



DEEP WORKING PAPER 16

Poverty dynamics in Bangladesh

Selective literature review

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February 2024



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Our mission is to build evidence, insights, and solutions that help end extreme poverty globally.

We aim to contribute to new global and national data and evidence that governments, decision-makers, citizens, and researchers can use to improve people's lives and support the world's poorest people in their efforts to escape extreme poverty.

We are a consortium of the Universities of Cornell, Copenhagen, and Southampton led by Oxford Policy Management, in partnership with the World Bank's Development Data Group and funded by the UK Foreign, Commonwealth & Development Office.

Acknowledgments

Thanks to Umar Salam and Lucy Scott for their valuable feedback during the elaboration of this literature review.

How to cite:

López-Moreno, I. (2024) Poverty dynamics in Bangladesh: Selective literature review. *DEEP Working Paper 16*. Data and Evidence to End Extreme Poverty Research Programme: Oxford.

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Abstract

This paper is a result of a selective and structured literature review to present the most recent evidence about poverty dynamics on Bangladesh. The literature review covers 55 papers that provide relevant insights about various reasons behind different poverty dynamics: poverty escapes, poverty descents, chronic poverty, transient poverty, and vulnerability to poverty. The literature review is divided in three main sections. The first one discusses the role of the structural transformation process. It presents evidence of how industrial activities, particularly the garments industry, have helped households in Bangladesh to escape from poverty. On the other hand, it presents relevant evidence showing that the role of the agricultural sector in poverty reduction has been neglected, when it has also been crucial for poverty reduction in Bangladesh. The second section discusses the role of having an enabling environment. It presents evidence of how gender norms, lack of infrastructure, as well as climate and health shocks can undermine people's capacity to escape from poverty. The third section discusses the role of assets holdings. This section focuses on how natural capital, physical capital, social capital, and financial capital are factors that can be determinant between escaping, falling or maintain in poverty. The final part of the literature review discusses different research areas related to poverty dynamics that could be analysed in future research papers.

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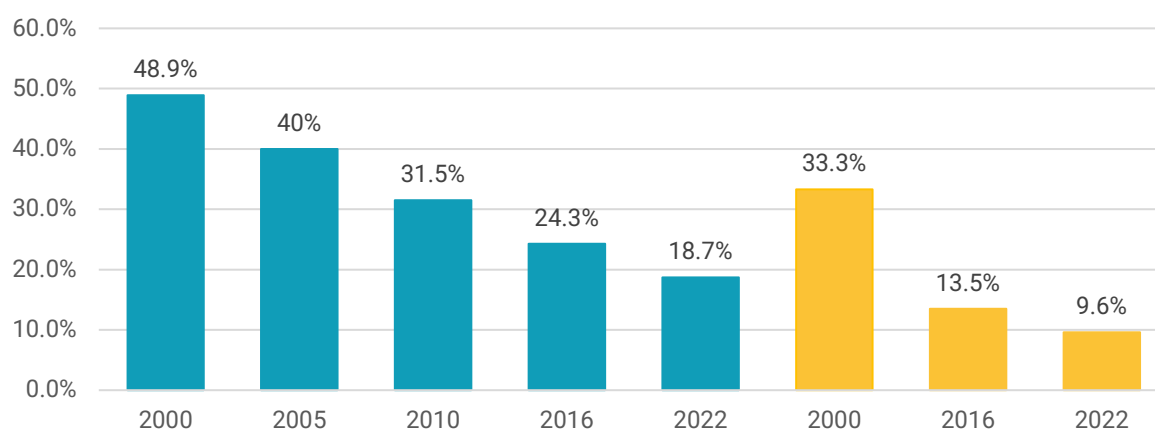
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Introduction

In recent years, Bangladesh has made significant progress in terms of economic development. It has had one of the highest sustained growth rates in the region and its economy has experienced a structural transformation process. They transitioned from being considered a low-income country, to being classified as a low-middle income country since 2015. If Bangladesh continues this growth trajectory, a promising economic outlook is envisioned for the subsequent years.

Certainly, its remarkable economic performance has also played a significant role in reducing poverty. Figure 1 shows the poverty headcount ratio in Bangladesh using two different measures. Considering the national poverty lines, nearly half of the population was poor at the beginning of the 21st century, while in 2022 less than 19% of the population is currently living in poverty conditions. Moreover, if we use the new international poverty line of \$2.10 USD per day, less than 10% of the population in Bangladesh is currently living in poverty. Regardless of the methodology employed, it is evident that poverty rates in Bangladesh have experienced a consistent decline over the past few decades.

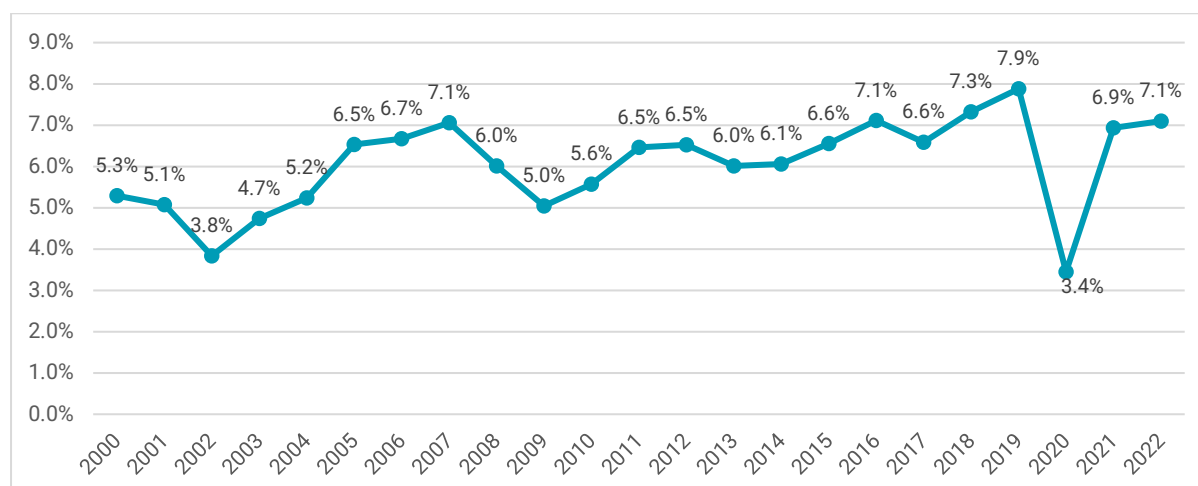
Figure 1: Poverty headcount ratio in Bangladesh (2000 – 2022)



Blue - Poverty headcount ratio at national poverty lines (% of population). Source: World Bank

Yellow - Poverty headcount ratio at \$2.15 a day (2017 PPP) (% of population) Source: World Bank

As mentioned before, Bangladesh has also shown an outstanding performance in terms of economic growths. Figure 2 illustrates that since the beginning of the 21st century, Bangladesh has consistently grown at rates of 5% or 6% almost every year. It also points out that despite the economic impact of the pandemic, there was a growth rate of 3.4% during that year. Furthermore, it shows that in 2021 Bangladesh reestablished its growth trajectory, demonstrating a rapid recovery after the pandemic.

Figure 2: Annual GDP growth rate in Bangladesh (2000-2022)

Source: World Bank - GDP growth (annual %) - Bangladesh

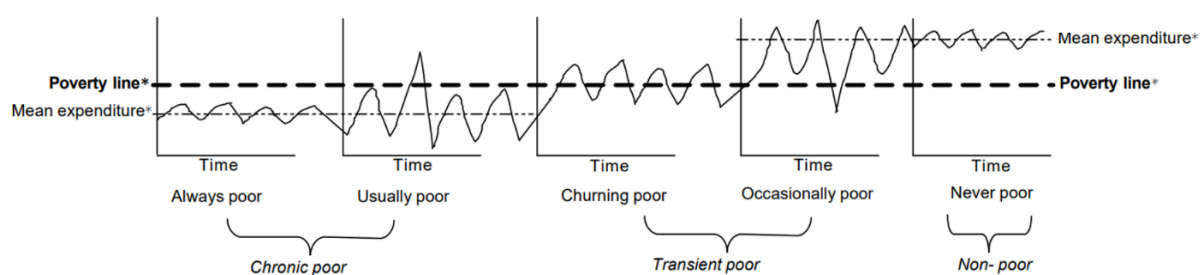
Nevertheless, a recent report by the World Bank (2019) analyzed the elasticity of growth for poverty reduction and concluded that growth rates experienced in the country between 2010 & 2016 have not had the same impact on poverty reduction as in previous years. This measure, the elasticity of poverty reduction to growth, reflects the rate at which poverty declines for every percentage point rise in growth rates. Their analysis showed that between 2010-2016 GDP growth was faster compared to years before 2010, but the elasticity and semi-elasticity of poverty reduction to growth per capita was lower. Their explanation is that average consumption growth did not keep up with the GDP growth experienced during this period, which led to a slower poverty reduction.

The same report from the World Bank (2019) also revealed that more than half of the Bangladeshi population was considered vulnerable to poverty in 2016. In other words, despite the decline of poverty in Bangladesh, a majority of the population had income levels slightly above the poverty threshold. This means that many households are susceptible to easily fall into poverty in the event of any shocks impacting their income. Gautam & Faruquee (2016) also mentioned that 39% of the Bangladeshi households in their sample churned in and out of poverty during a period of sustained and robust growth between 2000 and 2013, which implies a high level of vulnerability to poverty. In line with this argument, Raihan et al. (2021) estimated that 42% of the population in Bangladesh lived in poverty conditions during 2020, due to the high vulnerability to poverty and the shock generated by the COVID-19 crisis.

On the other hand, poverty estimates based on national poverty lines indicate that in 2022, less than 20% of the population in Bangladesh is living in poverty. This suggests that Bangladesh has experienced a rapid recovery after the pandemic. Notwithstanding, the pandemic has also underscored that a significant portion of the population in Bangladesh are highly vulnerable to poverty. This illustrates the importance of conducting studies considering poverty dynamics, compared to analyses that focus on static measures of poverty.

An advantage of adopting a dynamic approach to study poverty is that researchers can better capture the nuanced and evolving aspects of poverty over time. By using a dynamic approach to study poverty, researchers can identify those who have lived in poverty for a long period of time, also known as chronic poverty. Additionally, they can detect people who are in a situation of transitory poverty, that is, people that are living in poverty conditions during certain periods. It also helps to identify cases of households or individuals that experienced an improvement in their income levels, placing them above the poverty line. As illustrated in Figure 3, this kind of analysis is useful to have a more comprehensive understanding of the multifaceted factors influencing different poverty trajectories.

Figure 3: Poverty trajectories and categorization of poverty dynamics

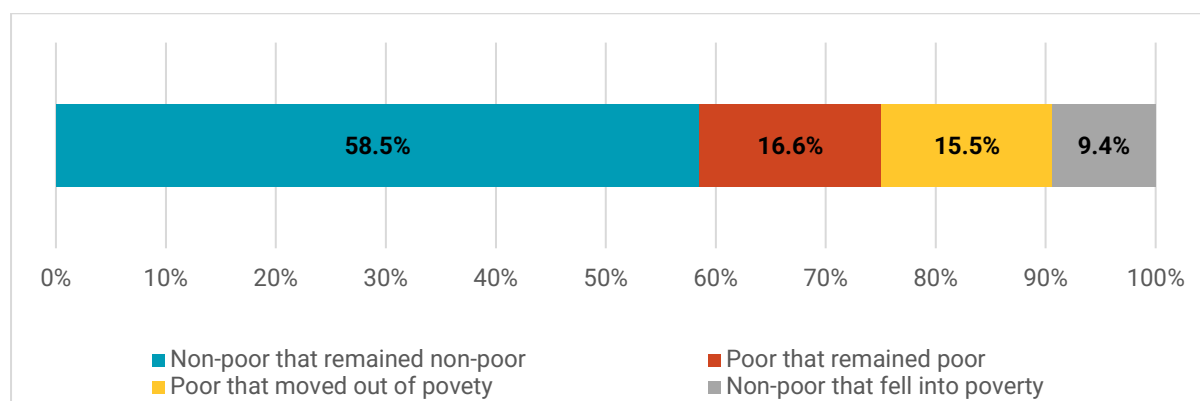


*Depending on data availability poverty could be assessed in terms of household expenditure, income, consumption, a nutritional measure, a poverty index, a poverty score or a assessment of assets/capitals.

Source: Hulme et al. (2001)

Nevertheless, the literature on poverty tend to use a static approach that only considers whether there has been a reduction or an increase of poverty rates over time. This kind of analysis are based on cross-sectional databases which are widely available but are estimated at discrete points of time. A disadvantage of this approach is that the datasets do not track individuals over time, so they fail to provide insights about the different poverty trajectories that the population is experiencing. This has been a serious limitation for researchers trying to analyze poverty dynamics, since longitudinal surveys are not very common in low and middle-income countries. Nevertheless, Garcés-Urzaínqui et al. (2021) developed a new methodology to build synthetic panel data using cross-sectional datasets. Overall, these and other advancements have played a role in the growing literature examining poverty dynamics to determine if the households or the individuals are experiencing an upward or downward mobility in their poverty status.

A recent study by Ahmed & Tauseef (2021) illustrates how using a dynamic approach can be helpful to have a more precise identification of different poverty trajectories. In their research paper, they analysed poverty dynamics in rural Bangladesh between 2011 and 2015. Their results showed that 58.5% of the rural population in the country were non-poor people who remained non-poor during the study period, while 16.6% were living in chronic poverty. In addition, they found that 15.5% of the rural population moved out of poverty, while 9.4% of non-poor people fell into poverty.

Figure 4: Poverty trajectories in rural Bangladesh. (2011-2015)

Source: Ahmed & Tauseef (2021)

The analysis of poverty dynamics is useful to identify those who are moving out of poverty, those who fell into poverty or those who have not managed to move out of poverty over time. Therefore, the objective of this report is to present a compilation of studies that have identified different factors that are crucial to understanding all the poverty trajectories that people in Bangladesh have experienced in the last decades. However, even when more than 250 research papers were considered to elaborate this report, only the most relevant ones are presented in this selective literature review. The reader may also consult the Annotated Bibliography of this working paper, which is a complementary document that explains the criteria to select the studies that are cited in this report while it also specifies the methods that the authors used to reach their research findings.

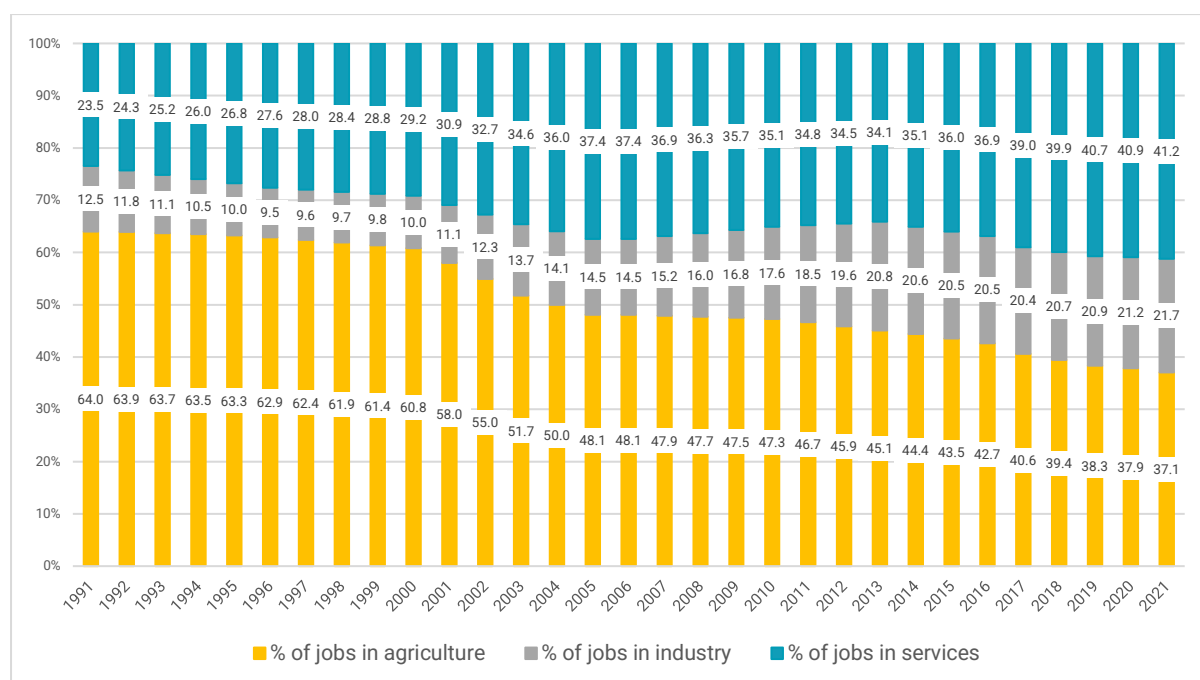
This literature review is structured as follows. The first section provides an explanation of the role that structural transformation of the economy plays in reducing poverty, accompanied by a discussion on how both agricultural and non-agricultural incomes contribute to explaining various poverty dynamics in Bangladesh. The second section elucidates how having an enabling environment facilitates individuals in escaping poverty, while its absence creates obstacles to poverty alleviation. The third section of this report delves into how different asset holdings – natural, physical, social, and financial capital – contribute to poverty reduction in Bangladesh. Finally, the report concludes with a section highlighting potential avenues for future research.

The role of the structural transformation process

The conventional theory of structural transformation indicates that countries start their process of economic development after experiencing a sectoral shift of labour. The theory indicates that low-income countries tend to have a large share of the workforce engaged in agricultural activities and the shift of workers to factories and firms to the industrial sector is the one that leads to higher growth rates and lower poverty levels. Consequently, during this process there is a decline in the percentage of agricultural jobs, which tend to have low salaries and productivity rates, while the country experiences a rise in the percentage of industrial jobs, which are more productive, have better salaries and produce higher value-added products. Finally, in the final stages of structural change, the economy experiences a shift towards jobs in the service sector, which tend to be highly qualified and have better salaries than those offered in the agricultural or industrial sector.

Bangladesh is a country that has been experiencing the structural transformation process in recent decades. Whereas in the early 1990s around 64% of the jobs were in the agricultural sector, now less than 40% of people are working in this sector. Moreover, the percentage of jobs in the industrial sector has increased, indicating that the country is now producing goods with a higher value-added than when it was an agricultural economy. Finally, there is a growing percentage of jobs in the service sector, which now accounts for 40% of the total employment in Bangladesh. This illustrates that during the last decades Bangladesh has experienced a labour shift towards higher value-added economic activities.

Figure 5: Sectoral Distribution of Employment in Bangladesh (1991 – 2021)



Source: World Bank - Employment in agriculture, industry, services (% of total employment) (modelled ILO estimate)

The structural transformation process often accompanies phenomena like reduced fertility rates, educational attainment, and migration from low-wage agricultural regions to urban areas with jobs in industry and services that offer higher salaries. Hence, this section focuses on delineating the findings that explain how the structural transformation of the Bangladeshi economy has been one of the reasons behind the poverty reduction in the country.

Non-farm employment

One of the most frequent explanations for the poverty decline in Bangladesh is that, in recent years, many people are gaining access to jobs outside the agricultural sector. For instance, Sen (2019) analysed the evolution of employment and wages in Bangladesh from 2010 to 2016 and their role in poverty reduction. His research showed that there is an increasing number of non-farm jobs in rural areas of Bangladesh, especially in the manufacturing and construction sectors. In addition, he concluded that 90% of the poverty reduction in Bangladesh during those years occurred in rural areas and that it was mainly driven by the non-agricultural sectors, both industry and services.

Other studies offer detailed information on how the sectoral distribution of employment has been evolving in Bangladesh over the years and how the structural transformation process has contributed to poverty reduction in the country. Traverso (2016) analysed the determinants of economic development in Bangladesh from 1974 to 2011 and found that the expansion of the garments industry contributed to three-quarters of the total growth of income per capita during this period. This aligns with Zhang et al. (2014) since they found that one of the main drivers of poverty reduction in Bangladesh was the accelerated growth rate of the garments industry. Moreover, Diwakar & Shepherd (2021) found that one of the keys to achieving sustained poverty escapes is that people complement their agricultural activities with non-farm incomes to diversify risks and reduce vulnerability. This is also in line with Ahmed & Tauseef (2021), who showed that engagement in the non-farm sector prevents households from falling into poverty, while those households who are not engaged in activities outside the agricultural sector are more likely to live in chronic poverty.

Balagtas et al. (2014) complement these arguments with a study that provides very interesting insights about how working in off-farm sectors can be crucial to increasing the chances of not living in poverty. In their study, they used panel data to identify those households in Bangladesh who were below the poverty line in every survey spanning two decades. They found that people living in chronic poverty tended to concentrate their assets and labour around agriculture while the rest of the rural population that was not chronic poor had sources of income that were not related to agricultural activities, as well as more holdings of non-agricultural capital. They explained that this divergence in resource allocation may be rational since the chronic poor could have higher returns to agricultural labour, while the non-chronic poor could have higher returns to non-agricultural employment. Nevertheless, they concluded that having access to non-agricultural labour markets and investments in non-agricultural sectors tend to raise household incomes.

Agricultural activities

As it was explained in the previous section, some researchers concluded that working outside the agricultural sector is one of the main reasons behind poverty reduction in Bangladesh. Nevertheless, some researchers suggest that the role of the agricultural sector has been underestimated, since it has also played a crucial role to reduce poverty in Bangladesh. For instance, Gautam & Faruquee (2016) state that the agricultural sector has been driving poverty reduction in Bangladesh since 2000. Their argument is that this sector is becoming more capital intensive and the technological progress is not only increasing productivity but also generating higher earnings in this sector. They showed that in 2010 around 87% of the households relied on agriculture for at least part of their income, indicating that agricultural activities are part of the strategy from households to climb out of poverty. Their conclusion is that the agricultural sector should not be neglected since farm income has played a crucial role for poverty reduction in Bangladesh.

Hill & Cevallos (2019a) examined the spatial variations between the sectoral growth of agriculture, industry, and services to determine which sector was driving poverty reduction in Bangladesh between 2000 and 2016. Their findings show that poverty was reduced faster in districts where the growth of agricultural output and the number of manufacturing firms was the highest. On the other hand, they found that the spatial variation in the growth rate of the service sector does not explain differences in poverty reduction at a district level. Finally, to confirm the importance of the agricultural sector, they used weather data for each district and each year as an instrument to establish a causal relationship between growth in agricultural output and poverty reduction in Bangladesh.

The previous evidence is not in line with the conventional theory of structural transformation, which implies that declines in poverty rates are a result from a labour shift from agriculture to industry and services. An interesting study by Asadullah & Ara (2015) highlighted that the role of different economic sectors on poverty reduction could be determined by the period that is being analyzed. For instance, they found that from 2000 to 2005, most of the decline in poverty was driven by growth in non-farm wages and the shift of workers from agriculture to non-farm employment. However, they also found that during the period 2005 - 2010, the increases of wages in the agricultural sector played a major role in poverty reduction.

A possible explanation for these counter-intuitive results could be explained by the relationship between wages and food prices. Balagtas et al. (2014) explained that between 2007 and 2008 there was a food crisis in Bangladesh that pushed more than 13 million people to poverty due to the rising food prices. However, they found that the probabilities of living in poverty conditions for a household with a great dependency on agricultural income decreased significantly in 2008 compared with their likelihood of being poor in 2004. They argue that this is mainly because, during the food crisis, those households dedicated to agricultural activities benefited through higher earnings or even through self-consumption, while those households that were not engaged in the agricultural sector were affected by the increasing food prices and the higher costs of living.

To have a better understanding of the previous results, it is important to highlight the relationship between rice prices and agricultural wages in Bangladesh. According to Zhang et al. (2014), during the food price crisis of 2007 and 2008, rice prices escalated more rapidly than the prices of other items in the consumption basket. Moreover, Emran & Shilpi (2018) explained that from 2000 to 2010, rice yield increased by 3.8% each year, while agricultural wages increased by 2.1% per annum. However, they also highlighted a very interesting phenomenon: despite the growth of rice yield and agricultural wages, there was a decline from 19.4% to 15.5% in the share of hired labour in agriculture during the same period.

Considering that the poor people living in rural areas depend to a greater extent on wage labour in agriculture, a reduction on hired labour in this sector could be interpreted as an adverse effect. However, the authors showed that poor households that are highly dependent on agricultural labour can benefit from productivity growth in this sector even when the labour supply response is a decline in the number of hired workers. To explain this counter-intuitive hypothesis, the authors used rainfall variations among Upazilas (sub-districts of Bangladesh) and across time as an instrument for rice yield. Their results showed that rainfall shocks significantly increased crop yields and agricultural wages, but at the same time, they had a negative and statistically significant effect on hired labour. Moreover, they showed that, despite the decline in hired labour, agricultural productivity growth increased household per capita consumption and labour supply to other economics activities.

Hassan & Kornher (2021) provide additional insights into the nexus between food prices and wages in Bangladesh. As it was discussed, previous studies consider that the increase in agricultural prices during 2007 & 2008 led to higher farm wages. In this study, they focused on analysing the relationship between rice prices and wages in different regions of Bangladesh during the same period. In their research, they found that rice prices were significantly correlated with farm wages only in Dhaka, Rajshahi, and Mymensingh, while farm wages in the other divisions were mainly influenced by either industrial or construction wages, but not by rice prices. These findings are strong evidence in favour of the Lewis farm wage turning point theory, which argues that agricultural wages are merely determined at the subsistence level, but when labour migrates into other sectors of the economy the labour supply becomes elastic, leading to a subsequent increase in wages.

In summary, numerous researchers align with the conventional theory of structural change, asserting that the growth of industrial and service sector jobs has played a pivotal role in reducing poverty in Bangladesh. Conversely, others contend that the significance of the agricultural sector, often overlooked, remains vital for poverty alleviation. Meanwhile, an ongoing debate surrounds the factors contributing to the surge in agricultural wages in Bangladesh. While some attribute it to increased productivity within the sector, others contend that it is driven by the higher salaries offered in industrial and service jobs. Consequently, further research is imperative to discern the determinants of rising agricultural wages and to comprehend the evolving dynamics of rural economies, considering the interplay between agricultural and non-agricultural activities in facilitating poverty alleviation.

The role of having an enabling environment

Many studies have analysed how individual, or household characteristics are associated with certain poverty statuses. For example, Ahmed & Tauseef (2021) found that in rural Bangladesh, chronic poverty is higher among people with lower levels of education, but also among households where there are higher levels of women disempowerment. In addition, they found that a larger household size, a younger household head, and a higher proportion of dependent members compared to working-age members make it more difficult for households to escape from poverty.

Individual and household characteristics can be very useful to identify possible causes behind the poverty situation of people. However, there is an emerging field that examines how certain characteristics of the place where people live can affect their poverty status. A recent study by Diwakar & Shepherd (2021) shows how an enabling environment can be crucial to escape from poverty. In their research, they explain that this concept encompasses different subjects. For instance, they argue that a favorable situation in terms of economic growth, political stability, and absence of conflict generates a more favorable environment for people to lift themselves out of poverty. Another example is the climatic context since impoverishment is particularly high in areas with more climate-related shocks. In addition, they explained that social environment also plays a key role since social and gender-based norms can limit the chances of a household to escape from poverty.

Considering the aforementioned, this section presents the most relevant findings on this subject. It starts with an explanation of how gender and social norms are limiting poverty reduction in Bangladesh. In addition, it shows how climate shocks are one of the main reasons why people in Bangladesh are falling into poverty or failing to get out of it. Moreover, it explains how the lack of social protection programs to deal with health problems is generating that a lot of Bangladeshi people are falling into poverty since they must pay very high costs so their family members can receive medical assistance. Finally, it explains how the lack of public infrastructure can limit the chances of many people to escape from poverty.

Gender relations and social norms

Many researchers have pointed out how gender norms are a constraint for the economic development of Bangladesh. Akram et al. (2020) conducted a study that examined the intergenerational transmission of poverty in Bangladesh. As they explained, each generation provides an “inheritance package” to the next generation which consists in a combination of assets, values, aspirations, labour arrangements, health, religion, as well as other traditions. Consequently, poverty could be transmitted from one generation to another for several reasons such as inadequate access to education, forced child labour, bad nutrition, lack of assets or resources, or even low self-esteem. Their analysis of inter-generational poverty illustrates that the ability of an individual to improve their living conditions is also determined by household and community traditions that are out of their control.

The authors also argue that the intergenerational transmission of poverty is shaped by persistent forms of deprivation, discrimination, and a household-level political economy that is highly gendered. For instance, the decision about a girl's inheritance is greatly influenced by the presence of a male sibling or close male relatives. In extremely poor households, transfers from parents to their daughters occur mostly at the time of marriage in the form of gifts or dowry. Women are often excluded from asset ownership and inheritance because dowry is considered as their only entitlement. In most cases, women reported having been deprived of both their inheritance and their control over marriage dowry.

One aspect that has been studied is how bad nutrition during pregnancy can lead to the intergenerational transmission of poverty. For instance, Sen & Begum (2015) analysed the link between maternal and child nutrition in Bangladesh. Their results confirm that malnourished mothers give birth to babies that are born underweight and thin. Their analysis shows that under-nutrition can be handed down from one generation to another as a terrifying inheritance. Consequently, those affected by under-nutrition could end up having negative effects on schooling performance, worst occupational choices, and fewer chances to escape from chronic poverty.

Akram et al. (2020) state that escaping from extreme poverty should be conceived as a strong political process that requires defying and challenging long-established power relations within households and individuals. Unfortunately, gender norms, gender roles, and gender segregation are still deeply rooted in Bangladesh. Petesch & Badstue (2020) documented that in a focus group discussion, women from Bangladesh said that they cannot work outside the home for fear of losing their reputation and respect. In addition, the authors point out that women often testify that they need their husband's permission for them to work or generate income. Moreover, Ahmed & Tauseef (2021) showed that households living in chronic poverty usually have high levels of women disempowerment. They argue that educating female household members in Bangladesh is crucial to sustain poverty reduction, as it gives them greater chances to engage in income-generating activities or have access to salaried jobs in the formal sector.

Considering this scenario, the government of Bangladesh has been implementing different programs to improve the earning capacity of women in rural areas of Bangladesh. For instance, Holmes et al. (2010) showed that the CFPR program has had important benefits not only for poor households but for women in particular. CFPR has been successful in increasing women's access to productive assets through the initial asset transfer, but also by training women to invest and reinvest their assets. Increased income has also meant higher household expenditure on food, education, and health. In addition, they highlighted that the beneficiaries have reported higher self-esteem and self-confidence, and it has increased their own perception of respect and status within the household and the community.

Moreover, Bandiera et al. (2017) made an impact evaluation of the TUP program, which consists of simultaneous transfers of assets and skills to ultra-poor women in Bangladesh that enables them to take on better occupations like livestock rearing, or even start running a

small agricultural business. At baseline, the poorest women in the program were engaged in low return and seasonal casual wage labour while wealthier women solely engage in livestock rearing. Therefore, they examined how women's choices over labour activities in village economies correlate with poverty and whether enabling the poorest women to take on the activities of their richer counterparts can set them on a sustainable trajectory out of poverty. The analysis is based on a large-scale randomized control trial, covering over 21,000 households in 1,309 villages surveyed four times over a seven-year period. The results of the program evaluation showed that participants experienced a 21% increase in earnings, which led to asset accumulation of land, livestock, and business assets, leading to sustained poverty alleviation after four and seven years.

Female participation in small-scale commercial agricultural enterprises can be helpful to move households out of poverty. Nevertheless, their participation in other sectors is also helping to reduce poverty. Hill & Genoni (2019) explained that the increasing number of jobs in the readymade garment (RMG) sector has mainly favoured female employment in Bangladesh. In addition, Zhang et al. (2014) argues that the accelerated growth rate of the garments industry is driving poverty reduction in the country. Hence, this section illustrates the relevance of changing gender norms and the importance of designing and implementing policies that contribute to exploiting women's human capital and keep unlocking their potential to participate in better occupations and different economic sectors.

Climate Shocks

Researchers that have studied poverty descents in Bangladesh, have commonly found that covariate and idiosyncratic shocks are one of the main reasons to explain why people fall into poverty. Azam & Imai (2012) explained that covariate shocks refer to community-level shocks, which are typically related to natural disasters like floods, cyclones, droughts, epidemics, etc. On the other hand, idiosyncratic shocks refer to household-specific shocks such as the death of the primary income earner, injuries, chronic illness, or unemployment. In their research, they found that idiosyncratic shocks appear to have a relatively higher impact on relatively well-endowed households, (in terms of human capital, landholdings, activity status, etc), while covariate shocks seem to have a relatively higher impact on vulnerability to poverty in poorer and less educated households. With the purpose of explaining both subjects in detail, the report presents separate findings on both topics to illustrate how covariate and idiosyncratic shocks affect Bangladeshi people.

Climate shocks are a big problem in Bangladesh. According to Shameem et al. (2014), Bangladesh is one of the most vulnerable countries to the adverse effects of climate change, especially due to its densely populated coastal areas. Hence, the authors examined how major stresses and hazards shape people's livelihood in the southwest coastal region of Bangladesh. They found that increasing salinity intrusion, tropical cyclones, and land-use change undermine different dimensions of livelihood and wellbeing in the country. Following

an asset-based approach, they also showed that cyclones affect physical capital since they damage household structures, fishing equipment, and public infrastructure like roads or educational institutes. On the other hand, salinity intrusion affects human capital because it reduces access to safe water for cooking, bathing, and other sanitary purposes.

On a similar topic, Monirul (2014) analysed the impact of two cyclones across the marginalized households from the coastal districts of Southern Bangladesh. He showed that the affected households experienced higher consumption vulnerability as well as income and food insecurity. He also mentioned that cyclones started a land degradation process due to salinity in the cropping fields, while they destroyed or affected houses, infrastructure, drinking water, and sanitation. Therefore, he concluded that asset loss, land degradation, and land loss are the major problems for the marginalized households which drive them into poverty. These findings are also in line with a study made by Amoako Johnson et al. (2016), since they conclude that salinity is a poverty driver in some areas of the Bangladeshi GBM delta since they cause both the loss of crops and the changes in livelihood and employment.

As previously explained, coastal districts are one of the constantly affected areas in Bangladesh. Consequently, fishers are one of the most vulnerable groups due to climate shocks. Islam (2011) showed fishers' wellbeing is threatened by frequent natural disasters, low productivity, seasonality, and high dependency on certain species. Therefore, small-scale fishers are living in extremely vulnerable conditions. Islam & Chuenpagdee (2013) also found that small-scale fishers in the Sundarbans mangrove forest face numerous severe shocks that push or entrap them into poverty.

The occurrence of climate shocks and how people face these adverse events can become a poverty trap. For instance, Haque (2020) explains the poor are trapped in vicious circles of poverty because when a flood affects them, they are more vulnerable to deal with the next flood since their income and their adaptive capacity are negatively affected. Unfortunately, before some households are fully recovered from one disaster, they have to deal with another shock. Hence, repeated disasters push them further into a poverty trap.

The previous argument is in line with Parvin et al. (2016) who state that, as a consequence of floods, rural poor communities face job losses, and two-thirds of their income is reduced, limiting their preparedness and their ability to respond and recover from subsequent floods. In their study, they analysed the impacts of floods on the livelihood of the rural poor in one of the most flood-prone upazilas (sub-districts) of Bangladesh, namely Goalanda Upazilla of the Rajbari district. He found that people living in the study area live their whole lives struggling against floods, while they also depend both directly and indirectly on rivers and floods for their livelihood. Therefore, most of the people are willing to live in this place despite floods, even when they are constantly suffering income losses.

In summary, suffering shocks can contribute to high-income volatility of households and it represents a serious threat of falling into poverty, although the effects can vary depending on household characteristics.

Health shocks

Countries with a strong social protection system offers its inhabitants a safety net to cope with different types of shocks or stressors. Unfortunately, the lack of a well-structured social protection system to face health shocks is one of the main reasons why Bangladeshi people are falling into poverty. Motiur et al. (2012) asked heads of households in Bangladesh who experienced downward mobility the main reasons behind their current poverty status. One of the most mentioned reasons was the loss of crops by natural hazards. However, another recurrent reason behind poverty descents was high medical costs in Bangladesh. In fact, he found that around 24% of rural households were affected by medical expenses associated with hospitalizations, long illness, and regular use of medications. Azam & Imai (2012) also found that in rural Bangladesh, idiosyncratic shocks seem to have a greater impact on household consumption vulnerability than covariate shocks. This means that health shocks have a more negative effect on household vulnerability to fall into poverty compared to climatic shocks.

Khan et al (2017) explained that out-of-pocket payments (OOP) is one of the most recurrent strategies to deal with unpredictable health expenses. In their research, they showed that 14.2% of Bangladeshi households incurred in catastrophic health expenditure (CHE). They also found that this expenditure was more common in rural (16.3%) than in urban (8.6%) areas and it was also more concentrated in households from lower socioeconomic strata. Moreover, they calculated that 3.5% of the total population fell into poverty annually due to OOP spending for healthcare, which corresponds to the impoverishment of 5 million people in Bangladesh. Hamid et al. (2014) also found that health care spending pushed 3.4% of households into poverty in the central areas of rural Bangladesh. Moreover, they highlighted that the impoverishment burden is higher for Non-Chronic Diseases (NCDs) than for Chronic Diseases (CDs), especially if the NCDs requires immediate surgical procedures.

Apart from out-of-pocket payments to deal with a health shock, there are other harmful coping strategies that can push households into a situation of long-term poverty that is hard to break. For instance, Rakib & Matz (2015) showed that to cope with shocks, most vulnerable households are forced to sell tangible assets, which in turn leads to less investment in nontangible assets such as health, nutrition, and education, which can end up leading to long-term poverty. For the specific case of fishers, Islam & Chuenpagdee (2013) showed that some of the coping strategies adopted by them to face climate shocks are taking children out of school and a reduction in the number and quality of meals, which unfortunately affect their future capacity to escape from poverty in the future.

Kabir et al (2019) also showed that households in extreme poverty usually deal with healthcare costs by selling their means of livelihoods, borrowing cash, making out-of-pocket payments, or selling their livestock. Finally, Santos et al. (2011) analysed households who faced different kinds of shock (economic, health, climatic, or asset related). The results indicate that the poor were less able to cope with shocks compared with the non-poor and they were more likely to face them by using coping strategies with negative welfare

implications in the longer term, such as the use of high-interest loans, the depletion of assets, or a reduction of essential consumption.

Diwakar & Shepherd (2021) argue that to avoid households falling into poverty and to achieve sustained poverty escapes, countries need to have better disaster risk management to prevent the negative impacts of climate shocks, while they also need to implement a health insurance scheme to avoid poverty descents due to negative health shocks. Following the same argument, this section has shown that the constant exposure to negative shocks and downward pressures, as well as the coping strategies adopted by vulnerable households are major factors contributing to the creation of a vicious circle of persistent poverty. It is entirely reasonable for households to adopt these coping strategies in order to face negative shocks. However, these findings show the importance of having a social protection system to cover vulnerable households, since they are usually forced to adopt coping strategies that affect their wellbeing and decrease their likelihood of escaping poverty in the long run.

Infrastructure

Another dimension of an enabling environment is having access to public infrastructure that facilitates certain activities or specific decision-making. For example, Diwakar & Shepherd (2021) explained that having good rural infrastructure and access to electricity are determinants to increasing productivity and reducing poverty. This is in line with Ahmed & Tauseef (2021), who explained that households are more likely to live in persistent poverty when they suffer disadvantaged conditions such as lack of access to electricity.

Sen (2019) identified that in rural areas of Bangladesh, there is an increasing number of non-farm jobs, especially in the manufacturing and construction sectors. However, these job opportunities outside the agricultural sector are more likely to be situated in areas that have better connectivity. Therefore, even when there is a lot of people in Bangladesh living in rural areas, jobs in industry or services are mainly located in the best communicated zones. Finally, Hill & Cevallos (2019a) found that those districts with a higher number of international migrants experienced a higher poverty reduction during the study period. However, they argue that migration could be easier from districts that are more connected and better off.

To recapitulate, it is evident that there are different factors, beyond individual or household characteristics, that could be hindering the chances of escaping from poverty. Hence, this section showed how the place where people live also plays a role on their chances to escape from poverty. Living in a place with a good disaster risk management to face climate shocks or a strong social protection system to deal with health shocks could be advantageous. Having access to electricity or highways could also help to reduce poverty. In addition, living in a place where there is economic and political stability is also relevant. Finally, this section showed how shaping certain social and gender norms towards female labour participation could also be beneficial to reduce poverty rates in Bangladesh.

As previously explained, the combination of all these factors creates an enabling environment that has a direct effect on individual capabilities, household livelihoods while it helps to increase the chances to accumulate assets given their initial endowments. Therefore, it is necessary to highlight that the characteristics of the place where people live is also relevant to understanding poverty dynamics, and building an enabling environment is one of the steps that needs to be taken to facilitate the process of escaping from poverty.

The role of asset holdings

Several researchers have found that another key factor for people in Bangladesh to improve their poverty situation is through asset holdings. These assets can be physical capital (i.e. agricultural machinery, livestock), natural capital (i.e. landholding), financial capital (i.e. savings, bank accounts, access to credit), social capital (i.e. personal networks), as well as human capital (i.e. skills acquisition).

For instance, Davis (2011a) conducted a study in rural Bangladesh based on life history interviews and he showed that accumulating different kinds of assets is one of the main determinants for poor people to improve their living standards. He explained that tangible assets like land, livestock, and agricultural machinery are crucial but intangible assets like family-based social capital in form of inheritance or remittances, as well as human capital accumulation through the acquisition of skills are also relevant.

In previous sections, it has been explained how human capital in the form of skills acquisition or higher levels of education can help to increase household income or improve their living standards. Therefore, this section presents an explanation of how other types of assets can help a household or an individual to experience upward mobility.

Natural Capital: Landholdings

There are some researchers that have identified some factors that reduce the chances of living in poverty among people working in the agricultural sector. For instance, Balagtas et al. (2014) showed the relevance of natural capital, since he found that farming households with more landholdings are less likely to fall into poverty. In addition, they found that land expansion and land tenancy appear to raise the household income. On the other hand, Islam (2014) did not reach the same conclusions on this subject, since he found that land ownership was not relevant. Rather, he states that the size of cultivable land is the factor that reduces household vulnerability to poverty, regardless of whether it is borrowed or owned. This is also in line with Gautam & Faruqee (2016), since they found that owning land in Bangladesh, or having access to it, usually determines who is able to escape from poverty.

Another study conducted by Ali & Asim (2014) also found that the size of the land is particularly relevant since households with more land have a greater propensity to save and accumulate productive assets in comparison to those with less land. In this research, they analysed the AMADER Project, which involved the transfer of livestock assets. Their results showed that project beneficiaries who have larger homesteads were more successful in obtaining benefits from livestock assets than those with smaller homestead land. Based on this evidence, it can be said that natural capital in the form of landholdings also plays a role for poverty reduction among farming households in Bangladesh.

Physical Capital: Livestock and farm equipment

There is a lot of research showing the importance of physical capital in poverty reduction. Diwakar & Shepherd (2021) found that the ownership of physical capital such as livestock, farm or business equipment and consumer durables are key factors to achieve sustained poverty escapes. This is in line with Ahmed & Tauseef (2021), who found that a higher number of physical assets are crucial to escape poverty since they provide an extra level of protection to prevent households from falling into poverty in the future.

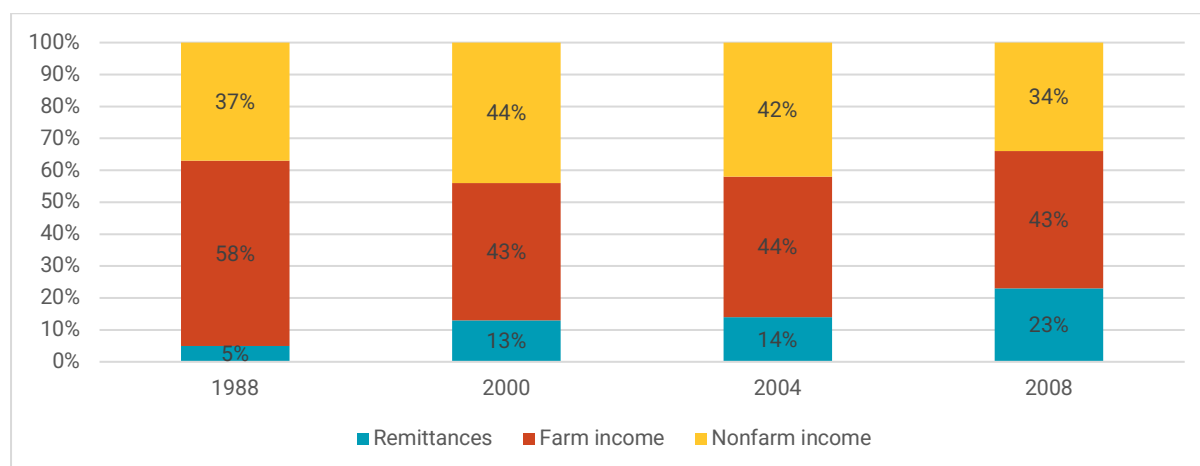
Balboni et al. (2021) showed how initial levels of assets are crucial to determine if a household is going to be capable of escaping poverty. In their study, they identified the existence of a poverty trap in Bangladesh based on a threshold level dependent on the possession of productive assets. To obtain these results, they studied the effects of the BRAC's Targeting the Ultra-Poor Program which was implemented in rural Bangladesh. This program consisted on a large-asset transfer in the form of livestock (cows). They track 6,000 households living in poverty between 2007 and 2018, and half of them were randomly selected to receive the program. After analysing an 11-year panel database of 6,000 household living in extreme poverty they identified a threshold of initial assets and showed that those households above the threshold were able to take on better occupations, accumulate capital, and escape from poverty thanks to the asset-transfer program. On the other hand, those households below the threshold of initial assets were trapped in chronic poverty. Therefore, they concluded that those people living in persistent poverty are not poor because their intrinsic characteristics, but because of their initial circumstances.

In an earlier study carried out by Advani (2019), he identifies the existence of another poverty trap in Bangladesh. First, he raises an interesting question: Why do vulnerable households borrow and lend to friends or neighbours to smooth consumption, but they do not do the same for high return investments such as purchasing small capital goods like livestock? Using data from a large-scale randomized controlled trial in Bangladesh he provides an interesting explanation for this behaviour. The program randomized 1,400 villages into treatment or control groups and provided assets (typically cows) to the poorest households in half of these villages, but with significant variation in the number of transfers across villages. Consequently, he identified the existence of a poverty trap by exploiting variations in the number of program recipients at a network level. Those households in a network that received more than \$3,500 started receiving investments from non-recipient households in the same network. This helped poor households to increase their incomes, accumulate assets, and escape from the poverty trap. On the other hand, those households in a network that received less than the threshold did not receive investments from non-recipient households, and they remained in the trap. Therefore, he argues that in the future, the program should consider the size of the aggregate transfer and the network characteristics of the village to increase the effectiveness of the program and help more households to escape from this poverty trap.

Social capital: Remittances and migration

Social capital in the form of family support networks can be crucial to determine the poverty status of a household. In the case of Bangladesh, the evidence suggests that having a family member sending remittances from abroad provides an important support to the people that are living in the country. Therefore, several researchers are analysing the contribution of migration and remittances to poverty reduction in Bangladesh.

Figure 6: Sources of rural household income in Bangladesh (1988-2008)



Source: Balagtas et al. (2014)

For instance, a recent study by Hill & Cevallos (2019a) showed that districts with a higher number of international migrants experienced a higher poverty reduction during the study period. Moreover, Hassan & Jebin (2018) showed that international migrants from rural Bangladesh used their expanded resources to increase their capabilities and improve their living standards. More specifically, “migrant households” showed higher levels of food consumption, higher medical and education expenditures, as well as better housing and sanitation in comparison with “non-migrant households”. Balagtas et al. (2014) also found that households were less likely to fall into poverty if they had greater access to overseas migrant labour markets. Finally, Zhang et al. (2014) found that the inflow of remittances from unskilled international workers is one of the reasons behind the real wage escalation in Bangladesh, which has helped to increase earnings in vulnerable households.

While previous results indicate that international migration has an impact on poverty reduction, there is an open debate to determine if rural-to-urban migration within Bangladesh is contributing or not to reducing poverty in the country. A recent experiment made by Lee et al. (2021) presents evidence to support the idea that national remittances can reduce poverty in Bangladesh. In their research, it is explained that they introduced mobile banking to very poor rural households and family members who had migrated to urban areas. This program modernized traditional ways to transfer money and facilitated the financial connections between urban and rural areas. After one year of the experiment, urban-to-rural remittances increased by 26% of the baseline mean, while rural consumption increased by 7.5% and extreme poverty rates fell. Moreover, rural households borrowed less, saved more, sent

additional migrants, and consumed more in the lean season. Finally, urban migrants had higher savings and experienced less poverty, although they also reported worse health.

Despite the previous results, there are other authors who argue that rural-to-urban migration can actually become a poverty trap for national migrants. For instance, Razzaque & Zillur (2018) argue that rural migrants moving to big cities are quickly absorbed into the informal job sector. Consequently, they are usually involved in low-skill occupations that provide very little scope to develop other skills, which traps them in the informal sector with low possibilities of having a job with higher remuneration in the future. In addition, they argue that a big percentage of their income is dedicated to healthcare expenditures, education, transportation, and even bribes for access to certain services. Therefore, the process of climbing up the social ladder is much more onerous.

A very interesting study made by Banks (2012) provides more insights into the difficulties that migrants face to have a formal job in urban areas. She conducted a study in Dhaka and concluded that having a chance to work in the formal sector, with better salaries and other benefits, is not usually based on the education or the experience of the applicant, but on their social connections. In their research, she highlights that the urban poor are usually living in low-income neighbourhoods, also known as “bustees”, which are characterized by a combination of physical, social, economic, and political vulnerabilities. She also explained that when someone is living in a “bustee” it is necessary to have a contact, known as “mamu”, that connects people to jobs in the formal sector with higher salaries and a formal contract. Therefore, the higher income opportunities are limited for well-connected bustee households, while those without social connections are usually engaged in the informal sector where workers have temporary contracts with lower salaries, longer working hours, and they do not have access to other benefits that are offered in the formal sector.

This section has shown that family-based social capital, in the form of remittances, can help to improve living standards in the country. However, it also showed that social networks and social connections are relevant to determining the chances of getting a better-paid occupation. Therefore, it shows the importance of social capital on poverty dynamics.

Financial capital: Access to credits

In most low and middle-income countries, people living in poverty do not have access to financial institutions. As a consequence, financial inclusion has become a research topic that is gaining relevance in recent years. The main argument about the importance of promoting financial inclusion is that it formalizes savings and facilitates access to credit for the poor people. As it was explained at the beginning of this section, these are different forms of financial capital that can be crucial for poverty reduction. Fortunately, Bangladesh is a pioneer country in this area as it was the first one to develop financial institutions that offer access to microcredits for low-income people. Consequently, there is a large body of research that

analyzes how access to microcredit has helped many people in Bangladesh to lift themselves out of poverty.

For instance, Khandker & Samad (2014a) found that microcredit had significant positive effects on household welfare by increasing per capita consumption, household non-land assets as well as their net worth. In another study by Khandker & Samad (2014b), they evaluated the long-term effects of microcredit programs on household income and expenditures, as well as on their poverty status, and they found that it helped participant households to escape from poverty by raising their income and consumption levels. In fact, they estimate that microcredit interventions account for more than 10% of the total reduction in extreme poverty in rural Bangladesh between 2000 and 2010.

These results are in line with a recent study by Nargis (2019), who examined the impact of another microcredit program, known as ENRICH, in poverty alleviation in Bangladesh. In this case, they find that the program contributed to a 10-percentage point poverty reduction in the study areas. Osmani (2012) also argues that having access to microcredits had positive effects on poor households since it increases the probability of accumulating assets. He calculates that microcredits' contribution to asset accumulation reduces the probability of being poor by 2.5%, and if the borrowers used the credit for productive purposes, it reduces the probability of being poor by 6.8%.

Many studies have demonstrated how important it is for low-income people in Bangladesh to have access to microcredit in order to improve their financial situation. However, some researchers have found that in certain scenarios, microcredit can also have the opposite effect, pushing households into a long-term poverty situation. For instance, Ali et al. (2017) showed that, in Bogra, microcredits have failed to reduce poverty because the loans have high-interest rates, strict repayment schedules, lack of supervision after loan disbursement, and a lack of education and skills among microfinance beneficiaries. In addition, they found that most of the microcredits are used to smooth consumption rather than to invest them in income-generating activities. Jahiruddin et al. (2011) also argue that households who possess minimal or no surplus financial capacity to cope with contingencies are more likely to experience the adverse effects of microcredits. In their study, they examined cases in Bangladesh where microcredit has worsened poverty among borrowers, and they found that microcredit can exacerbate poverty when the money is used to face unexpected contingencies or emergencies.

Considering that microcredits can have detrimental effects in certain circumstances, Islam (2014) conducted a research that provides interesting insights of how microcredit can be a tool to lift people out of poverty or push them into poverty by using dynamic measurements of poverty and estimating the degree of vulnerability to poverty. In the study, households were categorised into two groups: one of them was for households where their current consumption levels were below the poverty line, but their future consumption is likely to be above it since their current levels are close to the poverty line. On the contrary, there was another group of households that were chronically poor since their consumption levels were

far from the poverty line and with low expectations of increasing them in the future. The results showed that for those households living in poverty but on their way to escape from it, microcredits were beneficial. However, for the chronic poor households, microcredit did not contribute to poverty reduction but rather exacerbated it since they tend to use microcredits to smooth their consumption and meet their basic needs. He argues that this strategy could help them to relax the squeeze of poverty temporarily, but in the long-term, this group of households will have a higher propensity to live in poverty.

Davis (2011b) also mentioned that in Bangladesh, indebtedness is another widespread survival strategy that in certain cases can lead to worse scenarios in the long term. Based on life histories, he identified that those who are poor due to constraints on income-earning abilities (such as the chronically ill, mentally ill, socially stigmatized, or disabled) ask for microcredits to face crises, but they end up having unsustainable debts with high-interest rates. He criticizes the belief that even the most vulnerable people can use microcredits to become entrepreneurs and escape from poverty and concludes that the high number of harmful debts shows the need to implement other forms of support for the poorest to face a crisis.

To recapitulate, this section has shown the importance of asset holdings not only to increase the chances to escape from poverty, but also to these escapes are not temporary but sustained. Unfortunately, people living in poverty usually have the thinnest asset base. Therefore, there is a need for more research and public policy proposals to face this challenge and help households to accumulate tangible and intangible assets that can help them to escape from poverty.

Future Research

This report presented different factors that have helped some households to escape from poverty, as well as other reasons that have caused many households to fall into poverty. However, there are also some interesting research areas that should be studied in the future. This section contains a compilation of unexplained findings, suggestions for further research, and new research gaps that have been identified after this literature review.

It is important to start by mentioning that there is still an open debate about what is driving the rise of agricultural wages in Bangladesh. For instance, Emran & Shilpi (2018) argue that productivity growth in the agricultural sector is behind the escalation of agricultural wages in Bangladesh. On the other hand, Sen (2019) concluded that the transition of workers from the farm to the non-farm sector has had implications for the tightening of the agricultural wage labour market. This is in line with Hassan & Kornher (2021), who concluded that in most of the divisions of Bangladesh, farm wages were mainly influenced by either industrial or construction wages.

Given the importance of rising wages for poverty reduction, it would be interesting to conduct further studies to determine whether the increase in agricultural wages occurred due to a rise of productivity in the agricultural sector, or if it has been due to the growth in the demand for workers in the industrial and the service sectors. In addition, it would be interesting to analyse how remittances affect sector-specific wages. For instance, Hill & Cevallos (2019a) concluded that remittances could be tightening wages in rural labour markets. This is in line with Zhang et al. (2014), who showed that the inflow of remittances from unskilled international workers is one of the reasons behind the real wage escalation in rural areas of Bangladesh. Nevertheless, it would be interesting to have more insights about what sectoral wages have benefited the most from remittances in the rural sector. Therefore, an analysis of the impact of remittances on real wage escalation in the agricultural, industrial, and service sectors could be an interesting area for future research.

Another interesting research area that should be studied in the future is the relationship between rural-to-urban migration and poverty reduction in Bangladesh, as it was not possible to identify a consensus in this research topic. In some studies, it is mentioned that migration from rural communities to urban settlements can help to reducing poverty. In other cases, it is mentioned that they may represent a poverty trap for those who migrate to urban areas where they tend to occupy low-skill jobs with bad salaries. Finally, other researchers argue that beyond rural-urban migration within Bangladesh, international migration is the most effective contributor to poverty reduction. This is a research area that should be studied in more detail since there is a special need for studies to analyze if internal migration from rural to urban areas is playing a role on poverty reduction in Bangladesh.

Another research topic that is closely linked with rural-to-urban migration and that should be studied more in the future is urban poverty in Bangladesh. The World Bank (2019) highlighted that in Bangladesh there has been very little poverty reduction in urban areas during recent

years. On the other hand, Rahman & Hill (2019) argues that poverty is increasing in urban areas, especially in the largest cities of the country. In addition, they calculate that in 2030 more than half of the poor households will be living in urban areas of Bangladesh. However, there are still very few studies studying urban poverty although it is a growing problem. Surprisingly, from all the studies that were selected for this literature review, less than 5 made a deep analysis of urban poverty in the country. Haque (2020) argues that a 'rural bias' persist in Bangladesh since the government gives little attention to the urban poor, and they concentrate resources on programs to reduce poverty in rural areas. Therefore, it is necessary to highlight the importance of conducting more studies about urban poverty in the future.

It is also important to highlight an interesting debate about the effectiveness of food transfer programs in comparison with one-time interventions, also known as big push policies. Bandiera et al. (2017) state that even when big push programs are expensive and they require a large up-front investment, they are cost-effective in terms of poverty reduction. In their impact evaluation paper of the TUP program, they showed that the big-push intervention led to a sustained increase in household welfare since they increased asset accumulation across time. On the other hand, they argue that the annual costs of food transfer programs are lower, but they do not promote occupational change among the beneficiaries.

Following a similar argument, there is an interesting research area that is trying to identify how various types of social programs have different effects depending on the poverty trajectory that households are experiencing. For example, Scott & Diwakar (2016) contrasted the effects of social assistance and social insurance programs in Bangladesh. They argue that social assistance provides a safety net for the poorest households, while social insurance should be targeted to vulnerable households to prevent poverty descents generated by covariate or idiosyncratic shock. Therefore, they concluded that it may not be appropriate to use the same social protection instruments to tackle chronic poverty and to prevent impoverishment, since they are two different poverty situations that require different approaches. Based on this, it could be interesting to study other social assistance programs and determine if they should be targeted to population with a specific poverty trajectory.

Another research project that should be studied in the future is how to accelerate the structural transformation process of the Western region of Bangladesh. Hill & Cevallos (2019b) raised a genuine concern regarding this region that could become a problem in the future. They showed that in the Western region of Bangladesh the average size of landholdings is falling due to population growth. They explained that this pattern could be problematic because consumption levels in the Western region are closely correlated with land ownership. Therefore, population growth and reduction in the size of cultivable land could be problematic in the near future if the Western region remains agriculturally oriented during the next few years.

Another growing problem in Bangladesh is poverty among the elderly, which could be an emerging research area in the coming years. Davis (2011b) pointed out that the combination of an aging population, smaller households, expensive private healthcare expenditure, and

continued pressures to sell assets for weddings and dowries is contributing to an emerging problem among the elderly poor.

In terms of methodologies, it is worth noting the importance of more studies implementing mixed-methods techniques to have more accurate interpretations of their results. A study carried out by Davis & Baulch (2011) compared the results of analysing poverty dynamics in Bangladesh using two different methodologies. Their study identified considerable mismatches between using quantitative techniques and following a qualitative approach. Considering the difficulties of analysing poverty dynamics, they recommend the implementation of mixed-methods techniques to have more precise results and interpretations. In addition, they explain the importance of measuring poverty using an asset-based approach, since the studies using income or consumption are not always reliable to draw conclusions about poverty dynamics.

There is also a need for studies on the impact of the COVID-19 pandemic on poverty trajectories in Bangladeshi people. It has been explained that Bangladesh experienced considerable poverty reduction before the pandemic. However, many vulnerable households were affected due to the economic crisis, the lack of jobs, the reduction of salaries or even the unfortunate death of a family member. Although it seems that Bangladesh experienced a fast recovery from the pandemic, there is a need for more studies to understand how the covid crisis affected households in Bangladesh.

There are other relevant topics that were not covered in this literature review but should be highlighted. Multi-dimensional poverty, inequality and persistently excluded groups are some of the subjects that were out of the scope of this research. It might be interesting to know if multi-dimensional poverty reduction and income poverty reduction followed similar patterns or if poverty reduction had been achieved without rising inequality. It would also be interesting to know whether poverty reduction amongst minority groups in the Chittagong Hill Tracts had deviated from national trends. Finally, it could be interesting to study the political economy behind the poverty reduction in Bangladesh. What are the institutional settings that allowed fast poverty reduction in the country? Are these factors sustainable and can they be replicated in other countries? These questions were unexplored in this literature review, but they can inspire interesting research papers in the future.

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