAP found that MFIs made over 30% (Harper, 2011:57)<sup>2</sup>.

The microfinancial services having become exploitative, in the end, only the better-off poor could borrow and repay the loans (Navaj, *et al.*, 1998:25). The poorest dropped out massively, over-indebted. Today, “most well-informed authorities” accept that “microfinance does not reach the poorest people, the so-called poorest of the poor, and that when it does, microfinance does them more harm than good” (Harper, 2011:55-6; Das and Shams, 2012). The next section looks closely at the reasons behind these failures of microfinance to deliver its promises to the Global South’s poor.

## **4. MICROFINANCE DEFAULTS ON ITS MISSION**

### **4.1. Failures to alleviate poverty and underdevelopment**

Microfinance miracle stories did not last long. Increasing numbers of over-indebted clients prompted independent and rigorous impact studies. These revealed that the success stories had been sustained by subsidies making low-interest lending possible (Nawaz, 2010). When commercialised, microfinance proved to be “*destructive* of poverty reduction and

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<sup>2</sup> Surprisingly, however, a study on Profit Orientation of Microfinance by Peter W. Roberts concluded that “consistently indicate that a stronger for-profit orientation corresponds with higher interest rates for MFI clients. However, this does not contribute to greater profitability and therefore sustainability because the stronger profit orientation is also associated with higher MFI costs” (2013:120).

sustainable development objectives” (Bateman, 2011:3). MFIs saw their clientele and available funding grow and yet fail to alleviate poverty because they shifted “focus away from clients and toward funding sources and financial results” (Epstein and Yuthas, 2010:216). Many other recent systematic analyses of microfinance’s achievements report no positive impact and where there is, the impact is marginal [van Rooyen, Stewart, and de Wet (2012), Duvendack *et al.* (2011), Awaworyi (2014) and Banerjee *et al.* (2015b)]. Microfinance now exploited microborrowers to provide profits to MFIs and their shareholders. MFIs tried hard to hide the fact (Sinclair, 2012 chap 1; Roodman & Morduch, 2014; Bateman, 2010:34; Pearl and Phillips, 2001). But soon, the whole world was going to discover it because now microfinance was lamentably failing to uplift the poor across the Global South. So, MFIs’ practices were to be scrutinised.

Morduch (1999:1609) found unsubstantiated the claim that commercial microfinance was both making profit and alleviating poverty. In Bolivia, Navajas *et al.* (1998:26) urged donors and governments to “check whether microcredit is the best way to spend public funds earmarked for development”. After an impact study in Bolivia, Colombia, Mexico and Peru, Bateman accused microfinance of ‘Destroying Latin American Economies from the Bottom Up’ (2013:2). In Mexico, another microfinance-saturated country, research found “many heart-warming stories of individual successes, but little evidence that microfinance has indeed delivered significantly poverty reduction benefits (Harper, 2011:53).

In 2005, in India, a mass survey by the National Sample Survey Organisation showed that MFIs were reaping “hyperprofits of the poor”, leaving many microborrowers worse-off. MFIs exploited clients worse than the local loan-sharks they were supposed to replace, complained Reddy Subrahmanyam, an official in Andhra Pradesh state (India), after the microfinance mass suicides that occurred there in 2010. (*Times of India*, 16 sept 2006, quoted in Polgreen and Bajaj, 2010). A recent impact study in India (2015), using randomised control trial methodology (consensually taken to be most credible<sup>3</sup>), came to the same conclusion (Banerjee *et al.*, 2015a:22). The trend obtained also in Pakistan (Duflos, *et al.*, 2007; Ghalib, 2013).

In Asia, as elsewhere, the plight of microborrowers is worsened by the effects of group liability. For a whole year, Karim studied women’s credit groups in Bangladesh, focussing on the effects of group liability. She witnessed how the group pressurised their defaulting members to repay through actions such as dispossessing them of their livestock and household consumption foodstuffs, sell off the marital nose-strings which symbolically meant ‘widowing her’, and if the default was large, sell off the member’s house to make good the default (2008:18-19)<sup>4</sup>.

In Africa, a systematic review of the evidence of microfinance’s impact on poverty alleviation in Sub-Saharan Africa reported an absence of significant impact. Rather, some clients became worse-off (Stewart *et al.*, 2010:5). Particularly, in South Africa, Bateman states that microfinance is “one of the most calamitous policy and program interventions in the post-apartheid era” (2014a: 93). For women, Mayoux (1999:977) found a trend of

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<sup>3</sup> Though now some researchers are arguing that “the large-scale quantitative evidence that did support the scaling up of microfinance was inadequate in terms of methodological rigour” and that “the exclusion of qualitative evidence was not an epistemological imperative, but a political choice” (Duvendack & Maclean, 2015:202)

<sup>4</sup> So, individual liability is needed but the lack of collateral requires group liability: a vicious circle. Alternative approaches to banking on the poor, while dealing with this vicious circle, will be suggested later.

commercial microfinance in Africa “diverting resources from more effective empowerment strategies”.

Microfinance’s failure in Eastern Europe is also documented. In Croatia, a team research on the socio-economic impact of the three MFIs then operating there found that “after exposure to microfinance, poor clients were mainly getting poorer” (Bateman and Sinkovic, 2011:109). It further reported that microfinance had neither reduced poverty nor initiated a process of economic and social development (*id.*:121). Similarly, in Bosnia, another microfinance-saturated country (defined based on the number of borrowers per capita), microfinance has “actually undermined the chances of Bosnia’s successful exit from widespread poverty and underdevelopment” (Drezgic, 2011:186). Microfinance in the country has expanded the informal sector, “one of the most serious obstacles that will now have to be overcome if Bosnia is to enjoy sustainable economic and social development” (Drezgic, *id.*:187).

The same failures of microfinance as a poverty alleviation and socio-development tool have been reported in Eastern Europe, especially in Croatia (Bateman and Sinkovic, 2011:109 &121) and in Bosnia (Drezgic, 2011:186-7)<sup>5</sup>. But why all these failures of an industry that arose promising to end World poverty and so internationally hailed as being revolutionary in its early days?

## 4.2. Failures to empower women

Except isolated cases of some partial empowerment outcomes [(Ravi & Rai, 2011; Singh, 2015; Swain & Wallentin, 2009 and Al-Shami *et al* (2016)], microfinance has failed to empower women significantly [Banerjee *et al.* (2015a:1); Geleta (2016); Ali *et al.* (2016:6)]. Sometimes it has furthered their disempowerment them vis-à-vis their husbands (Stewart *et al.* (2012); Das, Bhattacharyya, Alam & Pervin (2016); Khan (2015) and Yeboah, *et al.* (2015) argue that microfinancing women without equal involvement of men has led to other unintended consequences resulting in little challenge to the socio-cultural and economic and gender inequalities.

Karnani (2007a) argues that microfinance has afforded women gains in bargaining power in the household, self-esteem and self-worth, socio-political awareness and mobility. However, she deems these gains insignificant because microfinance does not “overcome ingrained patriarchal systems of control. In spite of having *access* to credit, some female microcredit clients do not have *control* over the loans contracted or the income generated by the microenterprises”. (*ibid.*). Linda Mayoux, in her investigation on “micro-finance and empowerment in Africa”, also argued that available evidence points towards commercial microfinance “diverting resources from more effective empowerment strategies” (1999:977). Rankin (2002) points out that sometimes participating in a group has wrongly been assumed

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<sup>5</sup> For more systematic analyses of these failures, see Bateman, M. (2010). *Why doesn't microfinance work. The Destructive Rise of Local Neoliberalism*. London: Zed and Sinclair, H. (2012). *Confessions of a microfinance heretic: How microlending lost its way and betrayed the poor*. Berrett-Koehler Publishers. See for more videos on France 24 French TV: France 24. The crushing burden of microcredit. <http://www.france24.com/en/20080404-bangladesh-burden-microcredit-caring-grameen-bank-mohammed-yunus>



to imply social capital and therefore empowerment for women. More recently, Vaessen *et al.* (2014:10) did a systematic meta-analysis of 25 high-quality studies out of 310 focussing on “the Effects of microcredit on women’s control over household spending in developing countries”. They concluded that “overall there is no evidence for an effect of microcredit on women's control over household spending”.

Thus, in brief, as we have showed, microfinance was embraced in the Global South as a tool of poverty reduction, women’s empowerment and socio-economic development. But it has defaulted on its promises. What explains these failures?

## **5. THE REASONS WHY THE MICROFINANCE MODEL HAS FAILED**

### **5.1. Microfinance has some limitations**

Being micro-loan centred and uncollateralised, microfinance’s own limitations partly account for its failures. Firstly, microfinanciers wrongly assumed that people, even unskilled and poor, are potential entrepreneurs, but only a few are (Sherratt, 2016:144) (Karnani, 2011a:85). Entrepreneurship requires vision, skills and creativity that only a few people have. “Even in developed countries with high levels of education and access to financial services, about 90 percent of the labor force is employees, not entrepreneurs” (Karnani, 2007; Dichter, 2006). Indeed, “Entrepreneurship creates capital—not capital creates entrepreneurship. Microfinance put the cart before the horse” (Sherratt, 2016:193).

Secondly, individual microloans requiring group liability requires that individuals who trust enough one another. So, they need to live in the same community. This means that they will become too many new sellers in that community. This reduces the demand and makes it difficult to make profit (Sherratt, 2016:148).

Thirdly, microfinance has failed to deliver because the microloans contracted are mostly used for consumption rather than for income-generating activities (Bateman, 2010:29; Sinclair, 2012:21; Taylor, 2012:603). Karnani (2011b:31) has specific figures: “between 50 percent and 90 percent of the microloans contracted are used for consumption”. So, there is no accumulation of profit which would reduce poverty. This is understandable. The poor, even those who start up a micro-business, who struggle to get enough food especially in drought seasons, to pay school fees and health care bills, can hardly save the little benefit made in the microbusiness.

With these limitations, microfinance would never have sent poverty to museums as Yunus claimed it would, but it could have served well the poor; the next section’s topic.

### **5.2. Neoliberalism blocked the State from regulating microfinance**

Microfinance would have done better if the Western funders had allowed it to grow organically, with tight regulation in place. Hugh Sinclair, the insider turned ‘microfinance heretic’ attests to that, based on his work and research in microfinance in Mongolia, one of the most hostile environments for the microfinance industry. He reported impressive results

micro-loan funded microbusinesses were achieving there, with the help of tight regulation (2012:154).

Such regulation can only be exercised efficiently by the State. But, unfortunately, the microfinance model was founded on neoliberalism whose major premise is that the private sector should replace the State in running the economy. Yunus himself believed that the State is needed only for “law enforcement, the justice system, national defence, and foreign policy” (2003:204)<sup>6</sup>. Then microfinance has escaped such a tight regulation and thus neoliberals ‘agenda inflicted a mortal blow on the programme’s efforts to serve the poor. . It is claimed that letting the market regulate itself is a virtue, as if it could. Profits are addictive and therefore only an outsider regulator can do the job, and the State is the best qualified for it. So, reconciling neoliberal view and a welfarist developmental State’s view is crucial.

### **5.3. The commercialisation of microfinance defeated the purpose of uplifting the poor**

After commercialisation, microfinanciers adopted an agenda that is inherently not pro-poor; hence they quickly halted—not progressively reduced—the subsidisation of microfinance. Otherwise, subsidised microfinance would have continued (Karlan, 2014:45) and would have been fine-tuned to respond to emerging challenges organically. Planning to uplift a poor person is like bringing up a baby to adulthood. You do not stop supporting a 6 year-old child and argue that he/she is capable of bringing themselves up to adulthood! Alternatively, the funders would have pushed for using microfinance the way Germany and Ireland had used it to alleviate poverty in the 1800s. Or else, they would have introduced the monetary planning and communist-socialist policies that had proved their efficiency in poverty alleviation and socio-economic development in the post-world War II period in Japan and “in the former west Germany, France, Scandinavia, Spain and Italy” (Bateman, 2012:590).

The global financiers did neither of that because, rather than serving the poor of the Global South, they pursued profit accumulation, spreading neoliberal capitalism till the village level, and blocking communist-socialist policies that were developing in the Global South. Sections 5.3.1 to 5.3.3 below are consecrated to this issue.

#### *5.3.1. Commercial microfinance and profit accumulation for the capital owners*

With the commercialisation of microfinance, profit was made primary and poverty alleviation secondary. Mader (2015:80) points out that “microfinance increasingly also serves

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<sup>6</sup> It should be noted that Yunus, like most US-educated economists, believed that neoliberal economics was best to govern development. He seemingly cheered the value of freedom from the tyranny of the State which under communism and fascism wreaked havoc. Communism is still producing thousands of refugees going into other countries looking for freedom from the tyranny of the State. So, he is commendable for striving to establish a humanised capitalism by making social consciousness the backdrop of profit-making. This would make capitalism cater also for the plight of the poor (Yunus, 1992:3). Arguably this was naïve of him: capitalism can hardly be humanised: it is inherently anti-poor and exploitative in nature. If successfully humanised, it becomes socialism, which neoliberal global financiers would not have allowed him to promote.

(perhaps even more fundamentally) to make poverty directly useful for capital accumulation by rendering the labour power of borrowers accessible and valuable for financial markets and financial market actors.” He argues that financiers of microfinance aimed more at ‘financialisation of poverty’ than at reducing it. According to him, “microfinance financializes poverty: it works to turn it into a problem of finance and makes it the basis for new credit relations which serve surplus extraction.”(*ibid.*). For Elyachar (2005: 28) microfinance, in the context of global financialisation, has been identified by the West as a market of further accumulation of profit by dispossessing the poor, with NGOs acting as intermediaries.

These arguments are plausible. For, even the focus on lending *quasi* exclusively to women was not motivated by the concern for women’s condition of disempowerment, as claimed in the official microfinance discourse. It rather promised more profit than would come from men’s involvement in microfinance (Maclean, 2012: 108) and this with minimum risk: women are less defaulting than men and are, therefore, a better business target group (Mayoux, 1995; D'espallier, Guerin, & Mersland, 2013:604). Harper (2001:55). Harper (2011:55) explains eloquently why this was the case:

Women are more profitable customers than men for many reasons. Women are weaker, in many senses, and thus find it more difficult to resist pressure for repayment. They have fewer alternative sources of financial services than men and are thus less likely to risk damage to their credit rating with the only institution that will serve them. They are less likely to have social and political networks to help them avoid repayment obligations. Additionally, women are more likely than men to accept routine standardized conditions of borrowing and repayment. They have fewer opportunities to break away from the traditional activities and constraints of their local communities; childbearing and child rearing, as well as the household duties that are traditionally ascribed to them, make it less likely that they will be able or wish to invest in different types of activities, to borrow larger sums, or repay over longer or more irregular periods, than their peers. Women fit more closely to a standard predictable pattern of customer behaviour, which makes them less expensive and less risky to serve. [...] Working mainly with women is good business.”

Silverstein & Sayre (2009) add that, today, “women represent the largest market opportunity in the world” and that “women now drive the world economy”. For “Women make the decision in the purchases of 94% of home furnishings...92% of vacations...91% of homes... 60% of automobiles...51% of consumer electronics” (*ibid.*).

So, neoliberals realised that promoting women’s empowerment and access to credit increases women’s purchasing power and thereby increases consumption which capitalism needs for profit maximisation (Fernando, 2006 a:20). Thus, commercialising this industry already targeted to women served the interests of capital accumulation so well that neoliberals jumped on the opportunity. Weber (2014) develops this argument more systematically. We then understand why the neoliberal funding industry could not allow the initial microcredit programme’s poverty lending approach to continue: it was not producing enough interests for capital owners; hence it was replaced by the financial systems lending approach.

### 5.3.2. Commercial microfinance as an instrument of spreading neoliberal ideology of free market and privatisation to the global periphery while fighting communism and socialism

Not only profit accumulation that the microfinance model promised suddenly pushed the Western major financial institutions to push for commercialising the model but also doing so promised to “bring capitalism down to the poor” (Bateman, 2014b:5). For, indeed, “Microfinance is part of a mega project that proposes to add a new chapter in the theory of capitalism” (Khandakar & Danopoulos, 2004:67). Capitalism was mostly limited to the urban centres where there was high flow of money. The opportunity to also make profits in rural areas was great news for neoliberal capitalists.

Commercial microfinance would also spread far and wide the ideology privatisation dear to neoliberals and of which the World Bank saw in 1994 as of ‘compelling necessity’ (World Bank, 1994). For them, the private sector serves best human welfare and, therefore, the State should withdraw welfarist policies and give free ride to the free market, by privatising all economic activities (Harvey, 2005:64). Accordingly, neoliberals sought to promote the ideology of the free market economy and privatise the economy everywhere as much as possible so as to replace the then widespread State-led development (Rankin and Shakya,(2011:48-49;Bateman and Chang, 2012:28). Hence, privatisation characterises all areas of economic activity today, despite the cries of the poor who recurrently have been protesting against the trend across the Global South (Uba, 2005; Bakker, 2007; Almeida, 2007). Thus, indeed, “[...] microfinance has been consciously positioned as the substitute for social welfare spending (and international donor support)” (Bateman and Chang, 2012: 29), a point discussed further below.

At the same time, commercialising microfinance served to inculcate to the poor that they, not the State, are responsible for their livelihoods and microfinance would help them fend for themselves (Bateman and Chang, 2012:28). They had to pay for all services, including clean water, electricity, education, health care etc.

The entrenchment of microfinance would also silence popular demands for progressive development policies unfavourable to capitalism’s expansion such as “constructive state intervention, robust social welfare programmes, quality public services accessible to all, income and wealth redistribution (including land reform), and all forms of state, collective and cooperative ownership.”(Bateman and Chang, 2012:28.). Such policies were fought because they “might primarily and directly benefit the majority but [...] would circumscribe the power and freedom of established elites” (*ibid.*).

The neoliberals hoped that microfinance-funded informal businesses would be adopted universally by individuals and communities “as the only legitimate exit route out of poverty” (*ibid.*). Once entrenched, microfinance would legitimise in society the view that wealth and power are to be accessed and distributed only by entrepreneurial process. This would render unjustifiable any complaints about socio-economic inequality<sup>7</sup> as only individual entrepreneurial talent and effort would determine what portion of power and wealth each individual would hold in society (Brigg, 2006: 79).

Thus, by promoting commercial microfinance, the neoliberals would be fighting communist-socialist tendencies prevalent in the Global South. Even the focus on lending to

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<sup>7</sup> But this hides the fact that the strong in society always exploit the weak in the competition to acquire wealth and power, resources that are never sufficient for everyone.

women partly aimed at silencing socialist feminists who were calling for more State engagement to end women's oppression (Fernando, 2006 a: 20). The neoliberals promoted microfinance as a new tool of poverty alleviation and women's empowerment because this allowed neoliberals to appear to be fighting against gender inequalities though safeguarding the capitalist structures of wealth and power was their main agenda (Korten, 2012:9). They saw NGOs working in the Global South as valuable partners through whom they could use micro-lending programmes to "draw energy away from efforts by these same NGOs to address the deeper structural causes of poverty" (*ibid.*).

## **6. SOME PRECEDENTS OF HIDDEN WESTERN INTERESTS HAMPERING THOSE OF THE GLOBAL SOUTH**

The hypothesis that the Western financiers of commercial microfinance pursued interests other than those of the Global South's poor has also been made by Mader (2015:76). But some precedents also strengthen this hypothesis.

One, decolonisation was replaced by neo-colonialism: European powers did not want their former colonies to develop, especially Africa. Consequently, they avoided helping them industrialise: not ready to transfer technology or provide capital for industrialisation. However, they have kept pretending to donate 'financial aid' which has proven to be no more than a trap ((Collier, 1997; Kakou, 1991) since they reap from developing countries more than they put in, a recent report shows (Hickel, 2017). The former colonial masters did their best to keep former colonies a secure source of under-priced and easily loot-able raw materials for Western industries while setting exorbitant prices for the finished products that were resold in former colonies (Nkrumah, 1966).

Two, Western NGOs in the Global South often ignore the suggestions of the beneficiaries. This hampers development. A case study in Sri Lanka by Perera (2013) shows how a consortium of Western NGOs came purporting to help advance a home-grown development approach, the 'Sarvodaya Shramadana Movement', and eventually almost killed it, by refusing to listen to the locals. Frank (1997) calls development work done by the West in the South as a 'development game' which serves primarily western interests.

So, microfinance has not been the first development policy the West has used to serve its agenda in the name of the Global South's best interests.

## **7. CAN MICROFINANCE BE PUT BACK ON TO ITS RAILS?**

Though it has failed the poorest, commercial microfinance can still contribute to poverty alleviation and development in the Global South. Suffice to combine the four proven and promising models below and keep neoliberalism in check.

### **7.1. Subsidize microfinance, shun group liability but keep group meetings.**

Microfinance can work even for many of the poorest (Knowledge@Wharton, 2007) once it is tightly regulated and subsidised. The early experience of Grameen Bank showed it and the case of Mongolia (Sinclair, 2012:154) mentioned above in Section 5.2.confirms it. Subsidized microfinance, that is, the Grameen Bank model must then be re-introduced (Korten, 2012:12) and serve the poorest for as long as necessary for the industry to do good and do well at once. As argued above, with tight regulation, microfinance institutions can achieve their double goal in the long run: uplift the poor especially in providing affordable microloans and make enough profit for self-sustainability.

The neoliberal stance against subsidised microfinance will demand extra tax on other citizens is not supportable, because of course the State has the responsibility to redistribute wealth to reduce socio-economic inequality, through taxing the well-off citizens, especially the rich. If extra tax, particularly imposed on the rich can help the bottom of the social pyramid help themselves, the State is morally justifiable to go for it. The State anyway will always have to subsidize the poorest to some extent at least for health care and education: in the Global South, this is inevitable for the time being, given the ever-rising socio-economic inequality.

However, for microfinance to work for the poor, even subsidised, MFIs must abandon group liability but maintain group meetings for peer-learning. Group liability leads members to using unethical loan collection practices which have wreaked havoc especially in Bangladesh and India where shaming led to mass-suicides (Sherratt, 2016:76)<sup>8</sup>. The trend of replacing group liability by individual liability is even growing (Christen, 2001:12; Karlan and Mullainathan, 2009), and studies are more and more suggesting this to be the right direction (Ashraf *et al.*,2010) ; Giné & Karlan, 2010:25; Duggan, 2016).

### **7.2. The Ultra Poor Graduation Approach**

The second model of microfinancing that suits the poorest is the multi-faceted comprehensive program, the Ultra Poor Graduation Approach developed in Bangladesh in 2002 (Karlan, 2014:45-6)<sup>9</sup>. It should be tried elsewhere as it has proved to “help the ultra-poor escape poverty through the development of income-generating activities” in Honduras, Ethiopia, Ghana, India, Pakistan, Haiti, Yemen, and Peru (Hashemi & De Montesquiou, 2011). Alternatively, for the poorest of the poor unable to profit from commercial microfinance and only relying on their physical labour for survival, land reform and low-skill or no-skill jobs will serve them best (May, 1998:25; Sender, 2000:1; Herselman, 2014:146;).

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<sup>8</sup> See for more videos on France 24 French TV: France 24. The crushing burden of microcredit. <http://www.france24.com/en/20080404-bangladesh-burden-microcredit-caring-grameen-bank-mohammed-yunus>).

<sup>9</sup> “Graduation Model programs provide beneficiaries with a holistic set of services that includes livelihood skills training, productive asset transfers, consumption support, access to savings opportunities, frequent monitoring in the form of weekly visits, and, in some cases, health information or health care. The goal of the Graduation Model is to enable beneficiaries to form an asset base and to become engaged in sustainable income-generating activities within a two-year period” (Karlan, 2014:45-6).



It an established knowledge, job creation contributes a lot in socio-economic development and complements microfinancing the poor to alleviate poverty.

### **7.3. Prioritise the better-off poor and fund them for small and medium-size enterprises**

The third model, suiting the better-off poor and economically active, is funding collective entrepreneurship, small and medium-size enterprises rather than individual microbusinesses (Harper, 2011:54; Bateman, Girard, & McIntyre, 2006 and Ha-Joon Chang, 2010:168). Karnani rightly argues that “big is better” (2001a:85). To illustrate, she writes:

Rather than lending \$200 to 500 women so that each can buy a sewing machine and set up a microenterprise manufacturing garments, it is much better to lend \$100,000 to an entrepreneur with managerial capabilities and business acumen and help her to set up a garment manufacturing business employing 500 people. Now the business can exploit economies of scale, deploy specialized assets, and use modern business processes to generate value for its owners and employees (Karnani, 2011a: 90).

Zeller & Johannsen (2008:228), Malcom Harper (2011:54), Korten (2012:12) and Warnecke (2014) also call for giving preference to collective entrepreneurship which Ha-Joon Chang (2010:168) says to be the sole route to sustainable poverty alleviation and economic prosperity.

Comparing the recent economic evolution of Bangladesh and Vietnam convinces more. In the mid-1980s, both countries had “similar initial conditions of dire poverty, underdevelopment, and institutional immaturity” (Bateman, 2011:5). To turn around things, Bangladesh took “the microfinance-driven trajectory” but Vietnam took the socialist way, promoting collective entrepreneurship and innovation supporting the endeavours with subsidies. Vietnam quickly achieved more than Bangladesh. “Within just two decades, in fact, Vietnam was approaching the status of a middle-income country, while Bangladesh very much remained mired in extreme poverty and deprivation” (Bateman, 2011:6).

Moreover, such development of local collective entrepreneurship proved successful in Spain’s Mondragon and Basque regions as well as in Northern Italy where cooperatives have resulted in sustained economic and social development (Bateman, Girard, & McIntyre, 2006). Recently, Rwanda has also embarked on cooperativising farming and the results are clearly far better than those of individual farming (Verhofstadt & Maertens, 2014).

I cannot but support this line of argument. If individual entrepreneurship celebrated in the microfinance discourse was more productive than collective entrepreneurship, poor countries would have developed most since individual entrepreneurship is concentrated there (Chang, 2010:160). Cooperatives in areas such as farming, wood work, retail, transport etc. must be encouraged and microfinancing must concentrate there. Within collectives, it is easy for the State to help innovate and create external market to avoid local lack of sufficient demand.

#### 7.4. Promote savings and credit cooperatives

The fourth model is savings-led microfinance which first teaches the poor to collectively and systematically save their little money and loan one another via at low interest rate (savings and credit associations) (Cull, *et al.*, 2014). Developing savings and credit associations (SACCOs)<sup>10</sup> is important as SACCOs promise to be more effective in alleviating poverty, “both in theory and practice”, than the current microloan-based microfinance model (Stewart *et al.*, 2010:6; Cull, *et al.*, 2014:4; Fisher & Sriram, 2002:27). Besides, it is true that, like the microloan-centred microfinance, SACCOs serve profitably mostly the better-off poor (who can afford to save more) (Harper, 2002: 189); Wright, 2000: 56 & 262). However, SACCOs can also reach most of the poorest, provided that the latter get financial education (Roodman, 2012: loc. 1090; 1205; 1384; 3364).

Thus, if the global financiers who support the microfinance model want it to work for best interests of the Global South’s poor, they must accept funding policies that have proved to achieve that goal. For this, the financiers must accept to let the South decide, helping control for corruption, which policy helps better their poor’s development as China decided its economic agenda and is doing so well both in developing the country and alleviating poverty.

The good thing is that these models allow microfinance to still achieve poverty alleviation and socio-economic development, despite the presence of neoliberalism which is too well established across the globe to disappear soon. In fact, neoliberalism is promoted by giants such as the Western democracies, the World Bank and International Monetary Fund (Kotz, 2002:64) and that the Global South still need them for development work. So, it is illusory that the Global South can do without reckoning with global neoliberal economic interests.

### 8. CONCLUSION

This extensive review of the empirical literature on the commercial and micro-loan centred microfinance (versus savings-led microfinance) in the Global South sought an understanding of why this microfinance model that has failed has been promoted by global funders for so long. The hypothesis was that the funders pursued an agenda other than poverty alleviation in the Global South. The results of the review support this hypothesis. Pushing further the liberalisation of the global financial sector into the global periphery (rural areas), spreading capitalism and making profit in new markets while pretending to develop the Global South is what motivated major global financiers to support commercial microfinance despite its obvious failures to deliver on its original social mission. So, microfinance’s original agenda has to be revisited, for microfinance can work. To do better, it has to combine four models: reintroducing subsidised but tightly regulated microfinance to make possible low-interest lending; promoting the Ultra Poor Graduation Approach; focusing lending on the better off especially collectively united to develop small and medium-sized enterprises as well as promoting savings-based microfinance. Thus, microfinance still has a future. But how bright it is only future research will tell. It will depend on how efficiently States will be able to make neoliberal funding serve the poor instead of reaping megaprofits

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<sup>10</sup> Also called village savings and loan associations (VSLAs) or self-help groups (SHGs)



from microfinancing them. The good news is microfinance and neoliberalism can still coexist if dialogue is engaged to reach a common ground.

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# **Impact of a Microcredit Group-Lending Program on household income Case Study of Aurangabad District, Maharashtra State in India**

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## **Abstract**

Although a microcredit program, loan service for the poor without a mortgage, seems to be ideological solution to alleviate poverty in the world, its effects on the poverty alleviation have been in a controversy among existing studies. Despite the fact that more and more studies cast doubt on the effectiveness of microcredit programs, this study find that microcredit loans do have a statistically import positive effect on household income, based on data collected from 123 female residents(61 loan-users 62 non-users) in Aurangabad district, Maharashtra State in India.

## **Keywords**

microfinance, microcredit, poverty alleviation

# MARKETERS' PRICE PERCEPTIONS ON WEIGHTS AND MEASURES AT THE LOCAL MARKETS OF GHANA

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## Abstract

In commercial transactions at local markets in Ghana, agricultural commodities are sold and bought on the ad hoc basis of weights and measures. Merchants typically place vegetables and crops in pales, cans or plastic containers with different sizes despite the policies of the central government to introduce standard weights and measures. The introduction of a standard weights and measures is prerequisite nearly for all aspects of economic growth, including the enhancement and protection of small-scale farmers' livelihoods and marketers' income. Hence, improving weights and measures will require not only government's role but also better understanding about how consumers, retailers and wholesalers, and farmers perceive product pricing.

This research employs scenarios-based questionnaire surveys to understand how marketers perceive and interpret weights and measures in selling or buying three main vegetables (tomato, pepper and eggplant) and rice in Berekum Municipality, Ghana. Randomly selecting 30 marketers, the research examined the types of weights and measures used on the market to understand how marketers perceive weights and measures in price setting. Also, various policies governing these local measures were examined to better understand their perceptions and interpretations.

The research show that despite long experience of marketing and use of ad hoc weights and measures, the surveyed marketers did not have any standards or policies in setting prices. About 44% of trade is done using the popular traditional weights called "olonka." About 87% respondents perceived weights and measures as a reliable tool for trade, setting price and maximizing profit. About 67% of marketers set prices based on the patronage of consumers and the availability of products that are influenced by seasonal variations. The use of containers with varied sizes and shapes has posed market inefficiencies and pricing challenges on the local market. This paper concludes with recommendation that shows how responsible market agencies can craft standard weights and measures by taking into consideration the existing customary practices.

**Key Words:** Agriculture; Weight and measures, price perception.

## INTRODUCTION

In June 2013, the Ghanaian government attempted to introduce the nationally standardized weighing-scales to local markets to ensure uniformity in trading, eliminate disputes over price-related ambiguities among trading partners, and facilitate trade with its West African neighbors such as Cote D'Ivoire, Togo and Burkina-Faso. As the use of weighing scales and measures is well-established in these countries, the adoption of the same weighing scales was considered necessary to make the local Ghanaian markets internationally accessible.

However, as of 2017, this new policy has not been successfully adopted at local markets in Ghana. At local markets about 90% of food products is sold without using standardized measures. Individual merchants use varying sizes of baskets and plastic containers. For example, the town of Berekum in northern Ghana has one weekly market day on Thursday for retail and wholesale of all agricultural products. The transactions at this market are done by using different sizes of cans, bowls, and plastic containers.

This paper attempts to show how local marketers perceive and interpret weights and measures in selling or buying three main vegetables (tomato, pepper and eggplant) and rice in Berekum Municipality, Ghana. Randomly selecting 30 marketers, the research examined the types of weights and measures used on the market to understand how marketers perceive weights and measures in price setting. Also, various policies governing these local measures were examined to better understand their perceptions and interpretations.

### Pricing and local traditional markets

A study on pricing perception argues that pricing is an attempt by marketers to place currency equivalence to consumer's perceived value of a product or service (Kortge et al., 1993). The perceived value is the consumer's willingness to pay for a product or service. In another word, consumers identify different values within a product after considering such attributes as quality, quantity, trust, and durability, among others. These different value attributes provide economic rationale for price perceptions. Failure to set a somewhat agreeable price may create problems for marketers. Therefore, value-based approaches to pricing require careful assessment by marketers of the value product of the customer (Morris & Fuller, 1989; Kortge & Okonkwo, 1993). In Western agricultural marketing, pricing is linked mainly to production costs, demographics, socio-economic status of consumers, and philosophical principles.

However, pricing practices in Ghana and West Africa at large operate quite different ways. Studies on traditional markets often note a lack of standardization and transparency (Weatherspoon & Reardon, 2003; Boselie, Henson & Weatherspoon, 2003; Neven & Reardon, 2004; Ortiz 2010). Tollens (1997) argues that in Ghana prices are mainly influenced by the interplay of bargaining power and trust relationships between producers and traders rather than the uses of production cost, socio-economic status of consumers and philosophical principles.

From the 1970s to the 1990s, government's trade associations determined prices by the standardized system (Lyon, 2003). These associations have long been integral part of the Ghanaian and West African food pricing system (Ortiz, 2010). They were headed by market queens or *Ohemaa*, who influenced decision-making on prices and other transactions at the local market. This situation created price collusion and exploitative practices. The government of Ghana attempted to discontinue this system because it considered that these associations had long engaged in price fixing/manipulation and hoarding goods to create shortages to benefit from ensuing price hikes (Lyon, 2003; Ortiz, 2010).

[one more para. About after the end of association influence. Explain how local markets went into localized practices.

By introducing the Western marketing system in 2013, standardized weights and measures were thought to ensure transparency in transactions. They were supposed to establish uniformity and impartial protection of equity/quality to buyers and sellers (Yiridoe, 2005). Standardization is a positive tool to enhance fair competition and trade. Lyon (2000) argues that prices at Ghana's local market are highly unpredictable and can vary from one seller to another. At the same weekly market day, prices are different for the same product. Due to this price variation, margins received by traders and farmers also vary. However, farmers can increase their bargaining power through using price-setting committees and associations as well as appropriate weight measures (Lyon, 2000; Yiridoe, 2005).

## **Research Methodology**

### **Study area**

Berekum Municipality is in the north-western part of the Brong Ahafo Region of Ghana. It covers a total land area of 863.3km<sup>2</sup>. It shares boundaries with Tain District, Jaman South District, Dormaa East District and Sunyani West District (BMA report, 2013). According to 2010 population census, Berekum has the population of 129,628, and more than half of the people are involved in agriculture especially crop farming. About 83.5% are literate. The proportion of literate females (52.2%) is slightly higher than that of males (47.8%), (GSS, 2014).

The Municipality has three minor markets and one central market which operates throughout the week. In addition, they have a major periodic market where all wholesalers, retailers, producers and other actors in and out of the Municipality meet to buy and sell different kinds of food crops. The proximity of the Municipality to Cote D'Ivoire promotes economic and commercial activities between the District and Cote D'Ivoire during this periodic market day.

### **Sampling procedure**

A simple random sampling technique was adopted for this study. In total 30 marketers were randomly selected from the four main markets constituting the weekly market, for the study. The questionnaires were conducted at the following markets: Aburo, Rawlings Park, Disempa and the Central Market.

### **Data collection process and Analysis procedure**

Data used in this research were primary obtained through structured questionnaires designed to help achieve the set objective. Questions were open-ended to allow marketers to express their opinions in their own words. The respondents were basically marketers of tomato, eggplant, pepper and rice. These crops were selected because Ghana's government aims to increase their production. The questions were translated into the local dialect and their responses were recorded in a digital recording device. In addition to the questionnaire, this author has four years of experience as a market enumerator under the Ministry of Food and Agriculture. Responses were coded by using simple numbers. Pictures of their traditional weights were taken.

## Results and Discussion

This section discusses the data collected from the survey. Analysis of the socio-economic variables are noted, various traditional measures used in marketing the crops, variables on which prices are set and leaders and marketers influences on prices are indicated.

The questionnaire asked respondents basic information about their education, their age, years working at the local market, role at the market, if they belong to any organization or group to sell at the local, and any policies governing the traditional weights and measures they use. Table 1 indicates that the marketers are within the working age since the retired age for workers in Ghana is 60 years. They all have formal education. This is expected since majority of the population is literate according to 2010 report on housing and population census.

**Table 1 Descriptive characteristics of marketers**

characteristics	Frequency	Percentage (%)
Age (years)		
>20	0	0
21-30	9	30
31- 40	10	33
<41	11	37
Gender		
female	30	100
Male	0	0
Formal Education		
Primary	10	33
Junior High	11	37
Senior High	6	20
Tertiary	3	10
Experience (years)		
>5	4	13
5-10	12	40
11-15	12	40
<15	2	7
Retailers	25	83
Both wholesalers and retailers	5	17
Other markets they trade	-	100% work on the same local market
Organization /FBO		
Member	15	50
Non-member	15	50
Policies governing weight and measures	-	No policies

The years of experience of respondents ranged between 2 and 25 years with 80% having 5 to 15 years. This means that these marketers are well abreast and understand customary practices at the local market. Among all respondents, 83% of the respondents



work only as retailers. The rest or 17% work as both retailers and wholesalers. The latter people are market leaders or market queens, whom were voted by marketers on the basis of social influence. These leaders sometimes influence market associations (e.g., yam sellers' association, tomatoes sellers' association) in determining what crops marketers can sell at local markets. These associations have established good relationships with producers; hence they have access to a large quantity of products to be sold at the markets. This study argues there are influences of associations on the local market even though Lyon (2003) indicated that the influence of association in marketing collapsed between 1970 and 1990.

**Table 2 Type of traditional weights used by marketers**

	Plastic Containers		olonka/cans/tins		basket		black bucket		TOTAL
	big	small	big	small	big	small	big	small	
tomato	0	4	7	7	4	4	7	4	<b>37</b>
garden-egg	5	5	8	9	4	4	7	5	<b>47</b>
pepper	7	7	9	10	5	3	2	4	<b>47</b>
rice	0	0	7	6	0	0	0	0	<b>13</b>
<b>Total</b>	<b>12</b>	<b>16</b>	<b>31</b>	<b>32</b>	<b>13</b>	<b>11</b>	<b>16</b>	<b>13</b>	<b>144</b>
<b>%</b>	<b>8%</b>	<b>11%</b>	<b>22%</b>	<b>22%</b>	<b>9%</b>	<b>8%</b>	<b>11%</b>	<b>9%</b>	

Table 2 shows that traditional weights are used in selling pepper and garden-egg. These two vegetables are grown all year around by farmers in Berekum municipality; hence they are available throughout the year with some seasonal price fluctuations. Among traditional measures, 44% of trade is done by using the popular traditional weights called "olonka." Olonka is obtained from empty margarine and tomato paste tins. It is usually used by marketers to represent one kilogram; however, they vary in sizes. Olonkas are also used to sell cereals and vegetables. A small olonka was most popular in selling rice, but prices may differ from seller to seller. Black buckets, which are common at the wholesale market, constitute 20%. Consumers buy these vegetables in bulk especially when it is in season to preserve for a longer time. Baskets had the least usage (17%) since they are mostly used at the wholesale by farmers. The use of containers with varied sizes and shapes has posed pricing challenges and market inefficiencies which affects production.

**Table 3 Respondents' perceptions about pricing through traditional weights and measures**

Yes, perception statement	Frequency	%
It is reliable to use.	4	13.3
It makes selling and business easier.		
It is simple and fast.		
It helps set price.		
It helps differentiate between quality produce.	16	53.3
It maximizes profits.		
Help calculate profit before sales.	6	20

No, perception statement		
Price is not consistent.	1	3.3
Consumers do not ask for it.	3	10

The questionnaire asked about respondents' perception about using traditional measures. Table 3 shows that about 87% of marketers use these weights and measures for trading. More than half (53%) of the respondents perceive these traditional weights and measures as easy and fast in measuring and transacting business. Others see that traditional weights and measures as a tool for calculating and maximize their profits (20%), while 13% perceive as a reliable tool for business transactions. Although these traditional weights and measures do not have standards, most respondents did emphasize the importance of having weights and measures in some form to obtain information about the value of products to negotiate in transactions. Another side of using weights and measures at local markets is that a lack standards has encouraged price negotiations that are based on mistrust among buyers and sellers. About 13% of marketers do not use these measures because consumers do not trust the accuracy of these measures and therefore results to bargaining.

**Table 4 Local Price determination**

Research Questions	Frequency	Percentage (%)
Local standard		
Adhere	10	33
Do not adhere	20	67
Marketers influence prices		
Yes	20	67
No	10	33
Market leaders influence prices		
Yes	18	60
No	12	40
Interest in selling products to supermarkets		
Yes	28	93
No	2	7

Prices based on weights and measures are important elements in marketing. Failure to set prices that cannot be understood by consumers creates problems for marketers. Respondents were asked about how they set prices and if they have any standard weights and measures in doing so. Table 4 shows that at the local market of Berekum municipality, 67% did not adhere to any standards to set prices. Their pricing practices are largely based on the patronage of consumers and the seasonal availability of the product.

The questionnaire asked respondents if market queens have any influence on prices at the local market. About 60% of them responded that market queens (Ohemaa) have influence on prices and other transactions at the local market. This also means that about 40% of marketers do not follow the standards set market queens. This situation creates price collusion and exploitative practices at the market, making market transactions less transparent.

The questionnaire asked respondents if they were interested in selling their products to the supermarkets or other countries. About 93% of them responded yes to the interest of selling to supermarkets and other countries. This means that the majority of the marketers are willing to adopt international standards for pricing.

## **Conclusion**

This study has shown that weights and measures are important in trading agricultural products at Ghana's local markets. For the majority of marketers' weights and measures mean to ensure the easy trade, transparency, reliability, maximized profits, and quality distinction. As more than 90 % of respondents show their interests in having business with supermarkets that use standardized weights and measures, this study proves the great importance traditional marketers place on standardized weights and measures. However, about 40% of marketers do not even follow the standards set for price by market queens, making it difficult to help maximize the profits of marketers. The successful implementation of the 2013 policy seems to depend on how the government deals with this 40% of marketers.

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# Poverty and anti-poverty policies: What do we know?

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## Abstract

This paper analyzes the relationship between economic growth, income inequality and poverty. After that alternatives to reduce poverty are examined.

The main conclusions arrived at are the following.

Although empirical evidence is not totally conclusive, there are strong signs that there is a positive association between economic growth and rising inequality.

Economic growth reduces poverty if income distribution remains constant over time.

The initial level of poverty has a negative effect on growth rates, and a high poverty rate also weakens the effect of growth on reducing poverty.

Given the trade-off between poverty and inequality, it seems advisable to use in anti-poverty policies the concept of poverty-minimizing inequality as the amount of inequality that society should tolerate to attain the goal of minimizing poverty.

It is useful to distinguish between structural and transient causes of poverty. The transient poor are those affected by external shocks such as business cycles and price instability as well as by extreme natural events.

The provision of public goods plays a vital role in fighting poverty. Although investment in infrastructure in general reduces poverty, investment in social infrastructure exerts a greater effect as a poverty reduction strategy relative to physical infrastructure investment.

**Keywords:** Poverty, economic growth, inequality, poverty line, anti-poverty policies

## Introduction

*“There is, perhaps, no better test of the progress of the nation than that which shows what proportion are in poverty.”*

Bowley (1923, 214)

For a long time, poverty had not been an important concern for economists. In fact, it is a relatively new area in economic analysis. Economics of Poverty was only identified by JEL as a distinct field of research in 1969.

This was because it was assumed that poverty reduction is just an automatic by-product of economic growth. Therefore, the emphasis was placed on growth enhancement rather than on poverty alleviation.

Piketty’s best-selling book has brought distributional issues to the fore of the economic debate. This is perhaps his main contribution. Piketty centers his analysis on inequality. He shows that inequality, under capitalism, goes hand in hand with economic growth. In my critical review of the book (Beker, 2014), I ask whether reduction of inequality or reduction of poverty should be our main concern, warning that the relationship between inequality and poverty seems to be a rather complex one.

It is worthwhile remembering that the first of the United Nations’ “Millennium Development Goals” set by the world’s leaders in September 2000 had to do with poverty reduction. The target was to halve the incidence of poverty between 1990 and 2015. The proportion of people living on less than \$1.25 a day globally fell from 36% in 1990 to 15% in 2011 (UN, 11). However, the poorest and most vulnerable people are still being left behind (Ibid., 8).

As a matter of fact, multiple issues are involved in the relationship between economic growth, income inequality and poverty. Let us have a look at some of them.

First, does economic growth increase or decrease income inequality?

Second, does poverty increase or decrease with economic growth?

Third, does growing inequality mean increasing poverty? Or is increasing inequality compatible with decreasing poverty?

On the other hand, what are pro-poor policies? What does experience show with reference to their success or failure?

These are the questions I try to answer in this paper.

Section 1 is devoted to the relationship between growth and inequality; Section 2 deals with the relationship between economic growth and poverty; Section 3 addresses the relationship between inequality and poverty; Section 4 is devoted to the geography of poverty; Section 5 analyzes several issues connected with anti-poverty policies. Section 6 concludes the paper.

### **1.- Growth and inequality**

#### **1.1.-The effect of growth on inequality<sup>1</sup>**

Whether growth leads to increased inequality is an age-old question in economics.

The Kuznets curve hypothesis proposed by Simon Kuznets (1955 and 1963) holds that as incomes grow in the early stages of development, income distribution would at first worsen and then improve as a wider segment of the population participates in the rising national income. In fact, Kuznets found an inverted U-shaped relation between income inequality and GNP per head. At the first stage, incomes would become more unequal while at the second stage, growth would reduce inequality after some crucial level was reached.

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<sup>1</sup> I skip the issue of the effects of inequality on economic growth, whose analysis I reserve for a future paper.

The initial studies on the Kuznets curve hypothesis used cross-sectional data and compared poor countries to rich countries to test hypotheses about income distribution and growth. Several investigations have found some support for the Kuznets hypothesis (e.g., Oswang, 1994; Ali, 1998; Milanovic, 1994; as well as Fishlow, 1995). However, further work on the Kuznets curve has found the relationship to be weak, as it is dependent on the precise functional form adopted (e.g., Anand and Kanbur, 1993; Deininger and Squire, 1998).

“Histories of individual countries show that in some countries income distribution has worsened over time (e.g., Brazil), and in others, it has improved (e.g., Indonesia in the 1970s). In fact, we can observe countries in each of the four possible quadrants representing combinations of growth and changes in income distribution.” (Stewart, 2000).

Thus, the empirical evidence has been inconclusive with respect to the relationship between economic growth and income distribution.

In this context, Piketty published his bestseller providing an impressive amount of data that show that under capitalism, wealth and income inequality increase with economic growth. In particular, Piketty argues that the rapid increase observed in income inequality in the United States, which started in the 1980s, largely reflects an unprecedented explosion of very elevated incomes from labor. Although this phenomenon is seen mainly in the United States and to a lesser degree in Britain, the trend in other wealthy countries is in the same direction. Inequality has much to do with the advent of “supermanagers” who obtain extremely high, historically unprecedented compensation packages for their labor, he concludes.<sup>2</sup>

Varoufakis (2014, 28) argues that a very simple argument leads to Piketty’s conclusions without being necessary to resort to the so-called “laws” the French author uses in his now famous book: “It is, demonstrably, a simple matter to prove that when the rich have a higher propensity to save than the average person, the chances are that their share of wealth will be rising. As long as they save more than the poor and receive total income (wage income plus returns to their wealth) well over and above the average citizen’s income, the rich will find themselves on a perpetual escalator that guarantees them a constantly increasing share of aggregate wealth. Additionally, even if they enjoy less than one-half of aggregate income, it is still possible to show that their wealth share will be rising as long as their marginal propensity to save is considerably greater than that of the poorer citizens.”

Some time ago, Frank and Cook (1995) described modern society as a winner-take-all one where there is a commanding financial advantage for those at the top but nothing like it for those, however good, who are further down in the hierarchy.

This means that not only wealth and income distribution follow a power law – as is well known since Pareto’s times – but also that wealth and income growth *rates* are distributed according to a power law. Once a firm – or an individual – obtains some advantage over its competitors, the process becomes reinforcing, producing the so-called Matthew effect according to which the rich get richer and the poor get poorer. Once the playing field is slightly tilted, positive feedback tips the system in favor of the initially benefitted.

Grave inequalities in the distribution of income are the straightforward result. Winner-take-all markets dramatically widen the gap between the rich and the poor by concentrating all rewards among just a small handful of winners.

### 1.2.-Inequality and technical change

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<sup>2</sup>For a critical review of Piketty’s book, see Beker (2014) and other articles in the same volume.



Aghion et al. (1999) postulate three candidate explanations for the increasing inequality in developed countries, namely trade liberalization, skill-biased technical change, and organizational change.

Aghion et al. (1999) argue that trade between high-skill and low-skill economies should cause, in the former, an increase in the demand for domestic skill-intensive commodities at the expense of the demand for domestic unskilled-intensive commodities. In the poor country where abundant unskilled labor is cheap, the trade boom drives up the demand for unskilled labor and drives down the demand for skilled labor. Thus earnings inequality increases in the rich economies but it declines in the poor ones. However, empirical studies have shown that these effects appear to be rather small.

Technical change has been noted as another possible responsible cause of growing inequality. If technological change is to generate an increase in wage inequality, it must be because technological change is biased toward certain skills or specializations.

Skill-biased technical change induces a shift in labor demand toward skilled labor within all industries. Empirical studies for the US and the UK corroborate that most of the increase in the non-manual share of total employment was due to within-industry shifts. Therefore, technical change appears to be the main cause of increasing inequality in developed countries.

Finally, Aghion et al. (1999) identify organizational change as another likely source of inequality. The productivity gap between individuals with different skill levels increases when changes in the organization occur. It occurs because organizational change itself is skill-biased.

Aghion et al. (1999) conclude that technological change is the most important factor to explain increasing inequality because both trade liberalization and organizational change affect only earnings inequality insofar as they are associated with technical change. Technical progress is by itself a crucial source of inequality whenever it affects differently the productivity of the various types of labor.

## **2.- Growth and poverty.**

### 2.1.-The causes of poverty

For the economically active population, there are two basic causes of poverty, whatever precise definition one uses for it:

- 1) Unemployment<sup>3</sup>
- 2) Income that cannot meet the basic needs level

Poor people are those who do not earn an income at all or those who earn an income that is insufficient to satisfy their basic needs.

Therefore, any research on the causes of poverty should be focused on the causes of unemployment and of low remunerations.<sup>4</sup> Any policy aimed at fighting poverty should be oriented toward the elimination of unemployment and low payment. For instance, in 2012, 10.8% of the workforce in the European Union was unemployed, and an estimated 9.5% was affected by in-work poverty, which totaled to more than 32 million people (European Anti-Poverty Network, 2013).

Of course, it may be discussed how to appropriately measure poverty. Sen (2006) showed why the usual indicators are not satisfactory at all, remarking that "there is a long way to go still to make adequate social sense of economic measures" (Ibid., 46). I will skip this discussion for the moment.

### 2.2.-Some arithmetic on inequality, poverty and growth

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<sup>3</sup> In those countries where there is an unemployment subsidy, the contribution of unemployment to poverty depends on the amount of that subsidy.

<sup>4</sup> On the subject, see the recent contribution by Bhaduri et al. (2015).

Kanbur (2004) notes some mechanical properties in the relationship between poverty, growth and inequality. “First, holding inequality constant, an increase in per capita income (in other words, growth) reduces poverty. Second, holding per capita income constant, an increase in inequality increases poverty.” (Kanbur, 2004, 3). This means that, although growth is positively correlated with poverty reduction, if growth is accompanied by increased inequality, then the net effect on poverty is no longer clear.

Kanbur (2004, 6/7) continues with some awkward questions. For instance, if the total number of the poor increases but because of population growth, the percentage of the poor in the total population decreases, has poverty increased or decreased? Even worse, the fact of the matter is that the incidence of poverty falls when a poor person dies because of poverty. Let us suppose that poverty decreases and the poor who are engaged in activities that are favored by growth benefit, but those engaged in activities that are not are worse than before. Should we consider this outcome as an improvement? This is an issue of great ethical and political significance.

Poverty persistence might indicate one of two things: either the determinants of poverty reduction are not known, or they are known but are not being put in place or a combination of the two (Kanbur, 2009, 2).

### 2.3.-Growth and poverty

The relationship between growth and poverty is subject to some controversy.

The importance of economic growth as a basis for lessening poverty cannot be overstated. Table 1 shows small differences in growth rates may generate, in the long run, quite different outcomes.

**Table 1**

<b>Year</b>	<b>A</b>	<b>B</b>	<b>C</b>
	<b>1%</b>	<b>5%</b>	<b>10%</b>
0	1.000	1.000	1.000
10	1.105	1.629	2.594
20	1.220	2.650	6.727
30	1.348	4.322	17.449
40	1.489	7.040	45.259
50	1.645	11.467	117.391

Let us have a look at the effect of different rates of growth on the standard of living of three hypothetical countries (A, B, and C) that start with a per capita income of \$1,000. Fifty years later, country C, which has been growing at an annual rate of 10%, has a per capita income that is 70 times higher than the country that has only grown by 1% and 10 times higher than country B, which has grown at an annual rate of 5%.

This means that, among other things, in the long run, the poor in a country with a higher rate of growth may attain a better standard of living than the middle class of a country with a lower rate of growth. This indicates that the growth rate may be in the long run more relevant for the less wealthy sectors of the population than the distribution of income. Of course, this occurs if income distribution remains constant over time. It is even possible for income distribution to worsen somewhat while the incomes of the poor nonetheless increase.

However, if income distribution became dramatically less equal with growth, poverty might not decline, or even worsen. For growth to occur without a reduction in poverty, income distribution must become more unequal over time.

The depth and persistence of poverty has created serious doubts about the ability of economic growth to reduce poverty by itself. Poverty, however we define it, has decreased in some parts of the world but gone up in others over the past half century.

#### 2.4.-Empirical studies on the relationship between growth and poverty

Empirical studies have found that a lesser level of development and a higher level of inequality reduce the growth elasticity of poverty (Bourguignon (2003, 16). This means that countries with a very low level of development and very concentrated income distributions have very low probabilities of leaving the poverty trap. A typical case is the mineral-rich economies, which are usually very underdeveloped and have very concentrated income distributions.

Salvatore and Campano (2012) created a database of income distributions by quintiles with multiple years for most countries. The results show that the 25-year period from 1980 to 2005 had been beneficial to the poorest populations in both the developed and the developing countries. Moreover, the income gap between the developed and developing countries has been closing. Much of this can be accounted for by the rapid growth rates in China and India. However, the authors conclude that if the present growth rates prevail it would take people in developing countries hundreds of years to close the income gap with people in developed countries.

Ravallion (1995) uses a sample of 16 developing countries in the decade of the 1980s and finds that a 3% rate of growth in consumption per capita can be expected to result in a 6-10% rate of reduction in the proportion of people living on less than \$1 per day.

De Janvry and Sadoulet (1999) mention Datt and Ravallion (1998), who show that fluctuations in crop yields and in per capita non-farm output are detrimental for poverty reduction after controlling for income growth. Ravallion and Datt(1996) analyze the relationship between change in poverty and change in sectoral value added in the primary, secondary, and tertiary sectors. For India, they find that growth in the primary and tertiary sectors had been effective in reducing poverty while secondary sector growth had not been effective because of the high capital intensity of industry. Therefore, economic instability and the sectoral composition of growth both have an impact on the evolution of poverty.

However, while the Gini coefficient decreased from 0.4414 to 0.4081 in developed countries, in the developing countries it increased from 0.5219 to 0.5414 (Salvatore and Campano, 2012, 10). This outcome seems to endorse the idea that, for less developed countries, economic growth goes hand in hand with increasing inequality.

However, as noted before, even with growing inequality, poverty may be declining. Therefore, let us have a look at the relationship between inequality and poverty.

### **3.- Inequality and poverty.**

#### 3.1.-Inequality and poverty: empirical studies

In the literature on income distribution, the terms inequality and poverty are *often used* as if they were *interchangeable*. An increase in inequality is interpreted as an increase in poverty and vice versa. For instance Dagdeviren et al. (2000, 4) refer to poverty-reducing policies, and then, they state: “the ‘High Performing’ Asian countries, prior to the financial crisis of the late 1990s, combined rapid growth of per capita income with relatively stable and low inequality” as though lower inequality would unequivocally mean lower poverty. It is just one example among many.

However, as it is easy to realize, a decrease in poverty is not necessarily accompanied by a decrease in inequality<sup>5</sup>; it may in fact be accompanied by an increase in it. China experienced a sharp reduction in poverty together with a significant increase in

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<sup>5</sup>Unless inequality is part of the definition of poverty. We shall discuss this issue later.

inequality. Conversely, an increase in poverty may be accompanied by a decrease in inequality overall. Finally, there may be widespread poverty in a society, yet very little economic inequality.

Ravallion (1995) finds that there is no sign that growth has been associated with a tendency for inequality within developing countries to either increase or decrease.

De Janvry and Sadoulet (1999) analyzed poverty and income inequality data for 12 Latin American countries between 1970 and 1994 and found that income growth reduces urban and rural poverty but not inequality. They also found that there is an asymmetry in the impact of growth on poverty and inequality, with recessions having stronger effects on both poverty and inequality than equivalent increases in income. De Janvry and Sadoulet (1999, 9) found that urban poverty is anti-cyclical, falling with income growth and rising in recession. However, they also found that growth is only effective in reducing urban poverty when inequality is not too high. Thus, countries with high levels of inequality cannot rely on growth to reduce poverty. This result coincides with Bourguignon's, which has been mentioned above. As far as rural poverty is concerned, they found that it is less responsive to changes in aggregate income: it responds less to growth but also less to recession. Similar to urban poverty, the beneficial effect of growth on rural poverty is erased at high levels of poverty. Although it cannot be said that growth is inequalizing, neither can reliance be placed on growth to reduce inequality.

De Janvry and Sadoulet's results coincide with those in Bruno et al. (1996), who found the effect of growth on inequality to be indeterminate. Bruno et al. (1996) also concluded that lower initial inequality raises the likelihood that growth will reduce poverty.

Quah (2002) analyzes the cases of China and India, which carry within them one-third of the world's population. He concludes that aggregate economic growth might well come about only with increases in inequality. In spite of this, he argues that growth is unambiguously beneficial for the poor. He underlines that only under inconceivably high increases in inequality would economic growth not benefit the poor.

Besley and Burgess (2003a, 11) find a positive and significant association between inequality and the level of poverty within a country. However, as Honohan (2004) notes, this association is almost tautological: *if the mean income is held constant*, the more of the national income is taken by the rich, the less is available for the rest; so more people are likely to be poor.

Kraay (2006) decomposes poverty changes into three elements: a) growth in average incomes; b) the sensitivity of poverty to growth; and c) changes in the distribution of income. In a large cross-country sample, he finds that growth in average incomes accounts for some 70% of the variation in (headcount) poverty changes in the short run and over 95% in the medium to long run. Thus, he concludes that growth is the key instrument for poverty reduction.

López and Servén (2006) use a large cross-country database including both industrial and developing countries and spanning almost 40 years to test the null hypothesis that the size distribution of per capita income can be described by a lognormal density. The empirical tests are supportive of the lognormal approximation to the distribution of per capita income.

Lognormality of the distribution of income allows the authors to derive some qualitative and quantitative implications for the relative roles of growth and inequality in poverty reduction under alternative initial conditions, using a variety of poverty measures.

The authors highlight four main points: i) inequality hampers poverty reduction, both because of its negative impact on the growth elasticity of poverty but also because of its

negative impact on the inequality elasticity of poverty; ii) for a given poverty line, the impact of growth on poverty is stronger in richer than in poorer countries, and hence, the latter will find it harder than the former to achieve fast poverty reduction; iii) the share of the variance of poverty changes attributable to growth should be generally lower in richer and more unequal countries; this means that in poorer and more equal countries, growth should be expected to be the main driver of poverty reduction, while inequality changes tend to play a more prominent role in richer and/or more unequal countries; and iv) given the initial levels of development and inequality, the relative poverty-reduction effectiveness of growth and inequality changes depends on the poverty line -- the higher the poverty line is, the greater is the role of growth and the smaller is the role of distributional change (Ibid., 2).

The inequality elasticity falls as inequality rises for a given value of average income relative to the poverty line. However, the relationship is highly nonlinear, and at very low levels of development, its sign is reversed. The more equal and the poorer the economy, the more effective growth will be relative to redistribution in attacking poverty. As the economy becomes richer, more unequal distributional change plays a relatively larger role in poverty changes. At very low levels of development, the poverty-reducing effects of growth outweigh the poverty-raising effects of a worsening distribution of income. Therefore, the authors suggest that when poverty reduction is the overriding policy objective, poorer and relatively equal countries may be willing to tolerate modest increases in income inequality in exchange for faster growth -- more so than richer and highly unequal countries.

Housseima and ben Rejeb (2012) use panel data from 52 developing countries over the period 1990-2005 to determine the main sources of poverty reduction and show the interdependence between poverty, inequality and growth. They find that an increase of 1 percentage point in per capita GDP causes a reduction of the poverty rate of 0.40 percentage points. However, they find that increased levels of inequality increase the proportion of the poor in the population. Estimation results show that an increase of 1 percentage point in the Gini coefficient causes an increase of the poverty rate of 3.26 percentage points. Therefore, increasing inequality may hamper economic growth's role in reducing poverty.

However, Alvaredo and Gasparini (2013, 58) find a weak relationship between poverty and inequality. The correlation coefficient between the headcount (\$2 line) and the Gini coefficient is only 0.17.

### 3.2.-The poverty trap

It has been argued that a poverty trap exists, which explains why people (and countries) that start poor remain poor. A set of self-reinforcing mechanisms determine that poverty begets poverty. An early example of this type of literature is Nelson (1956), who developed a growth model with low savings and investment rates at low-income levels. Thus, low levels of income generate low savings and investment rates, trapping countries in poverty. The same scheme may be applied to individuals.

Ghatak (2015) distinguishes between "friction driven" and "scarcity driven" poverty traps. In the first case, external frictions prevent the poor from making the best use of their endowments through exchanges in the marketplace or through technology. In the second case, poor are subject to different pressures and constraints from the non-poor and that drives them making choices that can reinforce poverty.

Kraay and McKenzie (2014) reject the poverty trap argument maintaining that even the initially poorest 10 percent of countries has grown at a rate similar to the historical growth rate of the United States over the last 50 years. However, this argument does not contradict the idea of a poverty trap if those that initially were the poorest remain the



poorest 50 years later. The issue at stake is whether the income growth rate of the poor exceeds the growth rate of the non-poor. Using data on poverty measures over time for 90 developing countries, Ravallion (2012) finds that although their overall poverty rate has been falling since at least 1980, the proportionate rate of decline has not been higher in the poorest countries. The author finds that the initial level of poverty has a negative effect on growth rates and that a high poverty rate also weakens the effect of growth on reducing poverty. According to Ravallion, both effects explain the lack of poverty convergence. Countries starting out with a high incidence of poverty do not have a higher proportionate rate of poverty reduction, which would allow poverty convergence. In her analysis of anti-poverty policies in the USA, Sawhill(1988) examines the period between 1967 and 1985 and concludes that the rise in unemployment is one of the main explanatory variables of their failure; she adds that the chance of being poor in the US is greatly increased if one is black, lives in a female-headed family or is a child under 18. Children who are born in a poor family go on to spend a long time living in poverty.

In her analysis of the role of segregation, Ananat (2011) finds that it creates places where black poverty and inequality are higher while white poverty and inequality are lower, compared to places that are less segregated.

Husmann (2016) reminds us that marginality is a root cause of poverty; marginality refers to a position of individuals or groups at the margins of social, political, economic, ecological, and biophysical systems. She uses this concept to create a marginality map of Ethiopia by overlaying seven indicators capturing different aspects of marginality. Marginality hotspots are identified.

Sawhill's, Ananat's and Husmann's studies suggest that poverty may be path dependent: people belonging to particular social groups and/or living in specific neighborhoods have a higher probability of being poor.

#### **4.-The geography of poverty**

##### **4.1.- Where are the poor?**

The main source of statistical information for poverty analysis at a large international scale is the World Bank's PovcalNet<sup>6</sup>, a compilation of distributive data built up from national household surveys, generally fed by national statistical offices. However, this database does not include the developed countries. In fact, the use of a low international poverty line has the unintended effect of limiting poverty statistics to developing countries<sup>7</sup>.

According to PovcalNet, in 2011, 2.1 billion people –36% of the developing world's population-lived with less than \$2 a day in 2011 purchasing power parity. In absolute numbers, income poverty is concentrated in India and China. Approximately 740 million people in India live with less than \$2a day, representing 60% of its total population. The number in China is 250 million, which is 19% of that country's population. The two countries are home to 46% of the poor in the world. The following three countries – Bangladesh, Indonesia and Pakistan –represent 14%. Thus, income poverty is highly concentrated from a geographical point of view. The other geographical area that greatly contributes to poverty numbers is the Sub-Saharan region with 617 million, representing 70% of its total population. Altogether, these areas total to 89% of the developing world's income poverty.

Gentilini and Sumner (2012) compute global poverty using the national poverty lines officially set in each country instead of using international poverty standards; they

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<sup>6</sup><http://iresearch.worldbank.org/PovcalNet/index.htm?0,1>

<sup>7</sup>Some of the problems that involve the use of an international poverty line are detailed in Deaton (2010).

include developing as well as developed countries. They find that 22.5% of the world's population, or some 1.5 billion people, live in 'poverty' as locally defined. Of this total, 30% belongs to South Asia, 17% to East Asia and 24% to Sub-Saharan Africa. This shows that the geographical distribution of poverty is not substantially affected by the way of measuring it. However, they find that 11% of world's poor live in high-income countries – such as the United States and some European countries. Moreover, 3 countries –Brazil, Mexico and the United States – contribute 139 million to the 1.5 billion total. Each of them has more poor population than Pakistan or Indonesia. Therefore, when analyzed with national poverty lines lens, poverty is less geographically concentrated.

The use of national poverty lines provides for some countries a substantially lower aggregate than the \$2 a day line. This indicates that for some countries, those living with such a budget are not considered poor. A notable case in this respect is India. Out of the 740 million people who live with less than \$2 a day, the national poverty line only considers 355 million poor.

The discrepancies in measurement that arise between poverty measured by an international vis-a-vis national poverty line emerge primarily from the fact that what is considered poor is socially determined and therefore varies in time and space. What we consider poor is not the same as what was considered poor 200 years ago. The same applies between countries of different levels of development.

For example, the countries in the European Union consider poor those with incomes below 60% of the median. Therefore, the definition of poverty is tied up with income evolution. The absolute incomes of low-end households may increase but if the household incomes at the median increase just as rapidly, the poverty rate will remain the same. Probably many of the people labeled poor in Europe would not be considered as such in India or Pakistan.

We have here two issues at stake. First, international versus national poverty lines. Second, the national poverty line may be an absolute value – \$2 a day for some countries and \$1 for others– or it may be defined in relative terms, as is the case in the EU.

This leads us to the discussion between absolute and relative measures of poverty.

#### 4.2.-Relative and absolute measures of poverty

People who do not have the basic necessities that they need to lead a reasonable life – food, shelter, and clothing – are considered to be poor. However, what a reasonable life is varies across countries and over time.

Once it is recognized that needs are socially determined, a poverty line can be established for a given country at a given time. It will measure the amount of money needed to buy the basket of commodities necessary to satisfy the socially determined basic needs in that country at that time. This may be an absolute value or a relative one. For example, the poverty line may be an estimated \$2 a day, or it could be set at some percentage of the country's mean income.

This leads us to the postponed discussion on how to measure poverty.

Some authors argue that poverty should necessarily be measured in relative terms. For instance, MacEwan (2007, 10) claims that “there are no poor unless there are also rich.” In an egalitarian society, poverty has no meaning at all, he adds. Therefore, poverty refers to a certain layer in the social structure. The lack of goods and services does not mean poverty if all members of society are in the same situation. Following this reasoning, he argues that “in two societies where the absolute income of the bottom segment (say the bottom quintile) is the same, poverty will be greater in the society where income distribution is more unequal because in that society the bottom segment



will be further from the norm and thus more lacking in that society's socially determined needs" (MacEwan, 2007, 11). The way of reflecting this difference is by using relative measures of poverty.

This has a direct impact on policies to address poverty. If poverty is measured in relative terms, there is no way of reducing it without changing the income distribution. If income increases across all quintiles at the same rate, poverty will remain unchanged. On the contrary, if income decreases for all quintiles but at a smaller rate for the lowest one, poverty measured in relative terms will decline. A relative poverty measure is essentially a measure of inequality within the bottom half of the income distribution.

However, if poverty is measured in absolute terms, it may be reduced just with economic growth.

Therefore, the way poverty is measured is not an innocent issue. It is directly linked to the policies recommended to reduce it. Those who argue in favor of a relative measure are in favor of income redistribution while those who back an absolute measure advocate in favor of economic growth, and vice versa.

The relative one is a measure of subjective poverty. People may feel better off if their income decreases but their neighbors' incomes decrease in a higher proportion. In the same way, they may feel worse off if their income increases at a slower speed than the rest of society.

The absolute measure assumes that poverty has to do with the amount of commodities available to an individual – or a family – to satisfy the basic needs disregarding what happens to the rest of the people.

The relative measure mixes up poverty with equality, but they are two different issues. First of all, they are two different concepts. One has to do with the lack of means to satisfy one's needs, however defined. The other refers to the way income or wealth is distributed within society. The relative poor are people whose income or wealth is less than that of the rest of society, independently of the quantity of goods they can consume with that level of income or wealth.

Second, the policies addressed to deal with poverty may or may not be the same to reduce inequality. There are some authors – from Kuznets to Basu – who have argued that there is a trade-off between fighting poverty and reducing inequality. China seems to be a clear example of this.

Therefore, in evaluating policies against poverty, it appears advisable to measure it in absolute terms and reserve relative poverty to inequality analysis together with other instruments as the Gini coefficient, the Lorenz curve or the Theil index.

## **5.-Anti-poverty policies**

### **5.1.-Some policy issues concerning poverty and inequality**

Martin Feldstein (1999) argues that policy should address poverty, not inequality. He notes that changes that increase the incomes of high-income individuals without decreasing the incomes of others clearly satisfy the Pareto principle. However, it may be argued that although the poor are not worse off in absolute terms, they are in relative ones; this may make them feel poorer as if they had lost part of their income. Beker (2005, 17) notes that a policy change that improves the situation of the upper 1% of the population without changing the situation of the rest is undoubtedly a Paretian improvement. However, this more *efficient* alternative will be rejected in many societies in the name of *equity*. The Pareto improvement concept implicitly assumes that absolute and not relative situations are relevant. However, it is society and not economists who should decide what weight should be given to efficiency and what weight to equity: it is typically a value judgment. It will depend on the idea of equity that in that society prevails.

Basu (2005) introduced the concept of poverty-minimizing inequality as the amount of inequality that society should tolerate to minimize poverty. He remarks that a society of perfect equality “would be crushingly poor” (Basu, 2005, 1367). Therefore, instead of attempting perfect equality he suggests to take as welfare criteria a normative simple rule: maximizing the per capita income of the poorest 20% of the population. He calls this the ‘quintile income’ of a country.

Basu warns that the quintile measure should not be confused with a poverty measure of a society. It is a practical objective for policy design purposes. It can be generalized by giving weights to the incomes of people at different levels of poverty, with the poorest people obtaining the highest weights and then looking at the weighted per capita income of society (Basu, 2005, 8).

Klasen (2004, 65) argues that pro-poor growth should, at a minimum, involve disproportionate growth of the incomes of the poor; the income growth rate of the poor must exceed the growth rate of the non-poor.

The much used elasticity of the poverty rate with respect to the mean growth rate (the so-called poverty elasticity of growth) does not consider information about the distribution of incomes among the poor. Indeed, a high poverty elasticity of growth might often just mean that many poor who were close to the poverty line were lifted above it rather than high income growth among the severely poor, who should be of particular concern. (Klasen, *ibid.*, 64/65).

Governments should ideally be able to focus on policies that have the largest marginal effect on pro-poor growth. Some policies have a large effect on growth, but may not be particularly pro-poor; others do not have such a large effect on growth, but are extremely pro-poor. The best policies are obviously those that have a large effect on both, but not enough is known about which policies fall into what category. (*Ibid.*, 84)

Klasen underlines that, according to experience, successful reform was particularly likely in countries that faced severe economic crises with few economic options. These countries built up a consensus for change prior to reforms, had substantial indigenous technical capacity at their disposal, and used aid and technical advice to sustain the reforms. Donors were able to assist successful reformers, although donor aid sometimes also delayed reforms in other countries or reduced the ownership of reforms through excessive conditionalities (*Ibid.*, 85).

Promoting pro-poor growth in countries with high inequality and where the poor are politically and economically marginalized is likely to be difficult. As a result, success in implementing pro-poor policies will depend greatly on creating and strengthening pro-poor coalitions, which can involve parts of governments, non-governmental organizations, donors, and civil society (*Ibid.*, 85). In this respect, Kanbur notes that if a set of instruments harms the interests of the dominant coalition, it will not be implemented, even if it is known to be a determinant of poverty reduction (Kanbur, 2009, 3).

#### 5.2.-New trends in anti-poverty policies: an appraisal

Since the turn of the twentieth century, the Poverty Reduction Strategy (PRS) process has been at the center of international discussions of development and foreign aid. The PRS was supposed to replace the structural adjustment and the Washington Consensus policies after their wide failure in the 1990s.

The poverty reduction strategy papers (PRSPs) have become a condition for low-income countries to access the soft loans of the IMF and the World Bank and to receive budget support from bilateral donors.

Komives and Dijkstra (2011) make a revision of the experience in four Latin American countries. One of their striking findings is that in countries which are supposed to

follow poverty reduction policies, comparable over time income poverty data are surprisingly difficult to come by (Ibid., 181). How would it be possible to monitor the outcomes of the strategies over time and make adjustments if provisions have not been taken to make sure that data for that purpose would be available?

As Dijkstra (2013) notes, the fact that the IMF is still the primary entrance condition maintains the pivotal role of this institution in determining economic policies. This is odd, she adds, as most poor countries currently do not suffer from short-term macro-economic instability or balance of payments problems. Moreover, the IMF does not prioritize poverty reduction policies; it focuses more on issues directly related to fiscal and financial policies.

Banerjee and Duflo (2011) propose a new approach to fighting poverty. The book emphasizes the need, first of all, to understand the economic lives of the poor. This is the core of what they call Poor Economics. They advocate small policy reforms, arguing that poverty should be fought through the accumulation of a set of small steps. Some policy recommendations, for instance, are the free or subsidized distribution of certain goods and services, improvement of early childhood nutrition, and government subsidies to help grow insurance markets against bad weather and against the death of livestock. Although these are steps that may contribute to alleviating poverty, the question is how far this approach may lead in fighting global poverty.

### 5.3.-Transient and structural poverty

Conceptually, it is useful to distinguish between structural and transient causes of poverty. By definition, the transient poor are those affected by external shocks such as business cycles and price instability as well as by extreme natural events. The defining feature of chronic poverty is its extended duration. Chronic poverty is linked to the structural characteristics of households such as a low stock of assets, low education levels, high dependency ratio, social exclusion or discrimination, location, age, sex, and health status. However, the distinction is not clear-cut. On the one hand, chronic poverty increases vulnerability to adverse shocks; the poor's already diminished capacity to secure their livelihood may be seriously exacerbated by negative shocks. On the other hand, a shock may lead to a considerable loss of assets, which compromises the future stream of income, and the individual may be doomed to permanent poverty.<sup>8</sup>

In a study of four southwest rural Chinese provinces for the period 1985-90, Jalan and Ravallion (1998) found that while some factors such as health and education services lower chronic poverty, these variables have little influence on transient poverty. The most important set of variables determining transient poverty they found were the household's stage of lifecycle, wealth holdings and the standard deviation of the household's wealth holdings and cultivated land holdings. These results suggest that policy instruments to address one type of poverty would not necessarily be adequate to tackle the other type of poverty. While policies addressed to increase command over human and physical capital by the poor may prove to be effective in addressing chronic poverty, smoothing variability in income and consumption is needed to attack transient poverty.

The relative magnitude of chronic and transient poverty depends on the measurement system that is used; the gap between different measures may be large. For example, Duclos et al. (2006) find that transient poverty represents approximately 23% of total

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<sup>8</sup> For this reason it is rather bold to maintain that "economic growth ... is the part of macroeconomics that really matters" (Barro and Sala-i-Martin, 1995, 6), underestimating the influence that economic fluctuations have on poverty and unemployment.

poverty in rural China, while Jalan and Ravallion (1998) suggest that transient poverty accounts for approximately 73% of total poverty.

#### 5.4.-The role of private and public goods in eradicating poverty

Anti-poverty policies can be divided into three broad categories: those that are aimed at enabling the poor greater access to markets, those that are aimed at improving the access of the poor to public services and infrastructure, and those that are explicitly redistributive in nature (Ghatak, 2015, S100).

Income is vital to meet the food, shelter and clothing requirements. However, other important needs cannot be satisfied by the market. Large non-market components – health, education, environmental and ecological protection, water and sewage provision, security against crime and physical violence – are key to people’s well-being.

An empirical study comparing social policies in the 1980s and 1990s shows that approximately 60% of Chile’s poverty eradication in the 1990s can be attributed to economic growth and 40% to social policies (Foxley, 2004, 1).

However, the role of public goods in poverty alleviation does not receive due attention. The mainstream literature focuses on income growth and views poverty decline as an almost exclusive by-product of it. However, access to safe drinking water, sanitation, transport, medical care, and schools is essential both as a direct component of well-being and as an input into productive capability (Besley and Ghatak, 2004, 1). Mechanisms for effective delivery of public goods and services are therefore central to any credible poverty reduction strategy.

School buildings, AIDS education and prevention or provision of drinking water may have a greater impact on improving living conditions than an income increase alone. The possibility of earning an income is itself highly dependent on the possibility of traveling, which is dependent to a large degree on the existence of roads. Roads lead to schools, and schools eventually lead to better paid jobs. However, construction works create new jobs through which incomes are generated.

Therefore, the provision of public goods plays a vital role in fighting poverty. This may be an explanation for Ravallion’s finding in his 2012 paper that a high initial level of poverty is an obstacle both to growth and to the effect of growth on reducing poverty. It seems that there are countries that are too poor to grow unless the initial lack of physical and social infrastructure is removed by a public investment shock.

It is true that the contribution of infrastructure to growth and economic development has long been recognized in economic theory. However, the theoretical recognition of the importance of infrastructure in economic development did not necessarily imply actions in that direction. +(UN-Habitat, 2011). This was the consequence of the ideological climate of the decade in which it was thought that that was a task for private investors. The private sector did not produce the massive investments hoped for. Currently, there is a growing consensus on the key role that public investment must play in this area.

However, little attention has been paid to the specific impact of infrastructure on poverty alleviation. This means that there is a need to identify the type of infrastructure that has more impact on poverty reduction.

The UN-Habitat’s report on Africa presents a detailed summary of the impact on poverty of different interventions considered in economic infrastructure activities (UN-Habitat, 2011, 15-18).

Ogun (2010) is one of the few empirical studies on the subject. This paper investigates the impact of infrastructural development on poverty reduction in Nigeria. Specifically, one of the issues investigated was which type of infrastructure, social or physical, exerts a greater effect as a poverty reduction strategy. The results of this study reveal that though investment in infrastructure in general reduces poverty, investment in social

infrastructure exerts a greater effect as a poverty reduction strategy relative to physical infrastructure investments. The author also remarks on the need to strengthen the legal institutions to hinder people in government from embezzling funds meant for infrastructural projects.

Although more research in this line is needed, its conclusions reinforce the idea that infrastructure –and social infrastructure in particular – can play a key role in the war against poverty.

#### 5.5.-A story of success

From 1990 to 1998, the poverty rate in East Asia declined from 27.5% to 15.3%, and the number of people in poverty fell from 452 to 278 million primarily because of the dramatic reductions in poverty in China (Besley and Burgess, 2003b, 6). This decrease in poverty, which started well before 1990, represents the largest fall in poverty ever witnessed in history (Ahuja et al.,1997). According to the World Bank Group president Jim Yong-kim, China has lifted 600 million people out of poverty in the last 30 years.

According to Montalvo and Ravallion (2009), it was the Chinese primary sector that did the heavy lifting against poverty. The move from collective to household farming in China, starting in 1978, led to large productivity increases in agriculture. According to Lin (1992, 47), “the dominant source of output growth during 1978-1984 was the change from the production-team system to HRS.” HRS stands for the household-responsibility system, which replaced the collective one that predominated until 1978. This decollectivization process led to significant increases in agricultural incomes, and this translated directly into reduced poverty. This was accompanied by a process of fast urbanization: 207 million people moved from rural to urban areas, equal to 45.0% of the total urban population in the same period (Hu et al., 2003).

However, more recently, new forms of poverty have arisen. Rising unemployment was a major driver of urban poverty since the mid-1980s, a scenario further strengthened by migrants from rural areas. In fact, market-oriented reforms and the withdrawal of financial support for ailing state enterprises increased urban unemployment. The privatization of state-owned enterprises was accompanied by large-scale lay-offs of workers in a context where the social security system was weak or absent. While income poverty in rural areas has been reduced by rural-urban migration, in urban areas, most of the poor are recent migrants, who tend to be much worse off than other urban residents. This is essentially because of the gap in incomes and benefits accruing to migrants compared to “full status” or registered urban residents (Gosh, 2010, 9/10).

In spite of this, China remains a remarkable story of huge success in reducing poverty.

#### **6.- Conclusions**

For a long time, poverty had not been an important concern for economists. This was primarily because it was assumed that poverty reduction is just an automatic by-product of economic growth.

The first of the United Nations’ “Millennium Development Goals” set by the world’s leaders in September 2000 was to halve the incidence of poverty between 1990 and 2015. The goal has been achieved. The proportion of people living on less than \$1.25 a day globally fell from 36% in 1990 to 15% in 2011. However, the poorest and most vulnerable people are still being left behind.

The paper addresses some of the multiple issues involved in the relationship between economic growth, income inequality and poverty.

The main conclusions arrived at are the following:



First, although empirical evidence is not conclusive, there are strong signs that there is a positive association between economic growth and rising inequality. China seems to be a clear example of this.

Second, economic growth reduces poverty if income distribution remains constant over time. However, if income distribution becomes dramatically less equal with growth, poverty might not decline or may even worsen.

Third, the initial level of poverty has a negative effect on growth rates, and a high poverty rate also weakens the effect of growth on reducing poverty. In poor but more equal countries, growth should be expected to be the main driver of poverty reduction, while inequality changes tend to play a more prominent role in richer and/or very unequal countries. At very low levels of development, the poverty-reducing effects of growth may outweigh the poverty-raising effects of a worsening distribution of income. However, countries with a very low level of development and very concentrated income distributions have very low probabilities of leaving the poverty trap without income redistribution.

Fourth, given the trade-off between poverty and inequality, it seems advisable to use in anti-poverty policies the concept of poverty-minimizing inequality as the amount of inequality that society should tolerate to attain the goal of minimizing poverty.

Governments should focus on policies that have the largest marginal effect on pro-poor growth. This implies choosing policies that warrant that the income growth rate of the poor exceed the growth rate of the non-poor.

Fifth, it is useful to distinguish between structural and transient causes of poverty. The transient poor are those affected by external shocks such as business cycles and price instability as well as by extreme natural events. The defining feature of chronic poverty is its extended duration. While policies addressed to increasing command over human and physical capital by the poor may prove to be effective in addressing chronic poverty, smoothing variability in income and consumption is needed to attack transient poverty.

Sixth, the provision of public goods plays a vital role in fighting poverty. Although investment in infrastructure in general reduces poverty, investment in social infrastructure exerts a greater effect as a poverty reduction strategy relative to physical infrastructure investment.

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**Poverty reduction and human development program:  
Impact of ENRICH program on income poverty in Bangladesh**

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**Abstract:** The aim of this study is to measure the impact of ENRICH program (a holistic microfinance program with multiple intervention) on poverty alleviation. A total of 1800 households, including 1200 households in program areas and 600 households in control areas were selected. This study used the cost of basic needs method to calculate the poverty lines for the year of 2015. The result shows that the current poverty rate is 36 percent and 30 percent in Shemanto and Shombhag program union respectively. At the beginning of the program (initially implemented in 2010) 6 percent households were solvent household in Shemanto union. In 2015, the percentage of solvent households have increased around three percent in Shemanto union. Most interesting results are found in Shombhag union where solvent households have increased by 2.75 times in 2015. Besides, extreme poor households have decreased over time in both areas. The most important finding is that ENRICH program has a highly significant impact on poverty reduction. The program has contributed additional 10 percentage point poverty reduction in the program area. Moreover, the ENRICH program has contributed to social and community development. Its participants feel more respected than before. They are more dignified than before. But in order to create real and substantial impact, particularly in sustainable poverty reduction, such kind of microfinance program needs to deepen the program in the union with higher intensity of economic interventions. Supply side constraint needs to be removed for a sustainable impact, and to make the program more effective.

**Keywords:** ENRICH, Poverty, Poverty gap, Impact analysis

## Introduction

Poverty is not static; it is dynamic in nature. The dynamics of poverty are the changes in well-being that households experience over time. Households may frequently move in and out of poverty due to their introduction to risk and their capability to manage and handle the risk. Bangladesh has made considerable progress in alleviating poverty. Between 2005 and 2010, the incidence of income-based poverty fell from 40 percent to 31.5 percent at the national level—43.8 percent to 35.2 percent in rural areas, and 28.4 percent to 21.3 percent, in urban areas (HIES 2010). What mechanism worked behind such an improvement in the incidence of poverty? Why and how some households escape from poverty? Why some households cannot graduate from poverty? Who have been mostly benefitted from participation in poverty reduction program? Did all participants gain from participation in poverty reduction program? This study will seek to answer these questions by analyzing primary data from household's survey.

In light of the poverty reduction perspective, Palli Karma Sahayak Foundation (PKSF) has introduced a different program known as “Enhancing Resources and Increasing Capacities of Poor Households Towards Elimination of their Poverty (ENRICH)”. The program is quite different from traditional microfinance program. The traditional microfinance program basically provides financial services, whereas ENRICH program has multiple dimensions. This program has been uniquely designed and separate from others due to: 1) Its main targets to develop the whole union (poor and non-poor households), 2) it works in association with the local government and other committed service providers due to lift the targeted households out of poverty as well as to develop the whole community, and 3) this program has diversified components. Generally, social and community development is absent in the traditional micro finance program. The ENRICH program directly works for the community development as well as local development that will create a dignified society.

In this study, the cost of basic needs method is used to define poverty and assess poverty rate in the program and control areas. In addition, income-based classification also used to determine poverty status of the households before and after receiving the program. Under the ENRICH program, households have been classified into different poverty groups based on income. The benchmark data contain such classification. Therefore, we will make a comparative analysis of poverty status using both income and expenditure approaches. Analyzing the poverty status at the household level is very important not only for understanding the effectiveness of the program but also for formulating an effective policy design.

## Genesis of ENRICH Program

The ENRICH program is the brainchild of Dr. Qazi Kholiquzzaman Ahmad, the Chairman of PKSF and InM while he was resting in hospital after a surgery. The idea behind this program was to formulate such an approach that will ensure human development through sustainable poverty alleviation. Hence it was named as “Enhancing Resources and Increasing Capacities of the Poor Households towards Elimination of their Poverty” (ENRICH). The program started its groundwork in 2010 and worked for household-based total development by assigning one union (the lowest administrative unit) to one partner organization (PO).

The ENRICH program was initially implemented in 21 unions in Bangladesh. However, after five years of functioning, a total of 150 unions have been brought under the program, being implemented by 111 partner microfinance institutions (MFIs). In 2015, around 9.41 lakh households in 150 unions have been covered through a rigorous process. Till now, ENRICH has been implementing 23 crucial interventions like, health services, education, skill training, technological assistance, access to information, food security and nutrition, awareness raising,

facilitating access to the asset, social capital formation, infrastructure, climate change adaptation, insurance services, market linkages and so on (Ahmad, 2015). The program also provides appropriate financial supports for the participants for implementing their own plans related to socioeconomic and environmental development.

The components of the ENRICH are: (a) a *finance and economic* component that includes supply of optimum amount of credit, provisions for savings and training; (b) an *education* component, particularly for the students of poor households, with focus on the issues of dropout and quality education, (c) a *health* component with focus on primary health services, child and maternal nutrition and maternal health in general, (d) a *youth training and job creation component* that focuses on linkages between job-seekers and job-givers, (e) an *environment* component focuses on better use of resources for activities that are environmentally sound; and (f) a *community development* component, which aims at enabling the socially weak households to better access community resources through political immersion. The ENRICH program is expected to contribute to sustainable development of poor households through efficient use of resources as a result of higher capabilities. Therefore, taking the poor households out of the poverty trap is obviously a unique goal of program.

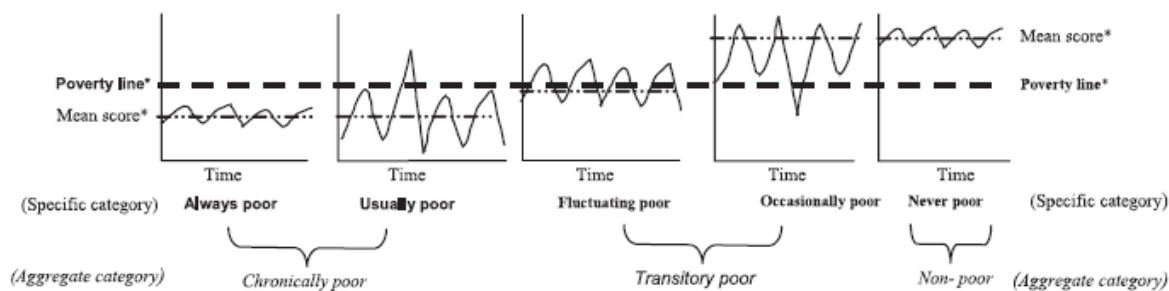
As such, the design of ENRICH is comprehensive, broad based and integrated. Any integrated program requires a systematic coordination. That is why a single partner MFI in each union of operations implements the program. PKSf continues to play the role of a wholesale lender and the role of financing partner to MFIs for bringing changes in the lives of deprived and marginalized poor households. The ENRICH program has been designed based on certain premises. First, development should cover both poor and non-poor households, as economic activities are inter-linked. Second, poverty alleviation process requires large investment in social and economic enterprises. Third, poor households are vulnerable; economic gains may be outweighed by higher intensity of idiosyncratic and covariate shocks. Fourth, long run investment in education, particularly for the poor households is a necessary condition. Finally, access to credit supply must commensurate with large investment for enterprise development, employment creation and high-income growth. Taking these premises together, the ENRICH program envisages that all elements and components should be inter-linked and integrated for better outcomes. As ENRICH is a holistic program with multiple interventions, therefore, several questions may be raised. To what extent this holistic approach reduces poverty? More specifically, are the ENRICH participants better off in terms of poverty compared to the control households? Has the level and intensity of poverty declined?

## Poverty Measurement

Foster-Greer-Thorbecke (1984) suggested three measures of poverty: poverty headcount index, poverty depth index and poverty severity index. Poverty headcount index is the proportion of the population that is poor. Poverty gap index measures the difference between per capita consumption expenditure and poverty line as a proportion of the poverty line. In other words, it tells us how much resources are needed to drive poor out of poverty. Poverty severity index measures the inequality among the poor.

The Chronic Poverty Research Centre classifies poor dynamically into (i) *Always Poor* (has consistently remained below poverty line), (ii) *Usually Poor* (mostly remained below poverty line), (iii) *Fluctuating Poor* (frequent ups and down the poverty line), (iv) *Occasionally Poor* (mostly remained above poverty line with occasional below poverty line), and (v) *Never-Poor* (remained always above poverty line) as represented in the following figure:





\* Depending on data availability poverty could be assessed in terms of household expenditure, income, consumption, a poverty index or scale, nutritional status, or an assessment of assets.

[Adapted from CPRC, 2005]

Households in group (i) and group (ii) are termed as chronically poor. Households in group (iii) and group (iv) are defined as transitory poor. Never poor households are non-poor (Hulme, 2003a). The CPRC report points out that the chronically poor are neither a homogenous group, nor simply a list of vulnerable groups, such as ‘elderly’ or ‘female-headed households (CPRC, 2005). Hulme (2003a; 2003b) analyzed poverty dynamics at the individual, household and community level.

How can poverty be reduced? Several authors have argued for different interventions based on their research. McCulloch and Baulch (2000) argue that sustained growth of income in the long run will reduce chronic poverty. Chronic poverty could be eliminated by increasing returns to assets or by increasing human and physical assets of poor (Jalan and Ravallion, 1998). Bhatta and Sharma (2006) showed that chronic poverty is associated low level of human capital and wealth. Therefore, it appears that poverty alleviation requires increase in income and wealth. ENRICH, among other factors, is directed toward increasing income, creating more assets and ensuring insurance (through higher level of savings) for coping with shocks and also for higher level of investment.

## Sampling and Data

Both primary and secondary data was collected for this study. Secondary data was collected from PKSF. Primary data was collected from the selected sample households by using multi-stage sampling strategy. In the first stage, program and control unions were selected. In the second and third stages, villages and households were selected.

At the inception of the program, it was implemented in 21 unions including two unions, Shemanto union in Jibannagar upazila, Chuadanga and Shombhag union in Dhamrai upazila, Dhaka, where the program is five-years old were purposively selected for this study. In order to keep the geographical environment quite similar to the program unions, this study was purposively selected two control unions. They are Uthali union, adjacent to Shemanto union and Kulla union, adjacent to Shombhag union.

The second stage was selection of villages. In case of program villages, we selected randomly 8 villages in Shemanto and 10 villages in Shombhag union under the study. However, we selected randomly five villages from each of the two control unions. In total, 28 villages including 18 program villages and 10 control villages were selected and surveyed. In stage three, households were randomly selected. In Shemanto union, 600 households were selected with 75 households from each randomly selected village. Similarly, 600 households with 60 households from each of the randomly selected villages were selected under Shombhag union. From control areas, 60 households from each selected villages were selected for survey. Therefore, a total of 1800



households including 1200 households in program areas and 600 households in control areas were selected.

Primary data was collected by using questionnaire. Most of the basic information was collected on socioeconomic parameters and program components. Household demography including age, gender, schooling, occupation, and migration data was collected. Household land, ownership status, housing quality, food security, income, expenditure, household assets as well as water supply and sanitation data was also collected by this study.

## Methodology

### Estimating poverty lines

For poverty measurement, this study used the cost of basic needs method to calculate the food poverty, lower poverty and upper poverty lines for the year of 2015. The following steps are used here.

1. Initially, food poverty line is estimated. Food poverty line is the cost of a fixed food basket that provides 2,122 Kcal per capita per day. The food basket comprises of eleven items: rice, wheat, pulses, milk, oil, red meat, potato (including sweet potatoes), other vegetable (leafy and non-leafy), fish (small and large), sugar (jaggery and refined sugar) and fruits. The quantity of the items in the food basket is fixed. The food poverty line (i.e. the value of a fixed food basket) for the year t is calculated using the following equation.

$$FPL_t = \sum_{it} P_{it}Q_i$$

Here, FPL is food poverty line, P is price, Q is quantity, i= {rice, wheat, pulses, milk, oil, red meat, potato, other vegetable, fish, sugar and fruits} and t is year.

2. After constructing the food poverty line, non-food allowances are calculated.
  - i. Lower non-food allowance is the median amount spent by individuals on non-food items, when their total consumption equals the food poverty line.
  - ii. Upper non-food allowance is the median amount spent by individuals on non-food items, when their total food consumption equals the food poverty line.
3. The lower and upper poverty lines are calculated.
  - i. Sum of the lower non-food allowance and food poverty line provides us with the lower poverty line.

$$\text{Lower Poverty Line} = \text{Food Poverty Line} + \text{Lower Nonfood Allowance}$$

- ii. Sum of the upper non-food allowance and food poverty line gives upper poverty line.

$$\text{Upper Poverty Line} = \text{Food Poverty Line} + \text{Upper Nonfood Allowance}$$

The incidences of poverty with three yardsticks: food poverty line, lower poverty line and upper poverty line are measured. After that compared annual per capita consumption expenditure with these reference points. Table-1 shows the categorization of poverty as per the decision rules.

Table 1.  
*Poverty Categories*

Decision Rule	Poverty Category
Annual Per Capita Expenditure < Food Poverty Line	Extreme Vulnerable Poor
Food Poverty Line < Annual Per Capita Expenditure < Lower Poverty Line	Vulnerable Poor

Lower Poverty Line < Annual Per Capita Expenditure < Upper Poverty Line	Moderate Poor
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When a household's total expenditure is below the upper poverty line and above the lower poverty line, we have termed it as "Moderate poor". Moreover, we call it "Extreme Vulnerable" poor when a household cannot afford the food poverty line with its total expenditure. When a household fails to spend as much as or less than the lower poverty line, it is "Vulnerable poor".

**Analytical approach**

To estimate the determinants of poverty this study used Probit model. Poverty status of a household will be determined by household characteristics, investment opportunities, savings, and so on.

$$\text{Prob (Poverty)} = F(H, A, E, F, C, L, M, S) \quad \text{----- (I)}$$

Where

Poverty =1, for the households who are poor

Poverty =0, for the households who are non-poor

In Equation I, Poverty is the poverty status of a household, H represents household size, A is the age of the household head, E is the education of the household head, F is the household head is female, C is the household have electricity access, L is the household current homestead land amount, M is the household have multiple earning members, and S refers to household savings.

**Impact evaluation of the program: Propensity Score Matching (PSM Method)**

The PSM method calculates the probability or propensity score of participating in the program based on some set of observable characteristics for both program and control groups. Calculation of probability requires estimation of the following type of regression equation:

$$Treatment_i = \beta_0 + \beta_i X_i \dots\dots\dots(ii)$$

where  $X_i$  is the vector of some household specific characteristics which might influence individual households participation decision.

While calculating the propensity score it is assumed that participation decision is determined only by observable characteristics, not by unobservable characteristics. Estimation of equation (ii) gives the estimated coefficients  $\hat{\beta}_i$ . Then for each individual, the estimated propensity score ( $Program_i$ ) is obtained by calculating  $[\beta_0 + \sum(\beta_i \times X_i)]$ . After calculating the propensity score (probability of participating in the program), each participating household with a certain score is matched with some non-participant with the similar score. Non-participants whose scores do not match any participants are then dropped from the analysis. Similarly it is possible that participants with no matched score in non-participants are also dropped from analysis. PSM generates some blocks or quintiles (number of blocks varies, the more concentrated the propensity is, the fewer the number of blocks) in which mean difference between propensity score of participant and non-participant is insignificant. Using the distribution of propensity score of participant and non-participant, the region of common support is generated. Region of common support ensures that propensity score of program group has 'nearby' comparable observations in the control group. Households which do not belong to common support area are excluded from the analysis.

Let us denote the outcome of program group as  $E[YT]$  and outcome of control group as  $E[YC]$ . The difference between these two groups after controlling for the propensity score gives the average program of the treated (ATT).

$$ATT = \{E[YT|T = 1, P(X)] - E[YC|T = 0, P(X)]\} \dots \dots \dots (iii)$$

The ATT estimation may vary depending on which matching method we have been using. Advantage of matching method is that it can identify the impact of a program using only one time period observation.

### Descriptive Analysis

Descriptive analysis will focus on understanding household characteristics, like socioeconomic and other control variables of both program and control group. Tabular and graphical analysis was carried out to find the trend to quantitative and qualitative statistics. Comparison of the distributions of the program and control groups by their various attributes will be done by the descriptive analysis.

### Results and Discussions

Some basic socio-economic characteristics of the households in program and control areas are presented in Table-2. Demographically the program and control households are quite comparable. However, there are differences in economic characteristics. Homogeneity of the households is evident from the perspective of average land size and percentage of households having access to electricity. Because of these homogeneous characteristics, we shall be able to capture program effects quite clearly, if there is any. This may be evident from the findings, as reflected in Table-2, that total assets and investments as well as food and non-food expenditures are higher in the program areas. Similarly, higher percentages of the program households head have more multiple income sources.

Table 2: Demographic characteristics of the households by unions

Indicator	Shemanto union		Shombhag Union		Program Total (n=1200)	Control Total (n=600)
	Program (n=600)	Control (n=300)	Program (n=600)	Control (n=300)		
<b>Household characteristics</b>						
Average Household size	4.07	4.06	4.62	4.42	4.34	4.24
Age of household head (years)	46.41	43.20	50.44	45.89	48.43	44.54
Education of household head (years)	2.61	3.37	3.63	4.06	3.12	3.71
Female headed household (%)	7	5	8	2	8	3
Household have electricity access (%)	77	77	95	94	86	85
Household head had multiple income sources (%)	58	46	42	47	50	47
Average land size (decimal)	78.71	78.28	70.84	73.43	74.78	75.85
Homestead land (decimal)	4.93	4.43	7.48	6.39	6.21	5.41
<b>Economic indicator</b>						
Income (in thousand tk.)	123.92	130.53	214.20	201.55	169.06	166.04
Total Expenditure (in thousand tk.)	108.08	101.10	165.24	156.53	136.66	128.81
Food expenditure (in thousand	60.67	56.98	78.65	73.27	69.66	65.13

tk.)						
Non-food expenditure (in thousand tk.)	47.41	44.11	86.59	83.26	67.00	63.69
Investment (in thousand tk.)	51.33	30.09	103.06	68.05	77.19	49.07
Total assets (in thousand tk.)	1684.49	1647.50	5690.71	4734.35	3687.60	3190.92
Physical assets (in thousand tk.)	1652.92	1597.99	5607.69	4649.31	3630.30	3123.65
Non-land-physical assets (in thousand tk.)	282.72	258.42	482.59	452.74	382.66	355.58
Average Savings (in thousand tk.)	31.57	49.51	83.02	85.04	57.30	67.27

(USD 1= BDT 78)

We have calculated separately three poverty lines as food poverty lines, lower poverty lines and upper poverty lines for program and control areas for the year of 2015. From Table-3, it can be seen that three poverty lines are different for four areas. The highest food and upper poverty lines are for Shombhag (program union) compared to the control (Kulla) union. The similar picture is found for upper non-food allowance. However, lower non-food allowance is lower in Kulla union. As the poverty lines are highest in Kulla union, if these households per capita consumption expenditure fails to increase at the same rate then these households will be no longer as non-poor households. This is because of higher cost of living in Dhamrai upazila compared to Shemanto (program) and Uthali (control) as Dhamrai is close to Dhaka.

Table 3: Poverty lines for program and control areas

Poverty Line	Shemanto union		Shombhag union	
	Program (n=600)	Control (n=300)	Program (n=600)	Control (n=300)
Food poverty line (in thousand tk.)	12.972	12.748	14.851	14.910
Upper nonfood allowance (in thousand tk.)	7.552	7.500	10.496	13.059
Lower nonfood allowance (in thousand tk.)	4.402	4.412	4.472	4.351
Upper poverty line (in thousand tk.)	20.523	20.248	25.347	27.969
Lower poverty line (in thousand tk.)	17.374	17.160	19.323	19.261

Following table shows the percentage of households with respect to each estimated poverty line in selected four unions. This result mentioned what the percentage of households is below or equal to lower poverty line, upper poverty line and food poverty line. The percentage of households below or equal to upper poverty line includes households under lower and food poverty line i.e. these are the cumulative poverty rates of household for the year of 2015.

Table-4 reveals that percentage of households with per capita total expenditure equal or below food poverty line is double in program area. However, percentage of extreme vulnerable poor (below or equal to FPL) is highest in Shemanto program and control union. However, the percentages of non-poor households (above UPL) are higher in Shombhag union. Considering statistical analysis, it can be said that more than 10 percent households are non-poor in program area compared to the control area and the difference is highly statistically significant. We have categorized the households according to the poverty lines because it gives a clearer picture of poverty rather than just looking into cumulative poverty rates.

Table 4: Percentage of households with respect to poverty lines

Poverty line	Shemanto		Shombhag		Program (n=1200)	Control (n=600)
	Program (n=600)	Control (n=300)	Program (n=600)	Control (n=300)		
≤FPL	8.33	4.00	1.00	1.00	4.67	2.50
≤LPL	23.67	25.67	7.67	10.67	15.67	18.17
≤UPL	36.33	44.00	30.67	43.33	33.50	43.67
>UPL	63.67	56.00	69.33	56.67	66.50	56.33
Mean difference(>UPL)	7.67**		12.66***		10.16***	

\*\*\* Significant at 1% level, \*\* significant at 5% level.

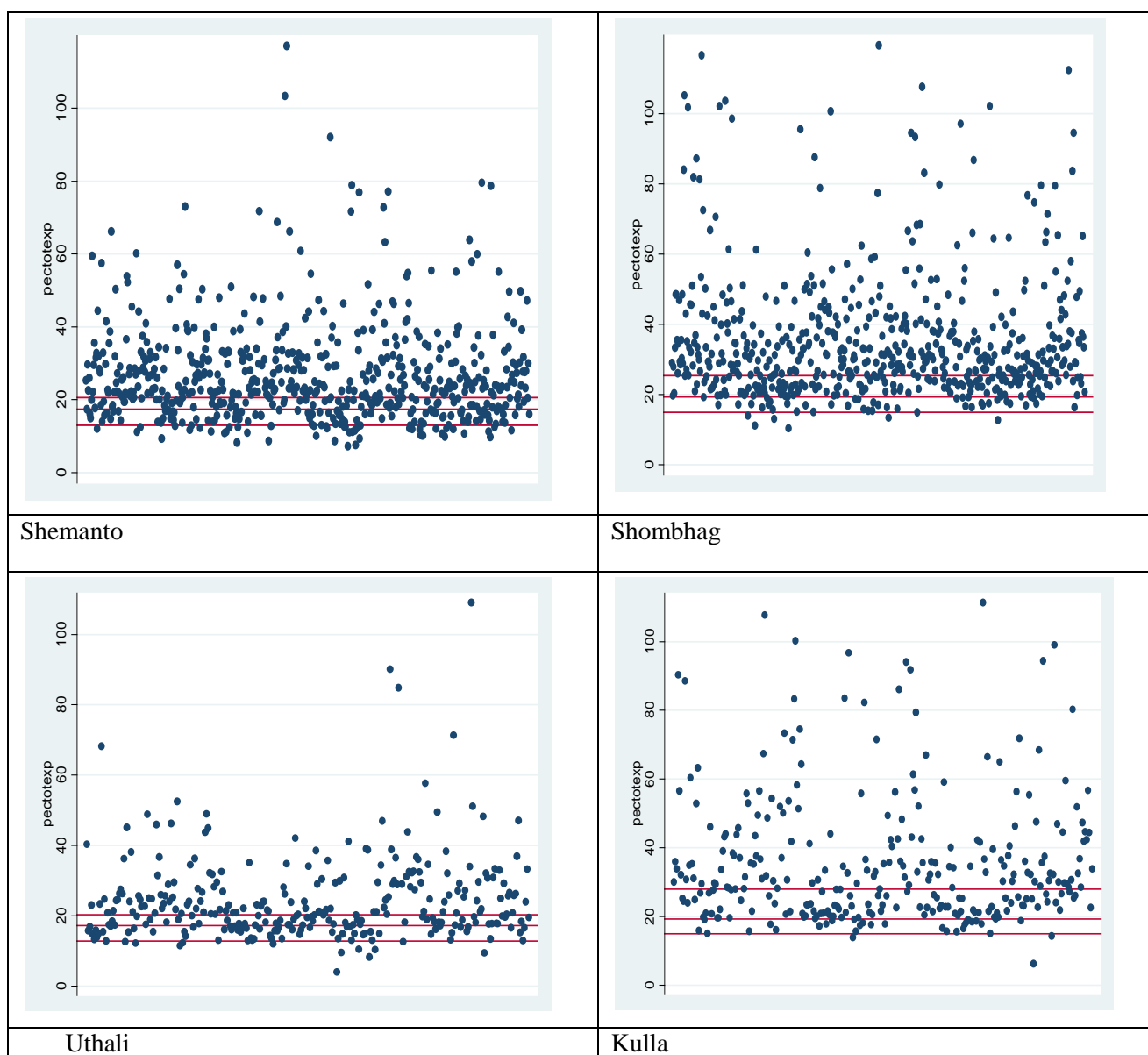
The numbers in Table-5 are similar to previous table when non-poor and extreme vulnerable poor households are observed, it is a different story for the other two categories. Considering four unions, Shombhag union has more non-poor households. Percentages of moderate poor households in Kulla union are higher indicates that may be these area households have a possibility to become non-poor (Table-5). However, control area households have a higher tendency to shifted poverty line as there is a greater scope of work. Because the Kulla union as well as Shombhag union is very near to Export Processing Zone, therefore, they can definitely work there compared to the Shemanto union.

Table 5: Percentage of households with respect to poverty categories

	Extreme Vulnerable Poor	Vulnerable Poor	Moderate Poor	Non- Poor
Shemanto (n=600)	8.33	15.33	12.67	63.67
Shombhag (n=600)	1.00	6.67	23.00	69.33
Uthali (n=300)	4.00	21.67	18.33	56.00
Kulla (n=300)	1.00	9.67	32.67	56.67
Program (n=1200)	4.67	11.00	17.83	66.50
Control (n=600)	2.50	15.67	25.50	56.33

Figure 1 shows the households (represented by dots) according to their per capita expenditure in 2015. To see the impact of any program, the poverty rates are presented by program areas although it may not be significant but it is worthy to look at any progress made so far. There is a heavy concentration of households below the upper poverty line in Shemanto union compared to other unions. However, in Shombhag union concentration of households are more above upper poverty line (Figure 1). In kulla union, households appear to be more scattered. It means that the possibility of finding a household above the poverty line decreases and they move away from the poverty line.

Figure 1: Poverty situation in four unions



### Poverty Gap

Headcount ratio tell us the percentage of people below a certain poverty line but it does not tell us how far (below or above) these people from poverty line. A household could be close to poverty line in terms of per capita expenditure but still be below it and considered moderately poor. Poverty gap is a way to look into the distance between household per capita expenditure and certain poverty line. Hence, it is represented by

$$\text{Poverty Gap} = \text{Per Capita Total Expenditure} - \text{Lower Poverty Line}$$

Table 6: Poverty gap in program and control areas

	Shemanto		Shombhag		Program (n=1200)	Control (n=600)
	Program (n=600)	Control (n=300)	Program (n=600)	Control (n=300)		
Tk. (In	9.57	7.95	17.37	17.50	13.47	12.72

thousand)						
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Table-6 shows the overall poverty gap is higher in Shemanto union. But overall picture is that the program areas household poverty gap is significantly higher almost by TK.750 than control areas. This implies that program areas households are moved further away from lower poverty line, i.e. they are moderate poor.

### **Incidence of Poverty by Different Household Characteristics**

Generally it is assumed that poverty is higher in areas characterized by geographical isolation, low resource, lacking of job opportunities, low rainfall, and other unfriendly climatic conditions. As we have classified the household according to their poverty rates, it is very important to analysis the poverty situation at the household level not only for discovering the nature of the problem but also for formulating effective modification of the ENRICH program.

Determining the household characteristics of the poor, and the constraints they are facing are necessary for effective policy design. We analyzed the data for Shemanto and Shombhag areas along with control areas. The household characteristics of different areas by poverty category are shown in Table-7 and 8. Table-7 shows that non-poor households have 2.5 times higher income than extremely vulnerable poor group. Although the control area household have higher income. But in program area, the household expand more money both for food and non-food purposes. More surprisingly, from Table-7, the result shows that non-poor household have 3 times higher total land compared to moderate poor. For non-poor group household size are same for program and control areas (Table-7).However, extreme poor household have very limited access to electricity.

Table-8 shows that household characteristics according to their poverty status. This result is similar to Shemanto union. But these region households have higher income, expenditure, assets and so on compared to Shemanto union. Surprisingly, the female headed households are found extreme vulnerable group although ENRICH program give preferences to women headed household.

In our rural areas, average household size is large compared to the urban areas. Therefore, the poverty rate is also high in rural areas. Table-9 shows the similar findings. For all union household size shows a positive and significant impact on poverty. Therefore, it is an important strategy to reduce poverty by reducing family size. Household head age shows a significant impact on poverty in Uthali union. As far we know the people are older they are more experienced, but after a certain point of time they are becoming inactive. Education variable shows a negative and significant impact in all areas. If the household head education increased, the household will be non-poor.



Table 7: Characteristics of households in Shemanto union by dynamics of poverty in 2015

Characteristics	Program				Control			
	Extreme Vulnerable Poor	Vulnerable Poor	Moderate Poor	Non-Poor	Extreme Vulnerable Poor	Vulnerable Poor	Moderate Poor	Non-Poor
Income (in thousand tk.)	61.39	78.45	88.33	150.13	56.64	93.87	104.22	158.61
Total Expenditure (in thousand tk.)	49.17	64.61	77.05	132.44	48.89	64.12	74.37	127.88
Food expenditure (in thousand tk.)	32.97	42.61	49.40	70.88	33.67	41.28	49.31	67.23
Non-food expenditure (in thousand tk.)	16.20	22.00	27.64	61.55	15.22	22.85	25.07	60.64
Investment (in thousand tk.)	12.82	31.43	38.81	63.65	33.54	27.58	10.87	37.11
Total assets (in thousand tk.)	679.24	673.68	1015.27	2242.25	540.25	569.82	912.54	2472.56
Physical assets (in thousand tk.)	668.64	665.93	994.41	2200.06	535.95	560.97	898.55	2392.47
Nonland-physical assets (in thousand tk.)	95.92	148.22	237.57	398.14	80.53	129.00	147.49	445.93
Total land size(decimal)	10.01	24.86	34.89	109.39	20.58	23.67	43.56	114.90
Homestead land (decimal)	5.08	4.59	6.15	4.75	5.17	3.76	2.36	5.32
Household size (average)	4.46	4.20	4.01	3.99	4.50	4.22	4.02	3.98
Age of household head (years)	47.58	47.42	45.54	46.19	45.00	40.15	39.29	45.52
Education of household head (years)	1.54	1.73	1.99	3.08	2.17	2.51	3.20	3.84
Female headed household (%)	0.22	0.07	0.03	0.06	0.25	0.09	0.02	0.02
Household have electricity access (%)	0.56	0.59	0.76	0.84	0.67	0.62	0.80	0.83

Table 8: Characteristics of households in Shombhag union by dynamics of poverty in 2015

Characteristics	Program				Control			
	Extreme Vulnerable Poor	Vulnerable Poor	Moderate Poor	Non-Poor	Extreme Vulnerable Poor	Vulnerable Poor	Moderate Poor	Non-Poor
Income (in thousand tk.)	74.12	124.66	155.06	244.45	42.33	116.25	157.37	244.39
Total Expenditure (in thousand tk.)	62.77	80.19	107.54	194.03	38.69	86.23	105.10	200.24
Food expenditure (in thousand tk.)	38.97	51.65	64.96	86.35	27.84	57.04	62.72	82.92
Non-food expenditure (in thousand tk.)	23.80	28.54	42.58	107.68	10.86	29.20	42.37	117.32
Investment (in thousand tk.)	3.85	13.49	69.13	124.36	0.00	9.04	26.38	103.33
Total assets (in thousand tk.)	2565.41	3023.80	3900.34	6705.88	3630.88	2720.93	2922.19	6292.00
Physical assets (in thousand tk.)	2554.39	3003.48	3861.98	6600.98	3629.65	2697.84	2867.96	6177.16
Non-land-physical assets (in thousand tk.)	147.73	195.86	307.25	692.90	142.98	144.56	299.38	749.25
Total land size(decimal)	55.33	34.36	53.91	80.19	51.33	54.50	48.86	91.20
Homestead land (decimal)	2.83	5.41	6.27	8.15	3.33	6.10	6.16	6.63
Household size (average)	5.00	4.68	4.83	4.54	3.67	5.00	4.58	4.25
Age of household head (years)	55.67	51.43	49.55	50.56	38.33	51.17	45.30	45.46
Education of household head (years)	1.67	2.18	2.57	4.15	6.00	1.41	2.81	5.20
Female headed household (%)	0.33	0.13	0.07	0.08	0.33	0.03	0.00	0.02
Household have electricity access (%)	0.67	0.90	0.91	0.97	0.67	0.86	0.92	0.96

Table 9: Determinants of poverty by union

Household Characteristics	Coefficient			
	Shemanto	Uthali	Shombhag	Kulla
Household size	0.115***	0.186***	0.099**	0.159**
Age of household head	-0.001	-0.026***	-0.004	-0.009
Education of household head	-0.065***	-0.059***	-0.060***	-0.111***
Female headed household	0.116	0.818**	-0.029	0.020
Household have electricity access	-0.590***	-0.366*	-0.744***	-0.642**
Homestead land	0.008	-0.043***	-0.009	0.003
Household head had multiple income source	0.099	0.215	-0.116	0.071
Savings	-0.002**	-0.003**	-0.002***	-0.001**

\*\*\* Significant at 1% level, \*\* significant at 5% level, \* significant at 10% level.

## Food Expenses

The food poverty line is different for each area due to the changes in the price of each food item. As the quantities of the food items are fixed for all areas, any change in the food poverty line is added to the particular price of the eleven items. From Table-10, we can see that eleven food item's price is different for all areas. Meat price is the highest among all other items, while potato and vegetables are the cheapest. However, all these item prices are peak in Kulla union. If we see two program areas, almost all item prices are higher in Shombhag union compared to the Shemanto. One of the main reasons behind this Shombhag union is near to the Dhaka city.

Table 10: Unit values of fixed food basket for food poverty line for four Unions

Food Items	Shemanto			Uthali			Shombhag			Kulla		
	Qty (gm)	Price/kg	value	Qty (gm)	Price/kg	value	Qty (gm)	Price/kg	value	Qty (gm)	Price/kg	value
Rice	397	30	11.91	397	30	11.91	397	35	13.89	397	35	13.89
Wheat	40	30	1.2	40	30	1.2	40	30	1.2	40	30	1.2
Pulses	40	94	3.76	40	93	3.72	40	98	3.92	40	95	3.8
Milk	58	40	2.32	58	40	2.32	58	50	2.9	58	50	2.9
Oil	20	80	1.6	20	80	1.6	20	100	2	20	100	2
Meat (beef)	12	350	4.2	12	350	4.2	12	355	4.26	12	380	4.56
Potato	27	25	0.67	27	25	0.67	27	26	0.70	27	27	0.729
Other vegetable	150	20	3	150	20	3	150	30	4.5	150	30	4.5
Fish	48	112	5.38	48	100	4.8	48	119	5.71	48	118	5.66
Sugar	20	40	0.8	20	40	0.8	20	40	0.8	20	40	0.8
Fruit	20	35	0.7	20	35	0.7	20	40	0.8	20	40	0.8
Poverty line (per day)/taka			35.54			34.93			40.69			40.85
Annual poverty line/taka			12972.47			12748.63			14851.49			14909.52

## Non-food Expenses

Every household has monthly budget. The households distribute their monthly budget for a number of non-food items. Goods and services can be included in this budget. Some items are used permanently while others are used for a short time. Personal preferences and surrounding environment influence a household to consume a particular commodity. We have classified the non-food expenses into seven broad groups which are shown in Table-11 along with their sub-groups.

Table 11: Non-food expenditure items of a household

Non-food items	Description
Personal items	Clothes and shoes
	Shoe polish, barber/beauty parlour, laundry
	Entertainment/vacation
Regular household expenditure	Repairing/ maintenance/renovation/security of house and household items
	Expenses (including fuel, fare and maintenance) for transportation/phone bill/ Electricity bill/cooking fuel/kerosene/match/candles
	Miscellaneous expenses
Health	Regular Check-up/medicine
	Special medical treatment/diagnosis/hospital bills
Education	Regular school fees/books/stationary
	Special education (for admission coaching, abroad study and so on)
Tax and legal	Taxation and legal expenses
Lumpy expenditure	Wedding/funeral/birthday/ Dowry
	Miscellaneous celebration like eid/puja
New Assets	Kitchen utensils, bedding, furniture, electronic goods like TV/refrigerator/radio/mobile

Table-12 shows that households spend the most on regular expenditure items and the least on legal and tax in all areas. Personal item expenditure is almost half of the regular expenditure in all unions. However, in program areas, education expense is lower than control areas. Households spend more money on lumpy expenditures compared to the creation of new assets. Expenditure on health are higher in program areas compared to the control areas, it may be that households are more health conscious in program areas.

Table 12: Non-food expenses in program and control areas per capita per month

Non-food expenses category	Shemanto	Uthali	Shombhag	Kulla	Program	Control
Personal items	20.12	20.76	16.63	16.34	18.37	18.55
Regular household expenditure	43.21	44.94	45.69	43.70	44.45	44.31
Health	13.49	12.09	11.10	11.47	12.29	11.78
Education	7.16	7.62	9.08	10.12	8.12	8.87
Tax and legal	0.70	0.12	0.67	1.15	0.68	0.64
Lumpy expenditure	11.34	11.50	13.96	14.73	12.65	13.12
New Assets	3.99	2.97	2.88	2.50	3.43	2.74

## Incidence of Poverty Before and After the Program

As we know that ENRICH start its baseline survey in 2010. After conducting a comprehensive household survey, households were classified by household income, in accordance with Household Income and Expenditure Survey (HIES) but some changes were made to accommodate different groups of people and diversified programs under ENRICH. The income-based classification is used here to identify the categories of poverty status of the households. Over time, some households become poor and some are non-poor. For this reason, we used HIES definition (used in ENRICH program) to identify poor and non-poor households. Following table shows a brief definition of poverty category. The estimated results are shown in Table-14.

Table 13: Poverty categories according to household income data

Decision Rule	Poverty Category
Monthly household income $\leq$ TK. 5000	Extreme or ultra Poor <sup>1</sup>
TK. 5,000 < Monthly household income $\leq$ TK. 5,800	Poor <sup>2</sup>
TK. 19,000 < Monthly household income > TK. 5,800	Non-Poor
Monthly household income $\geq$ TK. 19,000	Solvent household <sup>3</sup>

From Table-14 it can be said that at the beginning of the program, 6 percent households were solvent household in Shemanto union. After implementing the program, the percentage of solvent households are increasing around three percent in Shemanto union. The most interesting result is found in Shombhag union that solvent households are increased by 2.75 times in 2015. Besides, extremely poor households have decreased over time in both areas and the decreasing rate is highest in Shombhag union.

Table 14: Poverty status of households by using household income

Union code	2015				2010			
	Extreme poor	Poor	Non-Poor	Solvent household	Extreme poor	Poor	Non-Poor	Solvent household
Shemanto (n=600)	23.50	5.00	62.50	9.00	38.33	11.17	44.17	6.33
Shombhag (n=600)	9.33	2.67	54.83	33.17	20.50	6.17	61.33	12.00
Uthali (n=300)	25.33	7.00	56.00	11.67				
Kulla (n=300)	5.00	2.67	63.67	28.67				
Total	16	4.17	59.06	20.78	29.42	8.67	52.75	9.17

<sup>1</sup>According to HIES Report 2010, per capita income of the people below the lower poverty line (Ultra-poor Households of ENRICH) in nominal terms at national level is BDT 1,103 and according to Labour Force Survey 2010, average household size is 4.50. So the monthly income per household works out to be around BDT 5,000 (1,103 X 4.5).

<sup>2</sup> According to HIES Report 2010, per capita incomes of the people who are below the upper and lower poverty lines in nominal terms at national level are respectively BDT 1,271 and BDT 1,103. So, the monthly income for any household in this category would be between BDT 4,963 (1,103 X 4.5) and BDT 5,720 (1,271 X 4.5). In fact, per household monthly income between BDT 5,000 and BDT 5,800 has been treated in this study as the income range of poor households.

<sup>3</sup>The tax exempted income threshold of FY 2013-14 has been taken in defining this category of households, which is taka 220,000. Considering this, the monthly tax-free income for every household becomes BDT 1,8333 (220,000/12) or approximately BDT 19,000.

## Impact of ENRICH on Different Economic Indicators: Econometric Analysis

The survey finding reveals that almost 99 percent of the households have access to health services. Considering access to health and/or education, 67 percent of the households had access to these services. Only 31 percent of the households had access to financial and economic interventions, but only 13 percent of the households had access to loans. With so little penetration of financial services, one would perhaps be skeptical about the positive impact of Enrich. Our descriptive and econometric analyses support this apprehension. There was no positive effect on income. But there were positive impacts on expenditure, investment and the value of total assets. If there are limited economic impacts, where did the Enrich actually created impacts as well as actually reduced poverty?

From the above findings, the program impact is not clear. Therefore, we have used econometric analysis to get more clear idea. PSM techniques have been run to check the impact of ENRICH on economic indicator (Table-15). The results indicate that there is no impact of ENRICH on household income. However, the program has significant positive impact on total expenditure, food expenditure and investment. The most important finding is that ENRICH program has a highly significant impact on poverty and this program reduced 10 percent poverty in program areas compared to the control area.

Table 15: Impact of ENRICH on poverty rate

Overall impact of ENRICH on	Treatment (n)	Control (n)	ATT	Std. Err.	t
Income	1200	580	5.98	9.70	0.62
Expenditure	1200	580	9.92*	5.70	1.74
Food expenditure	1200	580	6.31***	1.97	3.20
Non-food expenditure	1200	580	3.61	4.41	0.82
Total asset	1200	580	497.14	330.62	1.50
Physical asset	1200	580	508.88	326.35	1.56
Non-physical asset	1200	580	7.52	37.12	0.20
Savings	1200	580	-11.74	12.76	-0.92
Investment	1200	580	26.15**	12.43	2.11
Poverty	1200	580	-0.10***	0.03	-3.39

\*\*\* Significant at 1% level, \*\* significant at 5% level, \* significant at 10% level.

### Conclusion

Many poverty reduction programs have been launched in Bangladesh. Some of them are successful and some are failure. PKSf also has various poverty-reduction programs. However, in view of the years of experiences, PKSf in the recent times has brought in some fundamental shift in its vision and introduces a multi-faceted program known as ENRICH. The program was designed with access to credit and socioeconomic resources. Only credit is not enough for developing poverty status. But using the resources more efficiently requires access to education, training and social institutions. Under the ENRICH program, education, training and health services are non-financial essential elements. As per the impact of the program on economic indicators, ENRICH program has significant effect on household expenditure. In addition, investment also positively and significantly affected by ENRICH

program. Increasing investment lead to increase in household's income and therefore increase in total assets.

Poverty is measured in both income and expenditure data in this study. Household annual food and non-food expenditure data have been used for identifying poverty line in the current year in program and control areas. Besides, when we want to see the poverty dynamics of before and after impact of the program, this study used household income data because only program area data are available in the baseline survey. The finding shows that the program area households reduced extreme poverty level and also the number of poor households decreased over time. Around 33 percent households are found below the upper poverty line in program areas, whereas it is around 44 percent of control area. In Shombhag union, the percentage of households below upper poverty line is around 31 percent, which indicates this area has more job opportunity compared to other areas. However, control areas picture is similar. Shombhag union is more urbanized, therefore, our selected control area of this region also developed. Despite having a positive impact on various indicators it is important to carefully observe the location and behaviour of participating households and bring changes in the program design if necessary. It is imperative to expand ENRICH program with its multiple components. All components are not suitable for all areas. Therefore, focus should be given on suitable component in particular area which ensures regular household income.

After implementing the program, the extreme poor households have come down in two program areas. In 2015, the number of solvent households and non-poor households are also increased in both areas compared to 2010. The finding shows that percentage of solvent households in Shombhag union stood at 33 where it was 12 percent in 2010. In Shemanto union, it is increased but at a slow rate. As ENRICH program is designed for poverty reduction as well as overall human capacity development and focuses on women headed household. The results from poverty category indicate that it is necessary to concentrate more development work on female headed households. Female headed households cannot capable risk still now as they are also in vulnerable condition. Extreme vulnerable poor households have larger share of female headed households. Besides, it is also important to educate the household for lifting them in extreme vulnerable condition to moderate or non-poor.

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## **Telling their story of homelessness: Voices of Victoria's tent city**

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In a climate of reduced access to affordable and appropriate housing, tent cities have emerged as a unique solution to homelessness. Conducted with an open-ended interview schedule, this qualitative study presents the findings of research conducted at Tent City, Victoria in 2016. Using snowball sampling, 12 residents of Tent City participated in research that revealed four themes: (1) the reasons participants were in the camp; (2) the role of services in resident's lives; (3) marginalization and alienation from the broader community; and (4) the importance of Tent City as a home community to residents. Participants identified mental health problems, substance abuse, family breakdown, criminal histories and lack of housing as pathways to homelessness. Services to homeless persons were considered inadequate in quality and quantity and thus not helpful. Participants indicated that public perception of Tent City and its residents were negative and one sided. Finally, the importance of Tent City as a community for residents was emphasized. The community had generated its own norms and standards for residents, and participants noted several benefits of living in Tent City. The results suggest that a considerable amount of work is required to close the gap between service providers and service users if a positive impact on homelessness is to be realized. Although a reversal of neo-liberal housing policies is not foreseeable, tent cities can be used as a viable alternative in times of chronic housing shortages.

# **The Civil Society and Poverty in contemporary India**

Indrajeet Singh

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At recent date, it has become fashionable to launch a discourse about having to establish civil society in India. When we talk about the civil society in India we are faced with many difficult issues and realities. One Issue is that civil society's activism has brought forth many people of Indian citizens into a comfort territory. It is also strongly felt that the civil society teaches the laws and civility to its citizens thereby making India a better place. But there are some stark realities concerning the civil society which social scientist can not ignore. If we study the structure of the civil society in India, we find that it creates binary oppositions: middle class and lower class, civilized and uncivilized, law abiding citizens and law breaking citizens so on and so forth. The reality is that the Indian civil society consists of microscopic minority and has excluded majority of its people which is known by very important phrase 'Political society' expressed by Partha Chatterjee. This political society basically includes street vendors, the people who sell things on the footpath and use water and electricity facilities illegally. In addition to this, there are people who are not part of political society nor are they part of civil society and known as marginalized groups. These people stand even below 'political society'.

My lecture basically aims at understanding above mentioned issues, realities and oxymoron of Indian civil society. I will try to hold forth as to how the people living in political society and extremely marginalized citizens can be made the part of civil society. The wages of being in marginalized category is poverty and hunger. Reward of being born in civil society is privileged status and respect. I strongly feel this wide gap should be narrowed down. I strongly feel that if India has to develop industrially and reduce poverty, the horizons of civil society should be expanded and it should be made more inclusive. Industrialists and businessmen should reach out to those who are marginalized and left out.

Note: the word civil society in this paper represents those people who are rich, and love to live in sanitized fortified apartments to skirt the bad impacts and problems of poverty.

*Transcultural Development; Remembering the People in Development*

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College of Idaho, USA

Note: Research previously conducted, in part, while serving as an Adjunct Instructor at Boise State University

“This work was supported by grants from the Associated Students of Boise State University and by Dr. Patrick Shannon, former Dean of the College of Business & Economics at Boise State University.”

<sup>1</sup> In the movie *Black Gold*, women are seen sorting through beans to identify quality beans, while discarding undesirable ones. They are able to work, earn money, and at the same time hold onto their cultural norms of conversing together over work. This too can be done during the dehulling process by the women in these Guatemalan communities, which would be culturally appropriate and simultaneously turn the pigeonpea into a slightly processed good dal, which is valued higher on the open market.

## Abstract

### *Transcultural Development; Remembering the People in Development*

Presented is an ethnographic study of peasant Guatemalans inhabiting the southwestern coastal plain of their country and efforts to develop a new export crop, the pigeon pea. In practice, development too often neglects the perspective of the impoverished when attempting to ameliorate socio-economic conditions that persist. A new term, transcultural development, is introduced to advocate for the inclusion of cultural norms and rights of receiving cultures in the face of globalization. This paper also calls for taking an interdisciplinary approach when conducting university based international service-learning projects.

**Key Terms:** Transcultural Development, Acculturation, Development, Gender, and Service-learning

### Acknowledgements

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## Introduction

Guatemala, a agriculture extensively been studied by anthropologists with the focus often turning to the tension between the ‘odious feudalism’ wrought by corporatized invaders (Bossen, 1982) and Non-Governmental Organizations (NGOs)(Carr, 2008). . Certain aspects of neoliberal economic policies have historically crippled the country in favor of foreign interests further contributing to mass poverty and malnutrition (Robinson 2000, 89-107). In a country that is dependent on bananas, coffee and sugar for its export income, wealth, in terms of the Western capitalistic meaning, is ironically concentrated away from its rural source, around the capital city as well as several select towns such as Antigua and the Port of San José. NGOs have a chequered history in improving the socioeconomic conditions of aid recipient populations, with aid linked to the demands of their donors (Igoe 2004, 104-12). Acculturation, in the most negative sense of the term, is rampant among Mayans while the Guatemalan government, private sector and NGOs strain to develop indigenous and impoverished people by making them conform to Western standards of living without recognizing local customs, redolent of neocolonial imperialism. For example, Berry (2014) reports on a medical mission to Guatemala where the first task of the mission after setting up camp was to distribute insecticide to rid the population of head lice. When questioned by the author whether head lice was a health threat, a medical expert conceded it wasn’t but “it just wasn’t normal to have head lice” (Berry, 2014 p.344). Even nonpareil projects fail for their lack of ethnographic understanding of how to implement their schemes. The rural landscape is dotted with incomplete efforts of development oftentimes leaving Guatemalans worse off than before due to unsustainable projects that, as is the case in much of the developing world, cease to operate when donor funds from developed countries diminish (Farmer, 2012). First-hand accounts and interviews with international development workers in Guatemala consistently entail criticisms of other aid workers but at times lack a self-reflective

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awareness. Investigation into the issues of development work and the socioeconomic conditions of Guatemalan peasant life can be discouraging, leaving those who do care about indigenous and or impoverished peoples' rights susceptible to despair. Fortunately, however, there remain countless individuals and organizations anxious to improve the socioeconomic conditions of Guatemala that ranks as the fourth most chronically malnourished nation-state in the world (World Food Program 2014).

The present study takes as its focus an nongovernmental organization (NGO) that works in rural Southwestern Guatemala at developing an economic export plan for a newly introduced pigeon pea cash crop. In describing the NGO's approach, we have used the term *transcultural development*. Rouse (1986) argues that Malinowski, Onis, and Ortiz's terms *acculturation* and *transculturation* have been employed interchangeably to refer to the exchange of norms that takes place when groups of diverse origins enter each other's cultural domains (Ortiz, Onis, and Malinowski 1947; Rouse 1986, 11). Rouse in contrast engages the term *transculturation* to specifically refer to weak interactions, such as trade, that tend to lead to local development, rather than to strong interactions, such as warfare, that tend to lead to dominance by victors and the loss of autochthonous culture by the vanquished. Accordingly, *transculturation* is understood to foster development by way of the exchange of traditional norms between interacting groups of people each one of which promoting and retaining its own cultural identity (Rouse 1986, 11-14). In attaching Rouse's term to development, we are referring to socioeconomic development of a group of people to sustainably break the poverty trap of poor education, health and income without sacrificing rights or being progressively undermined or co-opted by a non-indigenous worldview. In countries like Guatemala, that have been permeated with multiple waves of foreign influence, such an interpretation may appear naïve, however as prominent scholars note that traditional

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culture—not just in its artifacts but also its attitudes, such as patriarchy (Taylor, 2006) persist, a phenomenon known as cultural stability (Sperber and Hirschfeld, 2004).

Academic studies by scholars from one nation examining issues in another nation are analogous to NGO operations in that they are both exercises in transculturalism. This study thus takes care to flesh out the context of the NGO project and the study itself, offering both a brief ethnographic background of the rural Mayan Guatemalan population at the focus of the study as well as Guatemala's broader recent political and economic history. The study also offers an account of service-learning work and concludes with our findings and a discussion of how *transcultural development* applies in this context, and possible implications for the approach in future research.

### *Background*

The NGO primarily operates in ten communities located in the departments of Retalhuleu and Suchitepéquez in Southwest Guatemala. The population of the villages encountered was a mixture of Mestizo (mix of Amerindian and European descent) and indigenous K'iche' Mayan. The nation-state is comprised demographically of 59.4 percent Mestizo. The K'iche' Mayan are one of the largest remaining Mayan ethnic groups in Guatemala with approximately 750,000 people making up 9.1 percent of the population (CIA). The K'iche', (ethnonym Quiché), span various geographical regions in ten Guatemalan departments, predominantly in the highlands but also in the Southwestern coastal plains. Globalization, particularly from Western influence dated to the Spanish conquest of the region in 1524 and later by the United States in the 20<sup>th</sup> century, greatly impacted the local population. Following the Spanish conquest, the Guatemalan government stripped the K'iche' of their lands in favor of traditional Spanish haciendas (plantations), resulting in the indigenous Mayans becoming peasants and migrant laborers (Ember et al. 2002, 140-42;

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CultureGrams 2005, 65). In spite of this, many traditional K'iche' Mayan cultural norms persist today.

### *Agriculture and Economy*

The K'iche' Mayans maintain a reputation as excellent agriculturalists specializing in crops such as maize, beans, squashes and fruit trees among others (Bunzel 1952, 48-57). The villagers in Retalhuleu and Suchitepéquez maintain their cultural heritage of producing maize for sustenance as well as to sell excess production for an economic profit. The assistance of governmental and NGO intervention provides the farmers additional knowledge to produce large quantities of sesame, primarily as a cash crop. Historically, the K'iche' Mayans supplemented their diet with regionally produced crops more rich in nutrients that included wheat, potatoes, chilies, apples, pears, peaches, plums, avocados lemons, limes and oranges. The K'iche', like other Mayan groups, traded their agricultural goods and also handmade productions such as pottery, blankets and woodworking at nearby regional market centers (Ember et al. 2002, 141).

### *Kinship*

The K'iche' Mayans were organized as patrilineal clans and lineages until the Spanish missionaries and government imposed the concept of the nuclear family on the people; this resulted in a bilateral kinship system similar to other indigenous groups after Spanish colonization throughout Latin America. The typical household now consists of the nuclear family, but it is still common to find extended family residing patrilocally. Prior to the 1950s the K'iche' participated in arranged marriages, but it is not customary today. Nevertheless, it is emphasized that children follow strict obedience to elder, more authoritative members of the community (Ember et al. 2002, 141-42).

### *Recent Political History*

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K'iche Mayan cultural norms still persist in many aspects, but have been tragically altered after the United Fruit Company (UFC) commenced its occupation of Guatemala in 1901. Under the 13-year dictatorship of General Jorge Ubico (1930-1944), Guatemala's congress granted the UFC over 200,000 hectares of banana land in the Southwest coastal plains in exchange for the promise to build a port (Streeter 2000, 11-12). Peter Chapman provides an excellent history of the UFC and its influence on Latin American nation-states, including Guatemala, in his *Bananas: How the United Fruit Company Shaped the World* (Chapman 2007).

In October 1944, Guatemala revolted against the Ubico dictatorship and celebrated what was deemed *ten years of spring*, when democratically elected president Juan José Arévalo Bermejo served from 1945-1951. President Arévalo led a constitutional reform, which later resulted in the expropriation of agricultural land held by the UFC and bourgeois class to the peasant majority by his successor President Jacobo Árbenz. The UFC countered by petitioning the United States government to intervene; ultimately, the US violated Guatemala's sovereign rights under the guise of political communist rhetoric as democratically elected president Jacobo Árbenz was overthrown by the CIA in 1954 (Streeter 2000, 15-23; Cullather 2006, 15-32; Rabe 1988, 43-49). Following Árbenz's resignation, Guatemala was under brief military rule until civil war broke out that lasted from 1960-1996, leaving over 200,000 citizens either dead or missing (BBC 2012; May 1999, 68-91). The effects of the war brought about a new era in Guatemala described by the farmers we interviewed as a dichotomy of hope, yet weariness of further oppression and violence.

### *Pigeon Pea, Fighting Malnutrition and its Utility as a Cash Crop*

Pigeon pea was selected by the nonprofit for a myriad of reasons in addition to its potential as a third cash crop for the peasant farmers of Guatemala. Nutritionally, the seeds of the pigeon pea plant average about 21 percent protein and are rich in amino acids,

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carbohydrates, minerals and vitamins A and C. The plant is drought resistant and its roots are able to break through the hard rocky layer of soil and fix nitrogen and other nutrients back into the soil, reaching as far as three meters deep. An ancillary benefit is that the pigeon pea provides other crops root's, such as maize and sesame, the ability to grow deeper resulting in higher yields of production (Saxena 2002, 227-60).

The leaves of the plant can also be utilized as an animal fodder and feed that is favored by cattle, goats and sheep. The stem of the plant also serves as a substitution for firewood; the plant grows between other crops and is harvested at a later period, providing a potential third major influx of income for the farmers. The initial seeds are provided for free by the nonprofit to the farmers who are then able to reuse the seeds yielded from the developed plant in future production cycles (Saxena and Mula 2010).

### *Methods*

The field work for this project involved a combination of a live case study service-learning and archival research. A team of nine researchers, lead by the first author, conducted interviews with members of the nonprofit to comprehend their perspective on their work in over 10 rural villages in the southwestern coastal plains of Guatemala. Spradley's (1980) seminal work on participant observation as a research technique gathers challenges of the participant-observation approach to research including failure to gain rapport, conceptual problems (lack of fundamental understanding of the concepts of ethnography) analysis problems and writing problems. Applying the approach to business problems has promise, however, with XXXX et al recently arguing that

...More recently, business anthropologists using ethnographic methods have helped organizations improve their performance in many areas including product design/development, consumer relations, human resource management, competitive intelligence,, (Editorial, 2013).

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Initially, our group developed a purely pragmatisteconomic market plan for the nonprofit and farmers to pursue. That is, the plan was designed to address perceived economic weaknesses in the current approach without a full acknowledgement of socio-cultural and socio-political context (SOURCE).

At an initial stage, the research team conducted a deskto audit to identify a potential market and create a sustainable business plan that took into account macroeconomic conditions, pigeonpea trade markets, regional pigeonpea cultivation and production, and the existing pigeonpea value chain. Using these criteria individually to identify a potential market to enter was not sufficient to produce a sound business plan; however, subsuming all available data consummated with key findings that promoted informed decision-making capabilities for the nonprofit and the Guatemalans.

The macroeconomic variables that we focused our attention on included national poverty levels, income per capita, malnutrition rates, a C.A.G.E. analysis and population growth rates. The success and failures of summer legume crops is influenced not just by climate variables and soil nutrition, but also by these macroeconomic conditions; the regional pigeonpea cultivation and production data furnishes insight into the supply and demand of the pigeonpea market. Global historical production data illuminates the relationship between these variables and the success and failure of pigeonpea producers. For example, identifying India's surge as the prominent pigeonpea producing country in the world certainly has value for Guatemala's foreseeable role as a global supplier. Since Guatemala's pigeonpea production is in its infancy, access to production data isn't readily available. As a result, we separated the primary pigeonpea producing regions and data mined their production statistics. India, Africa, and Dominican Republic are at the forefront of pigeonpea production and trade (ICRASAT 1980, 15-19; Jones, Freeman and Monaca 2002, 1-15; Joshi et al. 2001)

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Assimilating pigeonpea trade markets was a critical component to our research. We needed to evaluate global trade patterns of pigeonpea to assess the historical and possible future market trends. When considering trade negotiations between governments, one of our objectives was to answer which region in the world possesses a trade deficit for pigeon pea. As the findings developed, we were able to narrow down the potential export market for the emerging Guatemalan pigeon pea industry.

We then transposed our macroeconomic viewpoint into a microeconomic perspective and focused on the details of each country's domestic production. Specifically, the distribution channels or value chain that were found in the pigeonpea producing countries were critical in making recommendations to the NGO on how to develop the pigeon pea industry in Guatemala. We focused our efforts on which aspects of the value chain reduced transaction costs, promoted efficiency, increased pigeonpea production and empowered small farmers in their communities. Amalgamating these variables produced a framework for our recommendations to the NGO by incorporating macro and micro economic data. After conducting archival research from a traditional academic economic perspective, our foci shifted to the preparation and execution of fieldwork among the rural villagers in Guatemala.

We prepared questions and conducted interviews with the farmers, women and children of the local population that addressed their perception of the nonprofit, experience bringing crops to market, the implementation of this new pigeon pea crop into their traditional crop rotation and the gender dynamics related to daily living in the villages. Prior to the trip to Guatemala we were unduly confident of our economic plan and reflectively naïve of the ethnographic background of the specific peasant communities, not just Guatemalans as a whole, and what would need to transpire to implement our plan. In addition to conducting interviews, we participated in a community conference held by the NGO to discuss the crop, the NGO's role in the village and the potential of the new crop. We also

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presented our market export plan to the regional administration of the Ministry of Agricultural. Our admittedly brief participant-observation and interviewing of over seventy-six people, including key informants, immediately altered our perspective, findings, recommendations and conclusions. Upon returning to the United States, we formulated a new recommendation to the nonprofit's board of directors that would better serve the impoverished Guatemalan communities we interacted with that better accounted for their cultural norms, socioeconomic conditions and access to market from a more *transcultural development* approach.

### *Findings*

The nonprofit's influence in the local communities was discordant for two key reasons. First, the nonprofit inculcated local farmers to grow pigeonpea as a viable solution to their socio-economic conditions without understanding the underlying cultural dynamics and elucidate the undeniable tension between genders. On our initial visit to the local community we conducted a small informal meeting in one of the pigeonpea fields to glean a better understanding of the situation on the ground. In addition to our group of nine, present were four employees from the nonprofit, eight farmers, two of their wives, and six young children. During the discussion one farmer explained to our group,

“Our hope is to grow pigeonpea so that we may have a better financial future. Our goal is to show others that pigeonpea is realistic way to improve our livelihoods. It is important that we are able to make more money.”

A fair and realistic ambition, but when we asked one of the nonprofit employees how they assisted the farmers, they explained that their focus was to work with the farmers in the fields to increase production of pigeonpea, corn, and sesame. Natalie, one of the students, was

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intrigued by the obvious gender dominant relationship between the nonprofit and the male farmers and inquired,

“What role do the women play in the production of pigeonpea?”

In which our guide from the nonprofit brusquely replied,

“We work with them in the kitchen to incorporate it into their meals.”

Natalie followed up by asking,

“Have you asked the women if they want to help out in other ways?”

The nonprofit guide responded without hesitation,

“No, our job is to help them grow pigeonpea and to include in their diets.”

Stunned, bewildered, and slightly frustrated, Natalie informed the rest of our university group of the conversation. We immediately recognized that the nonprofit may not grasp their full impact in the community. Following the presentation, we spoke with one of the farmer’s wife in private; after exchanging pleasantries Natalie asked the woman if she or any of the other women in the village would be interested in helping out more with the pigeonpea project. The woman passionately responded,

“Yes! I want to help out. I have plenty of time after my chores, but I am not allowed. I want to be able to provide for my children and my family. It is important to me that I am able to provide better food and education to my children.”

Paola, another student asked,

“Does the nonprofit allow you to do this, or have they asked you to help?”

The woman replied,

“No, not really. They only ask me if I can help share with other women how to use the pigeonpea in our recipies. I want to help more, and I know the other women do to, but we are never asked to and never get the opportunity.”

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It was transparent throughout our fieldwork that gender discrimination was a major underlying theme in all aspects of the society. In another one of our key-stakeholder interviews, a woman expressed frustration with the lack of involvement women played economically.

“My place is at home, to take care of the house and the children. I want to do more, but my husband told me no.”

Beyond preparing pigeon pea as an additional component of their *Gallo-pinto* (a traditional Latin American dish of rice and beans), she desired to provide for her family and estimated that she had roughly four or five hours after completing her chores to contribute to the dehulling of the pigeon pea. Essentially, by dehulling the pigeon pea it can be refined to dal, which is the processed form of the pigeon pea and a common staple food in India that could provide a higher return on investment to the farmers to sell the crop in that form (Joshi et al. 2001). When asked about how to implement this production, the woman described that they could perform the work while the children were in school and not impact her quotidian responsibilities.

“I finish my chores early in the morning, and I have nothing to do. The children do not return until the afternoon. I then meet with some of the other women near my house. We will talk, but we could be doing something while we did this.”

This would not only provide a greater income to the community as higher profits could be realized, but is reminiscent of similar accounts of coffee bean sorting as publicly promoted in the documentary *Black Gold* (Francis 2006).<sup>1</sup> Through our various interviews with the other women in the community they shared similar sentiments as one of our key informants.

After promoting the community event by knocking on doors the morning of the event, the women and their children arrived either early or on time. This meeting provided us an exceptional opportunity to interview the women both individually and as a group during our

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outreach, and at the community conference. We discovered that women had little role outside of traditional household chores, but were eager to play a larger role in the production of the pigeon pea crop and transformation into dal. This experience demonstrates that the repressed economic role of women is common to highly disparate cultures. Accounts of the development of the Grameen Bank (Hashemi et. Al, 1996; Kumar et. Al, 2015) in Bangladesh similarly show the latent enthusiasm of women to engage more actively in development. Women's insight into the domestic budget is disconnect with women's ability to manipulate some of the key variables of wealth compared to their male counterparts. They may have different spending priorities, that are silenced in traditional (SPANISH WORd) societies, wishing to spend on health, nutrition and education as a means to break the poverty trap (Khandker 1998).

Although the women yearned for opportunity to enage, males, and indeed in some contexts the NGO were quick to dismiss the inclusion of women in the production of the crop. Traditional Mayan and Hispanic cultural norms were neatly illustrated when the males straggled to communy meetings between half an hour to an hour late—more closely observing the XYZ tradition of Manana. As soon as the first male arrived, the women moved to one side of the room and fell silent. From that point on their contributions to the debate ceased. The content of discussion also changed. As the men began to arrive, the entire conversation lost its former multi-dimensionality, and instead focused solely on financial issues, including: the potential profit the crop would generate. The attitude of the males towards the nonprofit were focused on what its financial instrumentality, and one participant declared,

“Why should we trust you? Everyone who comes leaves. This is nothing new for us. We want to make more money. Can you do this or not?”

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Collectively, the men shared the fear that this pigeonpea project was another false interest to help by a foreigner to improve their socioeconomic conditions. As the meeting progressed, the male members of the community openly criticized our group for interacting with the children instead of focusing our attention solely on them. One shouted,

“See, this is what we are talking about. You don’t care about us. You are outside with the children and do not even want to talk how we make money off of this or how you will help us.”

This further confirmed that the sole focus of the men was on monetary gain; to address his concern and quell the negative tone of the meeting, the lead author explained in Castilian Spanish to the men that our intention was to understand not only what was important to them, but to the entire community; that their children were the future of their community and that their perspective was valuable to our desire to implement an economic strategy that could potentially provide jobs for the children as they matured. Additionally, the interaction with the children provided our group an appreciation of why we were there. As we played games we learned from the children that they truly desired to obtain an education, and even recognized the economic returns of their older siblings who had finished school. Although we had two native Spanish speakers with us in our group, we were perplexed to remember the term for goose in Spanish, gonzo, and perhaps made our worst development attempt by teaching the children a rousing game of Pato, Pato, Gallina (duck, duck, chicken). All humor aside, the kids introduced to our group the importance of sustainable development and its long-term impact on the future of the community.

The second fallacy made by the nonprofit detracted from the purpose of their mission to alleviate poverty. The university group was astonished after speaking with a local farmer who was a former migrant worker in Arizona of the United States. He echoed the historical background of Guatemala, as highlighted in *Broccoli and Desire*, explaining how the rural

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farmers were granted five hectares per family in the community to farm and develop (Fischer and Benson 2006). His account of the *coyotes*, or intermediate buyers of the peasant's crops that function similar to drug cartels, was grave as they exploited local farmers across the country. He stated,

“The coyotes come with guns in their trucks. They take all of the farmers’ food and pay them a lower wage. They say it is the market price, but I know it isn’t. The farmers here want to bring their food to the nearby town to sell, but don’t have the opportunity to. It is sad to see. They work so hard but get almost nothing in return.”

Aside from the pigeon pea, the farmers produced mainly corn and sesame as a staple cash crop with various sub-crops depending on the season. Once harvested, the maize crop was only viable for a few days to a week to fetch the maximum price. Unfortunately, most farmers do not have vehicles to access the market in larger regional towns. This allowed the opportunity for the coyotes to block roads and enter the communities demanding a low average price of approximately 1500 Guatemalan Quetzal (approximately USD 200) for their entire yield. The coyotes quickly sold the crop to a multinational corporation for approximately three to four times the amount at 3,500 to 4,000 Quetzal (approximately USD 600 to 800) for the same quantity. This account was confirmed in other interviews with male farmers and the nonprofit. Our key informant was able to avoid the fate of his counterparts because he purchased a vehicle and additional landholdings after returning from the United States. When surveying the community landscape, it was obvious who had either spent time in the United States or currently have family members working abroad and are sending money home, as they possess nicer cement homes and even vehicles. Repatriated funds (SOURCE)

In our various interviews with the nonprofit organization, we discovered that although their goal was to improve malnutrition rates and income for the peasants through the pigeon

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pea cash crop, their specialization was largely centered on increased production of maize and pigeon pea. This NGO, like many others, lacked collaboration with other nonprofits or businesses to sell the product *before* introducing the plan to the community that potentially hindered the crops' effectiveness as a potential cash crop. This shortsightedness raised concerns not only about potential economic impact, but jeopardized the nonprofit's ability to sustainably assist the farmers. When Vince, one of the students asked a senior nonprofit employee,

“Why don't you help the farmers sell their crops in the villages?”

She replied,

“It's not our job. Our main focus is on increasing production.”

This commentary grew familiar to our group. Although well intentioned, the nonprofit was indeed forcing acculturation on the community. In our debrief later that night, Vince expressed to the rest of the group,

“What is the point? They could triple the farmers' income just by bringing the goods they already produce to market without adding another crop. They (the nonprofit) are too focused on what they do, that they are missing what's going on. They could be doing so much more for these people.”

Vince wasn't alone in his assessment, as we recognized just how naïve we were to assume that we could come in and provide an economic solution for the farmers without understanding what was happening on the ground- in spite our propitious ambitions we were committing acculturation.

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## *Discussion*

### *Transcultural Development Approach*

The nexus of population growth and development is dominated by what de Swann (cited in XXXX, p. 664) calls a “relatively small cabal” of international institutions of influence.

One of our key-informants was an international development worker who bluntly quipped that “Guatemala is where nonprofits went to die.” We were perplexed by this perspective at first, but soon understood what she meant by it. The K’iche Mayan/Mestizo farmers discussed numerous accounts of NGOs who entered their village with grand promises of improving the welfare of the people, only to leave years or in some cases months later. Fortunately, that is not the experience of the nonprofit we worked with, but the reality of previously failed development efforts warrants serious reflection of how well intentioned NGOs and businesses from economically developed countries can alter their approach to development work.

From an outsider’s perspective, the blatantly obvious root cause of failure in Guatemala aside from funding was the lack of communication between organizations. Many NGOs specialize in similar expertise (agricultural productivity, rural health care etc.) or complementary industries such as health and education but typically do not coordinate efforts. Cost of production for the nonprofits, multinational corporations and the departmental government could be significantly reduced by holding events such as community vaccinations on the same day as a community conference that addressed the introduction of a new crop. This would not only be beneficial economically but would reduce conflicting messages the indigenous communities receive from foreigners. Other areas that could improve the work of development workers and others would be to perform social impact

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assessments before providing a predetermined solution, even when the perceived need is obvious to the outsider.

International development workers and nonprofits such as our partner would greatly benefit from the expertise of a trained academic. If the nonprofit has an ethnographic understanding of the culture and people they desire to assist then they would benefit by being able to best determine how to introduce the project in a manner that is culturally acceptable; this process is where transcultural development may apply. If an outside organization, be it a private firm, multinational conglomerate, government body or NGO abides by the transcultural development approach then the people, such as the K'iche' Mayans of Southwest Guatemala would be able to sustain their culture by incorporating new technology or cultural norms into their own. Transcultural development is even more applicable for the nonprofit organization we consulted because of the K'iche' Mayan's historical agricultural and economic trading practices and its goal of reducing the effects of poverty through the introduction of the pigeon pea crop.

### *Education*

Many universities across the United States and Europe offer service-learning programs to students as well as cultural excursion opportunities for young people studying abroad. Many students cannot afford to participate in such programs or simply are not aware they exist. The service-learning experience for the students is life altering, as most professors readily recognize; however, the academic lens of a service-learning program also affects the experience the students will have. It is admirable student from various disciplines such as business, health and engineering, as well as professors, would want to participate on such a trip that we experienced in Guatemala. However, if the students are not taught to appreciate the impact that their project will have on the local people by understanding the culture, then they too could unknowingly force acculturation onto the indigenous or impoverished

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community. Therefore, the strength of applying interdisciplinary academic fields that includes ethnographic training to service-learning programs may better enrich the experience of the student as well as the local community alike.

### *Conclusion*

International development is a field of good intentions, success, disappointment, improvement, acculturation and hope simultaneously. Many leading academics such as Paul Farmer and his biosocial approach (2013), encourage students across multiple academic disciplines to address international development issues from a fresh perspective. It is imperative to understand the political, ethnographic and historical background of a nation-state and the ethnography of a given culture being studied in any development project. Adopting the transcultural development approach may be an additional tool for international development workers and countless organizations worldwide to accomplish projects that aim to lift the base of the pyramid out of poverty. In a long-term perspective, multinational corporations may employ this approach to build new potential markets as people emerge from poverty and developed economic markets become saturated. No matter the motive, all actors in the global economy have the potential of making a sustainable impact by applying the transcultural development approach.

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To maintain the privacy of the NGO involved, it shall be described as either NGO or nonprofit organization; any other entity will be clearly differentiated. Overall, this project was an applied service-learning research endeavor that exposed students to archival research, brief first-hand participant observation and interviewing skills acquired during the excursion to rural Guatemalan villages that worked with the international NGO. It ended with the presentation of recommendations to the nonprofit's board of directors upon returning from the field.

It would be easy to demean the efforts of the nonprofit's as austere Westernized development and to refrain from participating in such projects. However, the university student group approached the project from the practical stance of recognizing Guatemalans as having already been exposed to and made to suffer for centuries from the crippling effects of acculturation. Things were not made easier by the fact that from the on-site fieldwork and investigation both the students and author drew different conclusions than either of them did from archival research conducted prior to the trip.

The culmination of this promising crop's benefits affords the K'iche' Mayan farmers an opportunity to escape the poverty trap in which they reside. The K'iche' Mayan farmers in Guatemala's Southwestern coastal plains struggle to maintain aspects of their culture, yet desire to improve their socioeconomic conditions. This project warrants further investigation into how an indigenous and or impoverished group can fight acculturation in the wake of neocolonial imperialism faced by many around the world during the last century.

On the surface, it may appear too late to apply this approach in the context of our project; however, during fieldwork students witnessed several cultural norms that regularly impact the work of the NGO. If this nonprofit, and others like it, better understand the ethnographic background of people they assist traditional western development strategies might perhaps be improved by adopting a *transcultural development* approach without promoting the negative aspects of neoliberal economic development tendencies in the form of neocolonialism.

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The significance of pigeonpea in the smallholder economy extends beyond the production of a nutrient rich food. The crop is becoming increasingly important at the front lines of economic development in these rural Guatemalan communities and is in fact supported by the Guatemalan Ministry of Agriculture. The representatives of the Ministry of Agriculture in the Retalhuleu departmental government are planning to inject XXXX pesos into the XYZ projet, to encourage an additional four hundred villages in the area to produce the pigeon pea crop. Malnutrition and poverty plague many under-developed and developing economies, but pigeonpea growth and trade could potentially account for a propitious role in raising the standard of living in these rural communities. The attitude of the ministry is paternalistic, with a focus on guiding change more often than participating in it. As a senior xxxxxx told us:

We see the opportunity as being one of revolutionary change through breaking the local community connection with xyz crop, which is no longer a crop that reflect the market, and one where we have had persistent difficulty with xyz disease...

If smallholder farmers can capitalize on the existing pigeonpea export opportunities, the income generated could potentially flow to the farmer through the local community in the medium of agricultural employment.

Due to previously failed development attempts by other nonprofits, it was transparent that the NGO encountered severe obstacles in employing their expertise as the men were hesitant of repeated failed projects by outsiders. The nonprofit has numerous locals employed to assist the peasant farmers and has been in the community for over five years, but would benefit

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from a greater understanding of the ethnographic background of the people. The lack of comprehension of the nonprofit's work with the farmers by the greater community also reflected on the poor education levels of the area with less than half of the population completing a primary level of education at most (UNICEF 2014).

#### *Potential Market for Pigeon Pea Crop*

The macroeconomic analysis of the pigeon pea export market yielded several potentially promising outcomes; if the nonprofit could assist the farmers to identify a buyer and bypass any local coyotes, the peasant farmers could potentially increase their income levels substantially. The Indian export market would serve as the ideal locale to ship the pigeon pea to as India maintains the largest global demand for the product (Joshi et al. 2001). The Indian government is even seeking to import vast amounts of pigeon pea or its processed form dal, with its own production limited geographically. India's growing population and socioeconomic development is leading its people to eat plant based nutritional sustenance or possibly go hungry (Saxena and Mula 2010).

The concern for the nonprofit and the peasant farmers is that it will take years of progressive agricultural development with an established international buyer to exceed the minimum transportation costs to meet economies of scale (USAID 2014). Therefore, it is more economical and a better return on investment for the nonprofit to help the farmers sell their crop to an intermediate buyer that has an established reputation for positively assisting farmers. The students identified such an organization based out of Antigua, Guatemala whose sole purpose was to help peasant farmers package their product and sell it to a European entity at a *fair trade* price. Out of respect for the organization, it will solely be referred to as the third-party organization from here forward. The students also contacted a major U.S. importer of legumes that agreed to test a two-pound sample of the pigeon pea crop that could potentially provide the nonprofit with the coveted buyer they desired.

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The two potential buyers of the pigeon pea crop were encouraging from a limited capitalistic economic development perspective. The students and I were humbled by the poverty conditions these peasant farmers were living in and the vast gender discrepancies in the village. Based on our participant-observation and interviews, we formulated a recommendation to the nonprofit that was from a transcultural development approach.

### *Pigeonpea Analysis and Findings*

The months leading up to our visit to the nonprofit's operations consisted of general research based on the state of affairs in Guatemala as measured by the United Nations Millennium Development Goals, a CAGE distance framework analysis, economic analysis of the global pigeonpea industry in India and Latin America, recommendations based on previous secondary research that we compiled, and finally the creation of a working business plan. This study considered the economic analysis of the Latin American pigeon pea industry as well as recommendations based on the value chain analysis, the dehulling analysis, and the nonprofit partnership after witnessing the NGO's operations and experiencing a "day in the life" of the Guatemalan farmers.

We sought to provide the best possible solution in line with the nonprofit's current circumstances and operations. The pigeonpea industry in Latin America is currently dominated by the Dominican Republic after canning facilities shifted from Puerto Rico because of the local tax and low-cost labor incentives, as well as the promotion of cultivation and exportation of canned pigeonpea by the government of the Dominican Republic (Mansfield 1980). Pigeonpea is primarily exported from the Dominican Republic in a canned and frozen form for human consumption. The value chain in the Dominican Republic has four steps between the farmers and consumers; these include processors, distributors, wholesalers and super markets/warehouses. Inefficiencies in this value chain can lead to low

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return on investment for farmers resulting in ultimate abandonment of the crop in favor of other more secure cash crops.

The value chain analysis sought to locate the inefficiencies of the value chain and implement the best strategy for the nonprofit and smallholder farmers producing pigeonpea. Unlike other agricultural commodities such as cotton and coffee, the pigeon pea value chain outlines that the crop passes through several intermediaries with little value being added before reaching the end-users (Jones, Freeman and Manaca 2002). Intermediate traders, such as coyotes, often take advantage of peasant farmer's lack of business resources and market value by buying low and selling high; this is also where value is most often lost. However a middleman is a critical component in the value chain because smallholder farmers often do not have the means to transport their crop outside the village, a circumstance affecting many rural Guatemalan farmers that we encountered. As a buyer-driven value chain, the governing agent or the buyer at the apex of a value chain largely influences the price of the pigeon pea. The best scenario involves the nonprofit acting as that buyer so no value is lost at that critical stage.

The dehulling process signifies the production of dhal from the whole pigeonpea and it is the most widely used form of the crop generated for human consumption. While the most efficient way to dehull the pigeonpea is through the use of machinery specific to the pigeonpea itself, the recommendation to the NGO suggested that until the NGO reaches economies of scale and obtains stages of production at the level seen in the Dominican Republic, the initial investment in the dehulling machinery is too high. However, because of the nonprofit's current production stage they may be able to take advantage of a unique situation in which shelling of the pigeonpea is done by hand, which is low on investment costs and efficient in a sense that no seeds are destroyed in a machine. Implementation of this process could allow for employment of the women of the rural villages who, as we have

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personally seen, are more open to trying new ideas when given the chance. Research has shown that households in which women are empowered generally raise out of poverty much quicker than their counterparts (UN 2014a, 2014b).

#### *Recommendation Made to the Nonprofit Organization*

The nonprofit's current operations are such that its focus involves spreading agricultural technologies and sustainable techniques through investment in small farmers, implementing a new protein rich crop, reducing farmer impact on the environment, and diversifying export and consumption crops. Their current organizational structure however prevents them from fully realizing their potential. Therefore, establishing a partnership with another nonprofit of similar vision as previously outlined may prove to be beneficial. Unlike the nonprofit we assisted, who has a large focus on the development of pigeon pea with best crop yields and the most suitable planting environment, the third-party organization the students contacted maintains an initiative to link small-holder peasant farmers in Guatemala to export markets.

The third-party organization located in Antigua has been highly successful in this enterprise and has also managed to assist in the establishment of fair trade pricing for certain beans and peas in Guatemala. A partnership such as this may free up resources for the nonprofit to continue research on pigeon pea that is most suitable for the export market and prevent them from having to transport the harvests over long distances because of the third-party's proximity to the nonprofit's operations. Ultimately until relations are established between the two organizations it is impossible to predict in quantifiable means how it may affect the nonprofit's current operations.

Based on the trends seen in the Latin American pigeonpea industry, and the recommendations put forth in the value chain analysis, dehulling analysis, and partnership we recommended the following possible steps. The dominance of the Dominican Republic in

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distribution and exportation of pigeon pea is primarily attributed to the movement of production from Puerto Rico to the Dominican Republic as well as the government's investment of processing plants. Until assistance at the government level seen in the Dominican Republic is established in Guatemala it will be difficult to match production as a secondary mover.

From the value chain analysis, unless the nonprofit is willing to act as intermediary between all smallholder farmers producing pigeonpea and distributors they will not be able to receive maximum return on investment for their crop and increase the efficiency of the value chain. The dehulling process analysis is most efficient in terms of amount to be processed by use of machinery; however, shelling can also be done by hand which is low on investment and can be designed in such a way to provide employment for rural women who are the most disadvantaged and underrepresented, yet most willing to try new things. Lastly, partnership with an established firm such as the third-party organization in Antigua has the potential to make available resources for the nonprofit and provides a processor and distributor in a location that is nearby reducing transportation costs.

This recommendation also provided the nonprofit with an alternative economic plan that would allow them to fund their operations and drastically increase the income of the peasant farmers by eliminating the coyotes and serving as a co-operative on the Guatemalan's behalf. This solution is one of many, but provides the villagers with an option to sell all of their crops in addition to the pigeon pea at a higher price. It also aligns with the principles of transcultural development by alleviating poverty and incorporating traditional gender roles by providing the women an economic opportunity, yet still maintaining their local customs of conversing with each other while the students are at school. It would require however, a further ethnographic research study of how to promote women's rights in a culturally acceptable manner to the men of the village.

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