

Livelihood Struggles of the Chronic Poor in Rural Bangladesh (3)

by

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Household Assets and Liabilities

5.1 Asset Composition and Distribution

Assets are classified into two broad categories: one is productive assets, which include land, livestock, poultry and fisheries and the other one is household durable assets, which include household items, luxury items, tools, transportation etc. Possession of productive assets facilitates the household members certain kind of livelihood activities such as agricultural production, fishing, animal and poultry rearing. Ownership of household durable assets such as bicycle, motorcycle, tools and equipment etc. promote mobility as well as working capability of the household members and increase welfare of households. The household questionnaire collected information on each household's ownership of seven basic productive assets such as homestead land, agricultural land, fallow land, garden, pond, livestock and poultry. For household durable assets, data were collected on trees, transportation, tools and equipment and other household items. The total value of assets (productive and household durable assets) by economic class is shown in Table 5.1.

Table 5.1: Average Value of Assets by Economic Class

Economic Class	Value of assets at market price (in Tk.)	Gini index
Non-Poor	529,398.15	0.5278
Descending Non-Poor	189,519.47	0.5833
Ascending Poor	156,512.88	0.5038
Chronically Poor	37,026.96	0.5845
Total	207,812.92	-

There is a distinct variation in asset ownership between economic classes. The *chronically poor* households had the lowest asset value while it is the highest for *non-poor* households. The average value of assets of non-poor households is 14 times higher than that of *chronically poor*, 3 times higher than *descending non-poor* and 3.3 times higher than *ascending poor*. Although the average value of assets for *chronically poor* is the lowest, the distribution of assets within *chronically poor* households deviates more from a perfectly equal distribution as indicated by the Gini index (GI=0.5845), followed by *descending non-poor* households (GI=0.5833) indicating that many *chronically poor* and *descending non-poor* households had less or no access to assets. It is interesting to note that the assets are more evenly distributed among the non-poor households (GI=0.5278), while the lowest inequality is observed among ascending poor households (GI=0.5038). The value of asset for *descending non-poor*, *ascending poor* and *chronically poor* households are far below the overall sample average value of Tk.207,812.9

5.2 Poverty and Access to Land Assets

Land is an important productive asset, dominant means of production and important determinant of social status of rural households. Thus, it takes the leading role for income generation and earning opportunity in rural areas. The ownership of land asset directly affects income opportunities and welfare of a family. On the other hand, landless households are more exposed to poverty, since they lack income, human capital and access to other income earning opportunities extended for raising

income including rural credit. There is an inverse relationship between land ownership size and incidence of poverty. A vast majority of the rural poor belong to landless and functionally landless households. The land distribution presents a very uneven character, which presupposes the most skewed distribution of it. The *chronically poor* households have fewer access to land assets than other economic groups. The position may be viewed from the survey data which showed that more than 26 percent of the *chronically poor* households had no access to land asset (landless) and they are highly represented among the functionally landless (i.e. those owning 0.05-0.49 acres). Seventy-two percent of *chronically poor* households had land between 0.05 acre to 1.49 acres. The incidence of poverty is the highest among landless and marginal land owners (BBS 2000 HIES). The characteristics of land ownership distribution is very unequal across the economic classes (Table 5.2).

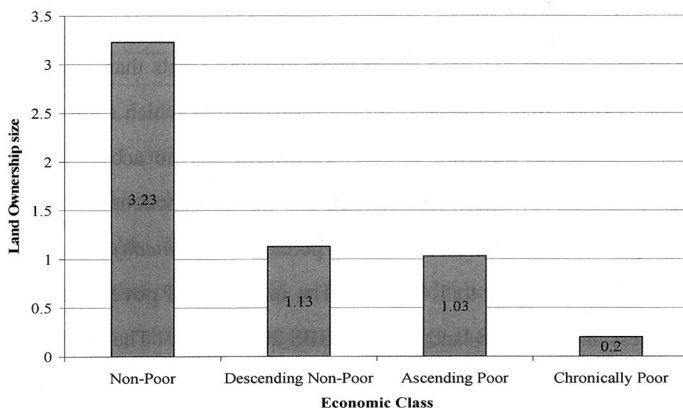
Table 5.2: Distribution of Households by Land Ownership and Economic Class

land size(in acres)	% of households			
	Non-Poor	Descending Non-Poor	Ascending Poor	Chronically Poor
Landless	3.8	6.6	8.4	26.3
0.05-0.49	12.5	40.5	41.8	62.6
0.50-0.99	9.4	18.1	14.2	6.8
1.00-1.49	12.5	11.0	11.6	2.8
1.50-2.49	19.7	11.5	11.1	1.4
2.50-5.49	26.9	9.7	11.6	0.59
5.50-7.49	6.6	0.88	0.99	-
7.50 + above	8.8	1.76	0.44	-
Av. size of land ownership	3.23	1.13	1.03	0.20
Gini-index	0.5189	0.6037	0.6001	0.6130

The average landholding size was 3.23 acres for *non-poor* households, 1.13 acres for *descending non-poor*, 1.03 acres for *ascending poor* and 0.20 acres for *chronically poor* households indicating that poor households have significantly less access to

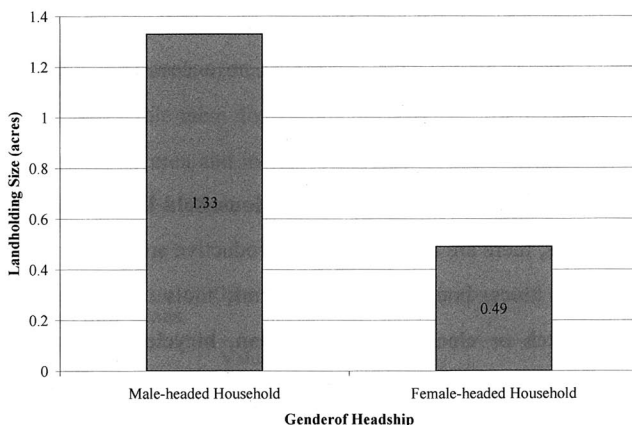
land asset. Figure 5.1 illustrates the average landholding size.

Figure 5.1: Average Landholding Size.



The Gini index which measures the inequality in land ownership distribution was found to be 0.5181 for *non-poor*, 0.6037 for *descending non-poor*, 0.6001 for *ascending poor* and 0.6130 for *chronically poor* households. Thus, the analysis of size and distribution of land ownership presents a very skewed distribution. An important consequence of such distribution is the rise of landlessness, incidence of poverty and loss of welfare in the rural society. There exist significant gender disparities in landownership size. The average landownership size for male-headed households is 1.33 acres, while it is 0.490 acres for female-headed households ($P < 0.05$). Figure 5.2 shows the landholding size by gender of headship.

Figure 5.2: Average Landownership Size by Gender



5.3 Value of Land Assets

The value of land asset varies with the variation in land ownership distribution across economic class. The highest value of land asset is observed for *non-poor* and the lowest for *chronically poor* households. The *descending non-poor* and *ascending poor* rank second and third in respect of value of land asset (Table 5.3).

Table 5.3: Value of Land Asset by Economic Class

Economic Class	Value of Land Asset (in Tk.)	Gini index
Non-Poor	484802.22	0.5606
Descending Non-Poor	177654.72	0.6105
Ascending Poor	139985.11	0.5622
Chronically Poor	28654.38	0.6543

The average value of land asset for *non-poor* households is 17 times higher than that of *chronically poor*, 2.7 times higher than *descending non-poor* and 3.5 times higher than *ascending poor*. The higher value of Gini index is observed for land asset distribution and it is 0.5606 for *non-poor*, 0.6105 for *descending non-poor*, 0.5622

for *ascending poor* and 0.6543 for *chronically poor*. The main reason for largest extent of inequality in asset distribution among *chronically poor* households is that more than one-quarter of the households had no access to land assets (26.3% households were landless).

5.4 Composition of Other Productive and Household Durable Assets

Besides land assets, there are other household productive and durable assets such as livestock, poultry, trees, household luxury items, tools and equipment. Among luxury items, **watch or clock, radio, television, bicycle, motorcycle, jewelry, furniture** are important. Tools and equipments mean agricultural tools including transportation. However, the average value of asset ownership by type and economic class is shown in Table 5.4.

Table 5.4: Average Value of Household Durable Assets.

Type of assets	Non-Poor	Descending Non-Poor	Ascending Poor	Chronically Poor
Household Items	27,457.23	5,678.78	9,454.90	1,477.07
Equipment/Tools	6,583.40	2,228.90	3,479.00	1,364.30
Livestock	15,733.00	9,085.30	11,933.80	6,239.50
Poultry	746.20	499.80	532.80	356.40
Trees	19,283.60	11,062.30	7,590.40	4,345.90

The *chronically poor* household has the lowest durable assets for all types compared to other groups. This group of household has also the lowest luxury assets (household items), while *non-poor* households have the highest value of luxury assets followed by *ascending poor* and *descending non-poor*. Livestock and trees are the second and third important assets for all categories of households. The second and third important valuable assets to the *chronically poor* are also livestock and trees but these assets are highly susceptible to shocks and are not sustainable. This is because, livestock can easily succumb to diseases and trees may be destroyed by

natural calamities and catastrophe. Lack of access to sustainable assets resulted in multi-dimensional deprivation such as deprivation in education, health and capabilities. Thus low levels of material assets keep *chronically poor* in poverty for longer periods and limit them for exiting poverty. On the contrary, households having large cultivated area and increased income from livestock, poultry and trees can escape poverty easily. The overall value of durable asset is shown in Table 5.5

Table 5.5: Average Value of Other Productive and Household Durable Assets by Economic Class

Economic Class	Value of Assets (in Tk.)	Gini index
Non-Poor	62,776.01	0.4209
Descending Non-Poor	23,604.05	0.5206
Ascending Poor	27,725.97	0.4247
Chronically Poor	8,323.12	0.5445

Inequality in asset holding as measured by Gini index is the highest in *chronically poor* households while it is the lowest in *non-poor* households. This means many *chronically poor* households do not possess some of the assets and thus inequality in distribution of assets within *chronically poor* households is higher compared to other economic classes. Inequality in asset distribution within *descending non-poor* households is also found to be higher compared to *non-poor* and *ascending poor*.

Table-5.6 shows the percentage distribution of households possessing household durable assets by economic class. A **watch** or **clock** was found to be highest level of ownership in *non-poor* households (78%), followed by *ascending poor* (60%) and *descending non-poor* (46%). The *chronically poor* households had the lowest level of ownership (24%) of this item. It is interesting to note that about 96 percent of the sample *non-poor*, 86 percent of the *descending non-poor*, 91 percent of the *ascending poor* and 37 percent of the *chronically poor* households owned **gold jewelry**. The **silver jewelry** is owned by 46 percent of the sample *non-poor*, 41

percent of the *descending non-poor*, 49 percent of the *ascending poor* and 37 percent of the *chronically poor* households. If we examine by quantity and type of jewelry, there may have some important features about quantity and quality between the economic groups. The most commonly owned household assets is a **cot/chawki**, used for bed, which is found to be 96 percent in *non-poor*, slightly more than 90 percent in *descending non-poor* and *ascending poor* households each and 75 percent in *chronically poor* households. Very few of the *chronically poor* households owned **radio** (0.1%), **mobile phone** (0.9%) and **television** (2.5%), which means that they have less access to information and amusement sources.

Table 5.6: Pattern of Asset Ownership by Economic Class.

Type of Asset	Non-Poor	Descend-ing Non-Poor	Ascend-ing Poor	Chronically Poor
Wrist watch/table or wall clock	251 (78.4)	105 (46.3)	134 (59.6)	120 (23.5)
Radio/Two-in-One	119 (37.1)	38 (6.2)	56 (24.9)	51 (0.1)
Black & White/Colour T.V.	98 (30.6)	14 (6.2)	27 (12.0)	13 (2.5)
Bicycle	114 (35.6)	42 (18.5)	49 (21.8)	44 (8.6)
Motorcycle	23 (7.2)	-	2 (0.8)	-
Gold Jewelry	308 (96.3)	196 (86.3)	205 (91.1)	190 (37.3)
Silver Jewelry	148 (46.3)	92 (40.5)	111 (49.3)	187 (36.7)
Fan	74 (23.1)	15 (6.6)	21 (9.3)	17 (3.3)
Cot/Chawki	308 (96.3)	205 (90.3)	203 (90.2)	381 (74.7)
Chair/Table	282 (88.1)	137 (60.4)	151 (67.1)	166 (32.5)
Almira (Wood/Steel)	141 (44.1)	39 (17.2)	47 (20.8)	27 (5.3)
Wardrobe	125 (39.2)	40 (17.6)	52 (23.1)	47 (9.2)
Meatsafe	102 (31.9)	23 (10.1)	34 (15.1)	19 (3.7)
Bench	66 (20.6)	30 (13.2)	30 (13.3)	32 (6.3)
Mobile Phone	5 (1.6)	4 (1.8)	2 (0.8)	5 (0.9)

Note: Figure in the parenthesis is the percentage of total sample household of the corresponding group.

Ownership of small mobility/working assets like **bicycle** was the lowest in *chronically poor* households (9%) and the highest in *non-poor* households (36%). About 19 percent of the *descending non-poor* and 22 percent of the *ascending poor* households also possessed **bicycle**.

The least frequently owned asset is the **motorcycle** and no *chronically poor* and *descending non-poor* households reported owning a **motorcycle**.

Fans were owned by 23 percent of the *non-poor*, 7 percent of the *descending non-poor*, 9 percent of the *ascending poor* and 3 percent of the *chronically poor* households. However, ownership of **fans** depends upon the availability of electricity and affordability of the households.

Chair/Table was owned by 88 percent of the *non-poor*, 60 percent of the *descending non-poor*, 67 percent of the *ascending poor* and 33 percent of the *chronically poor* households. **Almira, wardrobe, meatsafe and wooden bench** ownership being more common in *non-poor* households, followed by *ascending poor* and *descending non-poor* but less common in *chronically poor* households. The percentage of *chronically poor* households owning assets is much lower for all types of assets compared to other groups of households.

5.5 Gender and Access to Assets

Average value of assets for different types were then compared by gender of head of households in Table 5.7. There are significant differences between male-headed and female-headed households in respect of possession of assets.

Table 5.7: Average Value of Asses by Type and Gender of Household Head

Type of Asset	Average Value of Household Assets (in Tk.)		% of Households Having no Access to Assets	
	Male-Headed	Female-Headed	Male-Headed	Female-Headed
Land	189,534.92	64,563.00	-	3.0
Livestock	6,546.01	3,316.63	43.74	63.0
Poultry	420.15	279.80	18.02	23.0
Tree	8,946.98	2,873.44	21.06	37.0
Other productive	2,905.83	1,095.12	11.51	38.0
Household items	10,406.79	6,552.35	2.53	9.0
Overall average	218,737.84	78,680.34	-	-

Asset ownership appears to be significantly higher in male-headed households (Tk.218,737.84) than their female counterparts (Tk.78,680.34). This means that the female-headed households have less access to assets, while male-headed households own more assets. Thus in rural areas there exist gender disparities in access to all types of assets. The average value of assets for female-headed households is only 38 percent of overall average value of assets (Tk.207,812.92) and 36 percent of the value of assets of male-headed households

5.6 Asset Depletion and Gain

Asset depletion was occurred in all types of households through sale for different reasons. Nearly one-quarter of the total households sold their valuable assets in the last 12 months and the average value of assets is shown in Table 5.8.

Table 5.8: Average Value of Sold Assets

Economic Status	Average Value of Sold Assets (in Tk.)	No. of Household Who Sold Asset	% of Total Households in Each Group
Non-Poor	36,121.65	97	30.3
Descending Non-Poor	19,129.71	70	30.8
Ascending Poor	11,630.66	54	24.0
Chronically Poor	6,229.52	84	16.5
Total	-	305	23.8

There are several reasons for assets sale but the nature of reasons varies across the economic classes. Some of the sales may be termed as distressed sale and some sales are made for investment in certain income generating activities and acquiring additional productive assets. However, the distribution of households who sold assets by reasons is illustrated in Table 5.9.

Table 5.9: Reasons for Selling Assets by Economic Class

Reasons	Non-Poor	Descending Non-Poor	Ascending Poor	Chronically Poor
Purchase of food	15 (15.5)	30 (42.9)	10 (18.5)	40 (47.6)
Treatment	16 (16.5)	12 (17.1)	4 (7.4)	20 (23.8)
Purchase Land/Houses	20 (20.6)	3 (4.3)	7 (13.0)	7 (8.3)
Daughter's Marriage	4 (4.1)	8 (11.4)	3 (5.6)	6 (7.1)
House Repairing	4 (4.1)	6 (8.6)	7 (13.0)	8 (9.5)
Business	17 (17.5)	4 (5.7)	11 (20.4)	5 (5.9)
Purchase Household Items/TV/Radio	8 (8.2)	9 (12.9)	4 (7.4)	3 (3.6)
Agricultural Activities	13 (13.4)	3 (4.3)	5 (9.3)	3 (3.6)
Loan Repayment	10 (10.3)	12 (17.1)	10 (18.5)	10 (11.9)
Meet Litigation Expenses	11 (11.3)	5 (7.1)	5 (9.3)	3 (3.6)
Total Households who Sold Assets	97	70	54	84

Note: Figure in the parenthesis is the percentage of the households who sold assets

The uses of money obtained from assets sales varied by economic class. Table 5.9 reveals that majority of the *chronically poor* households tend to spent money obtained from assets sales to purchase of food for immediate consumption, on treatment for illness and loan repayment, while majority of the *non-poor* households utilized money for investments on purchase of land/house, business, farm activities and emergency situations such as treatment, food purchase etc. About 48 percent

and 24 percent of the *chronically poor* and 42 percent and 17 percent of the *descending poor* households who sold their assets spent money on purchase of food and treatment, while these figures for *ascending poor* were 19 percent and 7 percent respectively. Purchase of food for immediate consumption and treatment for illness are thus, the most important reasons for selling assets by the *chronically poor* households and they could rarely spent money on acquiring additional land or other productive resources or useful household items.

It is interesting to note that majority of the *non-poor* and *ascending poor* households sold their assets for investment on business and purchase of land/house followed by purchase of food and treatment. Loan repayment was also important reason for selling asset and about 11 percent of the *non-poor* households, 18 percent of the *descending non-poor*, 19 percent of *ascending poor* and 12 percent of the *chronically poor* households sold their assets for this reason. Daughter's marriage, purchase of household effects, fertilizers/labour cost payment were also reasons for selling assets in the last twelve months.

5.7 Assets Bought

Aside from sale, there were 200 households who bought assets and the distribution of households by economic class along with average value of assets bought is presented in Table 5.10.

Table 5.10: Average Value of Assets Bought

Economic Status	Value of Bought Assets (in Tk.)	No. of Household Who Bought Assets	% of Total Households in Each Group
Non-Poor	36,989.2	78	24.5
Descending Non-Poor	7,136.2	26	11.5
Ascending Poor	15,062.3	53	23.6
Chronically Poor	6,326.7	43	8.4
Total	20,705.3	200	15.6

Nearly one-quarter of the *non-poor* and *ascending poor* households bought assets worth of Tk.36,989.2 and Tk.15,062.3 respectively, while only 8 percent of the *chronically poor* households bought some sorts of assets worth of Tk.6,326.7. Nearly 12 percent of the *descending non-poor* bought assets with Tk.7,136.2.

5.8 Outstanding Loans

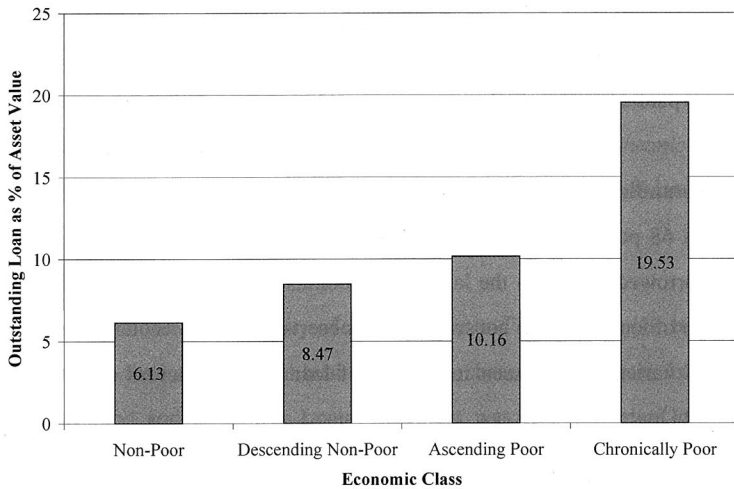
More than 68 percent of the 1282 sample households have or had an outstanding loan or borrowed money in the last twelve months. Less variation was observed in percentage of loan recipient households was observed between economic classes but significant variations was seen in amount of loan received across economic class (Table 5.11).

Table 5.11: Average Outstanding Loan in Last 12 Months by Economic Class

Economic Class	% of households borrowed money	Amount of money borrowed (in Tk.)	Borrowed money as % of asset value
Non-Poor	64.37	32,476.54	6.13
Descending Non-Poor	74.00	16,054.43	8.47
Ascending Poor	68.88	15,903.84	10.16
Chronically Poor	68.02	7,229.93	19.53
Total	68.33	16,394.06	7.87

Although the absolute amount of debt of the *chronically poor* households was the lowest, it was the highest if debt is measured as a percentage of household's asset value. The amount of debt in absolute term of *non-poor* households was found to be the highest but it was the lowest in terms of share of asset value. The amount of money borrowed as percentage of asset value was 6 percent for *non-poor*, 8 percent for *descending non-poor*, 10 percent for *ascending poor* and 20 percent for *chronically poor* households. Thus the *chronically poor* households have relatively higher debt burden compared to other economic groups. Figure 5.1 shows the outstanding loans as percentage of asset value.

Figure 5.3: Average Outstanding Loans as % of Asset Value



The most common source of loans were schedule banks, NGOs, relatives, money lenders, richman, friends and shops. But the sources of loans varied by economic class. The non-poor households tend to take loans more frequently from schedule banks, relatives, followed by NGOs, shops, richman, while the chronically poor households depend more on NGOs, shops, relative and friends. In spite of having low interest rate, the chronically poor have less access to schedule banks for loans. Although schedule banks require collateral, the non-poor, descending non-poor and ascending poor households take often loans from banks. This is because banks give loans of larger amounts for extended periods on crops and other economic activities. Nearly one-third of the chronically poor households often take consumption goods from shops on credit and shop owners keep accounts as borrowed money. This figure was 15 percent for non-poor, 22 percent for descending poor and 16 percent for ascending poor. All households have multiple loans at one time.

Table 5.12: Distribution of Borrowing Households by Source of Loans and Economic Class.

Source of Loan	Economic Class				Total
	Non-Poor	Descending Non-Poor	Ascending Poor	Chronically Poor	
Relatives	66 (32.0)	55 (32.7)	33 (21.3)	79 (22.8)	233 (26.5)
Friends	20 (9.7)	15 (8.9)	14 (9.0)	37 (18.7)	86 (9.8)
Richman in the village	21 (10.2)	29 (17.3)	24 (15.5)	56 (16.1)	130 (14.8)
Money lender	25 (12.1)	9 (5.4)	17 (11.0)	31 (8.9)	32 (9.4)
Schedule bank	84 (40.8)	60 (35.7)	48 (31.0)	56 (16.1)	248 (28.3)
NGO	42 (20.4)	41 (24.4)	52 (35.5)	111 (32.0)	246 (28.1)
Shop	30 (14.6)	37 (22.0)	25 (16.1)	97 (28.0)	189 (21.6)
Others	16 (7.8)	17 (10.1)	11 (7.1)	9 (2.6)	53 (6.1)
Total	206 (100.0)	168 (100.0)	155 (100.0)	347 (100.0)	876 (100.0)

5.9 Reasons for Taking Loans

Reasons for taking loans vary from one economic class to another. For instance, more than 66 percent of the chronically poor loanee took loans for purchase of food for immediate consumption, while this figure was 23 percent for non-poor, 48 percent for descending non-poor and 26 percent for ascending poor. Treatment is the second important reason for taking loans by the chronically poor and descending non-poor. The second important reasons for taking loan by the non-poor and ascending poor were investment in agricultural activities and business respectively. House construction and repairing and purchase of land were also important reasons for taking loans by the richer groups. However, distribution of loanee by reason of taking loan is shown in Table 5.13.

Table 5.13: Reasons for Taking Loans by Economic Class.

Reasons for Taking Loan	% of Households Who Took Loans				Total
	Non-Poor	Descending Non-Poor	Ascending Poor	Chronically Poor	
Food Purchase	46 (22.5)	79 (47.9)	39 (25.5)	227 (66.4)	391 (45.3)
Business	37 (18.1)	30 (18.2)	42 (27.5)	42 (12.3)	151 (12.3)
Cow/Goat Purchase	11 (5.4)	10 (6.1)	16 (10.5)	12 (3.5)	49 (5.7)
Daughter's Marriage Expenses	10 (4.9)	12 (7.3)	8 (5.2)	14 (4.1)	44 (5.1)
House Construction and Repairing	34 (16.7)	15 (9.1)	23 (15.0)	44 (12.9)	116 (13.4)
Meeting Medical Expenses	38 (18.6)	39 (23.6)	18 (11.8)	18 (23.7)	176 (20.4)
Cattle Food Purchase	10 (4.9)	8 (4.8)	12 (7.8)	19 (5.6)	49 (5.7)
Spending for agricultural activities	40 (19.6)	21 (12.7)	17 (11.1)	23 (6.7)	101 (11.7)
Land Purchase	21 (10.3)	3 (1.8)	8 (5.2)	6 (1.8)	38 (4.4)
Shallow Machine and Other Equipments Purchase	10 (4.9)	2 (1.2)	1 (0.7)	-	13 (1.5)
Others	36 (17.6)	22 (13.3)	12 (7.8)	43 (12.6)	113 (13.1)
Total	204 (23.6)	165 (19.1)	153 (17.7)	342 (39.6)	864 (100.0)