

a household will be poor increases as the household size increases due to an increase in the number of dependents. The marginal effect of 0.72 implies that, *ceteris paribus*, the probability of being poor increases by 72% as dependent adult equivalent increases by one. The possible explanation can be that those households with many dependent family members could be poor because of high dependency burden. This shows that those households with large economically non-active members tend to be poorer than those with small family size.

Off-farm income: This represents the amount of non-farm income (in cash or in kind) the household or any member of the household has earned in the year. From the traditional experience and existing reality of the rural households and their members, one way to get out of poverty, in part, is largely determined by their ability to get access to non-farm income opportunities. In this regard, households engaged in non-farm activities are better endowed with additional income to get out of poverty. As expected, the contribution of non-farm income is negatively and significantly (1% probability level) associated with household poverty. The marginal effect indicates that, other things being constant, the probability of the household to be poor decreases by 34 % as the household earned one more unit of money from non-farm income.

Educational status of household head: The coefficient on education reflects the prime role that human capital plays in determining poverty. In fact, education is an important dimension of poverty itself, when poverty is broadly defined to include shortage of capabilities and knowledge deprivation. It has important effects on the poor children's chance to escape from poverty in their adult age and plays a catalytic role for those who are most likely to be poor, particularly those households living in rural communities. Education is expected to lead to increased earning potential and to improve occupational and geographic mobility of labor. Therefore, it deserves an important place in formulating poverty reduction strategies.

Educational status of the household head is negatively related with the dependent variable (probability of being poor) and is statistically significant at less than 5% level of significance. Although, educational status of other income earner household members have great importance, that of head plays a significant role in shaping household members by being exemplary and willing to invest on education. The marginal effect shows, other things remaining constant, probability of being poor decreases by 23% as head of the household becomes literate. It is explained in terms of contribution of education on working efficiency, competency, diversify income, adopting technologies and becoming visionary in creating conducive environment to educate dependants with long term target to ensure better living condition than illiterate ones. Thus, being literate reduces the chance of becoming poor in the sample households. The study is consistent with the finding of Fitsum H. and Holden S. (2003)

Value of asset owned: Value of asset owned by the household is significant at less than 10 percent level of

significance and related negatively with probability of being poor. This shows that household with broaden asset were able to be above poverty line. Under *ceteris paribus* condition, the marginal effect depicts probability of being poor decreases by 18% as asset ownership increases by one. Household with valuable assets were expected to use those assets to improve their welfare, both by using the asset to help the household to work more efficiently and therefore increase income, or through the ability to sell off the asset when household experiences shock or crop failure. The finding of this study is supported by coates, Webb and Houser (2003)

Household access to credit: The results of the study revealed that the variable under consideration is negatively related and significant at less than 1 percent probability level with the probability of being poor. Holding other things constant, the marginal effect of the variable shows probability of being poor decreases by 36% as a household has access to credit. The possible explanation is that credit gives the household an opportunity to be involved in income generating activities so that derived revenue increases financial capacity and purchasing power of the household to escape from risk of food insecurity. Access to credit also smoothen consumption when household faces with hard time. The result of this study is also consistent with the finding of Ayalneh B. and Alemu S. (2009), Latifee (2003).

Size of farm Land: Size of farm land, which is significant at less than 1% probability level, has negative influence on the probability of household's being poor in the study area. It implies that the probability of being poor decreases with large farm size. This agrees with the hypothesis that farmers who have larger farm land holding would be less poor than those with smaller land size, due to the fact that, larger farmers are associated with higher possibility to produce more food. Household with large size of land can have wealth and income which increases availability of capital that could increase the probability of investment in purchase of farm inputs which increases food production and hence ensuring food security of farm households. The marginal effect of 0.49 for the total cultivated farm size implies that other things kept constant, the probability of being poor decreases by 49 % as the total cultivated farm size increases by one hectare.

Number of livestock in tropical livestock unit (TLU): One of the determinants for rural household poverty is total livestock held by the household. As hypothesized the livestock owned by the household has significant and negative correlation with the poverty level of the household. The logic behind is that livestock rearing helps the poor in many ways such as income from sale of products, insurance against drought, emergency cash requirements, tenancy for share cropping, household nutrition, fuel for cooking, manure for crops, drought power for farming, store of value *e.t.c.* Livestock ownership increases the wealth of the rural household and raises the income earning potential. The finding is supported by Upton M, and J.Otte(2004) research project.

3. Consumption Inequality

Measuring inequality focuses on the entire population rather than only on poor households. Out of the possible measurements of inequality the simplest way to measure inequality among individual households is by dividing the whole population from the poorest to the richest and show the percentage of consumption expenditure attributed to each quintile of the population. This answers questions such as how much percent of the total expenditure is made by the poorest 20 % (or the poorest 10%) or the richest 20 % (or the richest 10%)

Table 2.5: Summary of adult consumption expenditure in each quintile

Quintile group	Mean	%mean expenditure	Frequency
First quintile	4585.758	9.32	39
Second quintile	7519.372	15.28	38
Third quintile	9308.313	18.92	38
Fourth quintile	11864.64	24.11	38
Fifth quintile	15917.05	32.35	38
Total	49195.133	100	191

Source: Own computation REST /2010/ data

From table above, one can understand that the poorest quintile (i.e. the poorest 20%) consumes only 9.32% of the mean expenditures per year per adult, while the share of the richest quintile (i.e., the richest 20%) is 32.35%. Furthermore, the mean expenditure of the first two quintiles (i.e. the poorest 40%) is 24.6% still lower than the share of the richest 20% that is 32.35%. This distribution indicates there is a gap in welfare among the population. The most widely used single measure of inequality is the Gini-coefficient. As the researcher estimated using DASP software the Gini-coefficient is 0.30. If we express it in percent Gini index is 30%. That is total inequality of the population accounts for 0.30 or 30%. This shows that there is low inequality among population.

4. Conclusion and Recommendation

4.1. Conclusion

The study uses the level of households adult equivalent consumption expenditure to categorize the population as the poor and non poor. This way of welfare measure is based on the literature that household's expenditure inversely varies with the level of poverty. The overall objective of this study is to describe determinants and dimensions of poverty in Gulomekeda wereda rural kebeles to this end, 191 household head were randomly selected in order to show the magnitude of poverty. FGT index is applied and the same time Ravallion and Bidane(1994) method is used to set poverty line. The total poverty line calculated is 2094 birr per year per adult equivalent. Accordingly Percentage of the poor is 51 percent. The poverty gap in the study area is 15 percent of the poverty line 2094 birr i.e. 15 percent of the poverty line is required to make all poor above poverty line or to

escape from poverty. The estimate of the poverty gap square is 5.9 percent.

In order to examine the parametric relationships and to identify key covariates of poverty an Econometric method of estimation is used. That is logit method is used to identify correlates of the consumption based household's welfare. The result of the binary logistic regression model from STATA revealed that that out of 12 independent variables included in the model, 8 of the explanatory variables are found to be significant up to less than 10 percent probability level. Accordingly, total family size & dependency ratio are found to have positive association with poverty of the household and statistically significant. Meanwhile, farm size, total livestock owned(TLU), value of asset, educational status of the household head, access to credit and access to off farm income are found out to have strong negative association with the households poverty status.

Outcome pertinent to Welfare inequality reveals that there is great variation in consumption expenditure of the households. The poorest 20 % of the population has mean yearly consumption expenditure of Birr 4585.75, where as the mean yearly consumption expenditure of the richest 20% is birr 15917.05.the researcher estimates Gini coefficient and the result is found to be 0.30. That is total inequality of the population accounts for 0.30 or 30%.

Keeping the above finding in mind and considering the results, the study concludes households with less endowments of physical and social capital are prone to poverty. There is strong evidence that education status of household head, access to credit and non farm income varies inversely with consumption based poverty status. Apart from this, family size and dependency ratio positively affect poverty. Citrus paribus, households with large family are usually poor.

4.2 Recommendations

It has been observed that the dimensions and causes of poverty are vast and complex. Poverty affects people of different characteristics in different ways, because they play different roles, have different needs and face different constraints and opportunities. It is most likely that communities or households in extreme poverty differ from the average and non-poor communities/households in several distinct ways such as in accessibility of social services, demographic characteristics, and other socio-economic conditions. Proper understanding of these characteristics and conditions constitutes an essential starting point and is a key to the formulation of policies, designing appropriate strategies and practical steps that the government can take in order to reduce poverty and promote sustainable growth at macro and micro levels.

One of the millennium development goals is reduction of poverty and hunger. Currently, poverty situation is global agenda. Thus, this research has tried to explore the covariates of rural poverty using a sample of 191 representative households taken from the rural kebeles of

the wereda. Based on this, the following recommendation was made.

Large family size and dependency ratio are found to be some of the key factors that contribute for severe poverty. Hence, the government and NGOs, particularly operating at the local levels should design sound implementation programs to put the already endorsed and existing population policy in to effect. To this end, a focus on family planning and integrated health service and education provisions must catch the attention of decision-making bodies.

Most poor households did not have access to credit and off farm income which has great potential to assist them to graduate from poverty. It is recommended that credit delivery mechanism should continue targeting the poor which helps them to purchase agricultural inputs and the provision should be accompanied by continuous follow up and technical support. Besides households with off farm income are better endowed with better and additional income thus, government should encourage and create nonfarm jobs for rural households.

Livestock is considered as asset which is liquid a security against crop failure. They help to plough fields and provide means of transportation. So in order to strengthen their benefit for the poor, technical advice and training how to use livestock should offer to make them above poverty line.

Based on the logit model output, educational level directly varies with the level of household welfare. Thus, it is recommended that both formal and informal educations which broaden thinking capacity of the poor should be flourished. Adult education should be given attention.

The livelihood of many households in the wereda was and is seriously affected by the repeated and recurrent drought. Thus, food assistance may not be a long-term solution to the underlining causes of household poverty, it seems imperative to continue the relief handout for some time to keep alive those who have no access either to produce or buy food. But, the link with the employment generating schemes would help both in reducing dependency syndrome and contributing to local development.

Lastly, this study has attempted to come up with the result of the analysis with defined scope however a lot remained to be unanswered.

- To provide basic information on the patterns and determinants of rural poverty, the social, political and environmental dimensions, descriptive data on purchasing patterns of poor households, specific characteristics that make rural poor more vulnerable to poverty and their coping mechanisms demands future researchers' attention.
- The study exploits one time survey and no one be able to address the kind of poverty prevalence in the area. Additional household survey becomes crucial to make a consistent welfare assessment.

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