

# A Panel Data Analysis of Poverty Dynamics and Public Policy Response in Selected West African Countries

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**Abstract:** *Many household in West Africa, just as in many developing countries are frequently confronted by severe household-level-shocks and community based risks such as hunger, crop pest and diseases, human illnesses, ethnic and sectarian crises, all of which resulted in high income volatility. The social mechanisms existing to mitigate the effects of all these in developing countries are usually undeveloped. Households that are currently non-poor today, but face a high probability of an adverse shock may on experiencing such shocks become poor tomorrow. The issue of who is likely to be poor than others are within the purview of the dynamic of poverty, which cannot be captured by mere static poverty measurement. The paper carried an empirical comparative poverty dynamics in West-Africa to determine the probability of the frequent movement of people in and out of poverty of and to also determine the appropriate policy measures to address it from dynamic perspective as opposed to the hitherto static approach. The data from a panel of some representative West Africa countries were analysed using pooled regression analysis. Three variables were used as proxy variables for poverty incidence. The result was quiet revealing. In all, the Gini-coefficient was found to significantly account for the transition of households in and out of poverty trap in the West African sub-region. It can be concluded therefore that inequality is the main factor responsible for people drifting into poverty and most times unable to get out because policies to address inequality is largely ineffective in the West African sub-region.*

**Keywords:** Gini Coefficient, Poverty, Public Policy, Panel Data

**JEL Classification:** C23, D63, E63, I38, J28

## 1. Introduction

Many household in West Africa, just as in many developing countries are frequently confronted by severe household-level- shocks such as hunger, crop pest and diseases, human illnesses and death. There is also the community based risks like ethnic and sectarian crises, all of which result in high income volatility. The social mechanism to mitigate the effects of all these are usually undeveloped. Whether or not the household is poor has been widely recognized as an important indicator of household's wellbeing. However today's poor household may or may not tomorrow poor. Households that are currently non-poor, but face a high probability of an adverse shock may on experiencing such shocks become poor tomorrow. The issue of who is likely to be poor than others are within the purview of the dynamic of poverty, which cannot be captured by mere static poverty measurement. There is the need to go beyond the static measure of poverty and the strategies to tackle it. Poverty is not entirely static, but rather dynamics phenomenon owing to its multidimensional manifestations. The poor consist of those who are always poor- the poor at all times and those who move in and out with the latter group as tending sometimes to be amazingly large in either absolute or relative terms. The non-homogeneity nature of poverty often times undermines existing policies intended to address it. Therefore understanding this dimension is necessary not only to identify the determinants, but as well measures to confront it holistically in terms of policy strategies. Lanjouw and Stern (1993); Baulch and Hoddinot (2000); and

Krishna (2004) noted that analyzing the dynamics of poverty is important both for uncovering the nature of the problem and as well for formulating effective poverty alleviation strategies. If there is high mobility in and out of poverty, it would imply that a much greater proportion of the population experience poverty over the period of observation than the cross-sectional statistics indicates. It would also imply that a much smaller share of population experience persistent poverty relative to those enumerated as poor in a particular year. Analyzing factors behind such chronic poverty provides additional insights for developing anti-poverty programs (Hume & shepherd, 2004). West-Africa sub-region comprises of seventeen countries with variety of ethnicity culture and traditions. It has a population of approximately 250million with Gross Domestic Product (GDP) per-capita ranging from US\$1330 in Cape-Verde to US\$180 in Guinea-Bissau and US\$ 130 in Sierra-leone. (Oduro & Aryee, 2003).The low income per capita characteristic of the sub-region is indicative of the widespread or generalized poverty. The incidence of poverty rate is the range of 60-94% on the basis of Purchasing Power Parity (PPP) of US\$2 per day poverty line. It therefore means that substantial proportions of the population are being poor over a long period of time

The existing poverty literature such as Yaqub (2000); Ribas & Machado (2007); Hussain (2009); Dartanto & Nurkholis (2011) and Dang and Dabaleh (2017) are prolific and vast in describing the nature of the issues based on household income and expenditure surveys at different points of time.

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But there is a lacuna in body of studies on the empirical dimension to mobility of poverty and policy response to address them on panel data basis particularly in West Africa countries. Thus, the critical questions lingering are whether policy prescriptions to tackling poverty are the same in West-Africa sub region? Why there is a high vulnerability rate to poverty and the chances of leaving is bleak. The objective of the paper therefore is to empirically identify the determinants of West African poverty incidences and to direct policies designed to address it in line with the dynamic characteristics of problems peculiar to the individual country. Following the above introduction as section one, section two will address the issues of literature review. Methodology of the paper will form the crux of section three. Section five and six will be results discussion and summary and conclusion respectively.

## 2. Review of Related Literature

### 2.1 Conceptual and Theoretical Review

The word poverty has attracted the attentions of scholars in many fields in term of trying to provide a universal definition to the concept. Disciplines have approached it from the perspective of their orientations. Although consensus is yet to be arrived at, the point of convergence can only be sought after in the key elements contained in any definitions. The intention here is providing the meaning of the categorical based concepts so as to identify different kinds of poverty.

**Chronic poverty:** The standard definition of chronic poverty is that the individual obtained deprivation that last for a very long. According to Barrientos et al, (2005) chronic poverty depending on the duration of the poverty and therefore it identified the chronic poor as that per capita consumption or income is below the poverty line. Chronic poverty according to Yaqub (2003) can be analyzed in term of absolute or relative poverty. Absolute chronic poverty are those who are in the same quantile level of income distribution. Furthermore, absolute poverty is perceived as subsistence below the minimum requirements for physical well-being, generally based on a quantitative proxy indicator such as income or calories, but sometimes taking into account a broader package of goods and services. Alternatively, the relatively poor are those whose income or consumption level is below a particular fraction of the national average. Relative poverty encourages an analytical focus on income inequality trends. The characteristic that are associated with chronic poverty are lack of education, lack of investment, lack of change in the level of technology, location of residence, demographic composition of households, low paid labor, and lack of ownership of physical assets.

**Transient poverty:** The transient poverty is associated with the fluctuation of income around poverty line. The factors affecting transient poverty are the family sizes, migration, government transfer, seasonality of economics activities and state dependence. Transient poverty as the component of time-mean consumption poverty at household level that is directly attributable to variability in consumption; this can be thought of as a measure of vulnerability to falling

consumption. The transient poor refer to those who are classified as poor during a given point in time, but were previously non-poor for at least one year during the period under study.

### Dynamic Poverty

Poverty analyzed in West Africa has tended to focus on poverty at a point in time study. Poverty dynamics investigate the welfare movement of a set of households or individuals over a period of time. Analysis of movement of a household's welfare over a time will provide useful insights into what determines this movement into and out of poverty and why some households remain poor and others transient. Poverty dynamics provides additional dimension of the nature of poverty in any given country. Some households that are below the poverty line at some point in time are categorized as temporarily poor. Evidence from research of welfare mobility (Jalan & Ravallion, (2000), find that the determinant of chronic poverty is different from the determinants of transient poverty. The decomposition of poverty in chronic and transient poverty for households in Pakistan found out that temporary or transient poverty dominated the chronic or persistent poverty (McCulloch & Baulch, 2000). Simulation were carried out to find the effect of income smoothing measures and increases in mean income would have on poverty reduction in west African countries. From 2003 to 2006, about one-fifth (20.4%) of the panel households were considered chronic poor, while 10.4 percent were transient poor. Around 7.8 percent were previously poor, while 61.5 percent were considered never poor. Interestingly, one out of every three who were classified as poor in 2006 was previously no poor. Nonetheless, this issue has been addressed by poverty dynamics studies, which highlight the importance of making a distinction between short-term, transient poverty, and more severe, multi-dimensional, long-term deprivation or chronic poverty (Hulme et al., 2001). The results of these studies are also informative for targeting and evaluating poverty reduction policies (McCulloch and Baulch, 1999). In order to follow the changes in the poverty status of each individual or household over time, dynamic studies generally use panel data. In addition, panel data estimates are more accurate than those obtained from repeated cross-sections (Glewwe and Hall, 1998). Using household-level panel data for rural households in Vietnam between 1992-1998, they find that household poverty dynamics were significantly affected by an improvement in human capital, improvements in the labor market (in particular to export employment), and an improvement in agricultural production related to the rice and coffee booms. The decomposition of poverty dynamic effects implies that employment effects, including human capital effects, labor market effects, and the change in the employment share of the export sector account for 62 percent of the probability of rural Vietnamese households escaping from poverty.

### Policy Response

The chronic poverty" differ from "temporary" or "transient" poverty, the difference between these two is likely to call for distinct policy attention and responses, as stressed for instance in a report of the Chronic Poverty Research Centre (2004). Increasing the human and physical assets of poor people and human capita and physical capita are thought to

be more appropriate to alleviate chronic poverty. Insurance and income-stabilization schemes are seen to be more important policy instruments when poverty is transient. Knowing how much the currently observed level of poverty in transient may thus inform policy choices. The distinction between chronic and transient poverty and the identification of specific determinant of each imply that public policies cannot be uniformly applied. The deprivation of in and out of poverty is vital in implementing the policies decision of poverty. This approach is relevant for policy purposes, given that different policy interventions may be required for reducing the varying kinds of poverty that existed

## 2.2 Theoretical Literature

Studying poverty from the perspective of determinants of poverty has been a difficult task on the parts of scholars and practitioners alike. Different approaches have existed to explain the concept. The framework that seems to suit this study is the one provided by Glewwe and Gibson, (2005).

Contemporary literature on poverty have uniformly acknowledged different theories of poverty and synthesized them into what is often christened as the five theories of contemporary poverty literature. This categorization is coming from two broad perspectives. The conservative and the liberal or progressive front, the former is anchored on the individual deficiencies syndrome, while the later lay emphasis on broader social phenomena.

The first theory is identified as the individual deficiencies induced poverty. This theory first point of focus was the individual as being responsible for their poverty situation. The conservative political theoreticians blamed the individual in poverty for creating their own problems and argued that with hard work and better choices the poor can avoid (and now can remedy) their problems. Other variant of poverty ascribed Poverty to lack of generic qualities such as intelligence which are difficult to be revised.

Secondly is the cultural belief system induced poverty. This theory holds the opinion that poverty is created by the transmission over generations of a set of beliefs, values and skills that are socially generated, but individual held. Also that individual is not necessary to be blamed, because they are victims of their dysfunctional subculture or cultures.

The third theory credited to progressive theory is the economics, political and social distortion or discrimination theory. The proponents of this school of thought hold the views that economic, political and social systems have constrained people to have limited opportunities and resources with which to achieve income and wellbeing. Scholars have agreed that instead of addressing the fact that economic, political and social game have produced loser, researcher tend to focused on who loses out of game.

The second to the last theory in this category is the geographical disparities pronged poverty. This can as well be described as the inevitable theory; Natural locations have placed impediments to development and hence access to income and welfare enhancing factors to some locations. Thus poverty is looked at in this context as being imposed.

Lastly is the poverty caused by cumulative and cyclical interdependences? That owing to the interdependence of society is the world there is bound to be a spill-over effect of what has happened in some parts of the world on the other. There is the cumulative spiral effect in place that continuous to produce poverty cycle. From the reviewed theoretical literature above, none can be said to be the only causative factor in the selected countries, there is therefore the interplay of all in explaining the situation of poverty dynamics in these countries, and their intensity however may differ among countries.

## 2.3 Empirical Literature Review on Poverty

Several empirical studies in past have been carried out on poverty globally and in the sub-region particularly. In a study of determinants of household poverty dynamics in rural regions of eastern cape-province, South Africa, Baiyegienhi and Faser (2010) using panel data set, found out that vulnerable household are significantly larger than for the certain poor households. The result of the study further revealed that the vulnerability index stood at 0.62 compared to 0.56 headcount index in 2008. This finding implies that 58% of household were ex-post poor in 2008 and 62% of them are vulnerable to becoming poor ex ante in the future.

Further, the degree of income mobility and the difference between short-run and long run inequality and poverty dynamics is an empirical question.(Bound & Krueger, 1991). Measurement error in the income (or expenditure) data, Empirical studies of poverty dynamics, and more generally of income mobility, typically use income and/or expenditure data collected from household surveys. Most studies built on the seminal work by Ravallion and Jalan (2000), who decompose poverty into a chronic and a transient component using panel data on household expenditures. Our empirical results suggest that there is no need to introduce artificial poverty measures, income/expenditure levels and their dynamics can be directly compared and policy conclusions be drawn, Matthias Rieger et al (2011). As this study tries to challenge previous findings we aim at a high comparability of our empirical model with the seminal specification by Ravallion and Jalan (2000) found that changes in household income associated with the head or other family members getting a job are the most important reason for households getting out of poverty in South Africa. Similarly, Nielson et al (2008) found that 93 percent of households exiting poverty were associated with changes in labor earnings in Chile.

Also, Davis et al (2010) found that wealthier households in rural areas have a higher level of participation in, and greater income share from nonfarm activities. There is evidence in some contexts that poor people may be unable to overcome entry barriers to non-farm activities. Porter (2011) found that households that become chronically poor have been seriously affected by drought and illnesses. In rural Bangladeshi, households with less than median assets are especially hard hit. The drought of 1999-2002 in Pakistan was especially hard on landless households, because there was a collapse of employment opportunities at the same time as rising food prices. Multinomial logit model can be used to determine the probability that household *I* experiences one

of the  $j$  mutually exclusive outcomes. There is empirical evidence that household welfare dynamics differ significantly depending on whether an income-based measure is used versus an asset-based welfare measure. Asset-based approaches have several advantages over income-based measures, and show the linkages between the depth of poverty, in terms of material and social assets, and duration with a focus on household-level poverty traps. Moreover, given that assets like land and livestock represent both accumulated past wealth and security in the future, these assets play a vital role in most households' strategies for accumulation and consumption smoothing. Following previous empirical studies, the matrix of explanatory variables is integrated by a set of socio-demographic and economic household characteristics, community characteristics and a collection of household and community shocks.

This paper aims to contribute to two areas where the empirical research is still scarce- poverty dynamics and the authors found a significant gap between indigenous peoples' living conditions and those of nonindigenous peoples, as well as discrimination in the labor market, limited access to education and health services and lower endowments of human capital. In contrast, they also observed a higher proportion of working poor among people, that is, the indigenous population faces lower earnings but higher labor force participation and a lower unemployment rate and remained to be poorer.

### 3. Methodology

The study of poverty dynamics is affected by the way poverty is defined, the use of the discrete dependent variable (binary poverty measure), endogeneity problem, effects of unobserved heterogeneity, state dependence and the type of data available.

Different approaches have been applied to the study of poverty as a dynamic process, depending on the availability of data and the research focus.

The multinomial logit model has been applied and is appropriate when the focus is on analysis of discrete and mutually independent poverty transition outcomes and when a short panel of survey data is available. According to Baulch (2011), the multinomial logistic regression model is the most widely used multivariate approach to study the dynamics of poverty. The model estimates the probabilities of a household (I) staying poor in periods (households that are always poor), (II) escaping poverty (households that leave poverty), (III) falling into poverty (households that fall into poverty) or (IV) remaining above the poverty line in both periods (households that are never poor). A number of studies of poverty dynamics in developing countries have used the multinomial logit model (e.g., Bigsten et al., 2003; Keddar and McKay, 2005; Quisumbing, 2011; Dercon and Porter, 2011). Most of these studies only focus on the mobility in poverty status and attempt to distinguish chronic from transient poverty, and do not take into account the effects of unobserved heterogeneity and state dependence.

Other models used in studying poverty dynamics are the hazard (duration or survival) models, dynamic probit model

and random effect probit models. They are used when there are a larger number of repeated surveys of poverty. The hazard rate model originally proposed by Bane and Ellwood (1986) is appropriate in investigating the duration dependence, i.e. the longer the household stays poor the lower the probability that household exits poverty. Hazard model assumes that the probability of entering (or exiting) poverty in a given period (e.g., year) is represented by a logit specification. The logit specification is popular as it is very tractable and restricts the transition probabilities to lie between zero and one (Allison 1984). For developing countries, Bigsten and Shimeles (2008) used hazard models to examine the correlates of poverty-exit and re-entry rates in Ethiopia

Dynamic probit model and Random effects probit model are used when investigating state dependence. Dynamic probit models are a class of discrete choice models where current poverty is modeled as a function of poverty in the previous period. There is a large body of evidence found in several countries (mainly OECD countries) that an individual, or a household, experiencing a poverty spell today is much more likely to experience it again in the future (Duncan et al., 1993; Biewen, 2004 and Giraldo et al. (2006). Very few papers have analyzed the issue of unobserved heterogeneity and state dependence with regard to poverty dynamics; fewer still control for the potential biases arising from the endogeneity of the initial conditions (Stevens, 1999; Cappellari and Jenkins, 2001). The use of dynamic probit modeling in developing countries has, however, been very limited due to its requirement for a relatively large number of rounds of panel data. Bigsten and Shimeles (2008) analyzed the dynamics of poverty for Ethiopia using a state dependence model and found that the current poverty in Ethiopia is strongly driven by the past history of poverty.

Time series, cross sectional and panel have been used in the study of poverty. The scarcity of panel data on poverty especially in the developing countries makes the analysis of poverty dynamics difficult. To overcome the non-availability of panel data, there have been a number of studies, starting with Deaton (1985), that develop pseudo-panels out of multiple rounds of cross-sectional data. Compared to analysis using cross sections, pseudo-panels constructed on the basis of age cohorts followed across multiple surveys have permitted rich investigations into the dynamics of income and consumption over time (e.g., Deaton and Paxson, 1994; Banks, Blundell, and Brugiavini, 2001; and Pencavel, 2007) and of cohort-level mobility (Antman and McKenzie, 2007). Such methods may be of limited appeal to policy makers interested in the mobility of certain (disadvantaged) population groups, or to economists concerned with mobility due to idiosyncratic shocks to income or consumption.

#### Modelling of poverty dynamics in selected West African countries

Poverty dynamics between two periods can be divided into four mutually exclusive outcomes: (i) being poor in both periods, (ii) being non-poor in the first period and poor in the second period, (iii) being poor in the first period and non-poor in the second period and (iv) being non-poor in both

periods. Independence between the four outcomes is tested using a Hausman chi-squared statistic (Greene, 2000).

The multinomial logit model determines the probability that household  $i$  experiences one of the  $j$  outcomes. This probability is given by:

$$P(Y_i = j) = \frac{e^{\beta_j' x_i}}{\sum_{k=1}^J e^{\beta_k' x_i}}, \text{ for } j=1,2,\dots,J$$

where  $Y_i$  is the outcome experienced by household  $i$ ,  $\beta_k$  are the set of coefficients to be estimated and  $x_i$  includes household specific characteristics as well as to the choices. The model is, however, unidentified since there is more than one solution for  $\beta_1, \dots, \beta_j$  that leads to the same probabilities  $Y = 0, Y = 1, Y = 2, \dots, Y = J$  (Greene, 2000). In order to identify the model, one of the  $\beta$  coefficients must be set to zero (the base category), and all other sets are estimated in relation to this benchmark. For convenience we have set  $\beta_0 = 0$ . In this case, the probability function above becomes:

$$P(Y_i = j) = \frac{e^{\beta_j' x_i}}{1 + \sum_{k=1}^J e^{\beta_k' x_i}}, \text{ for } j=1,2,\dots,J$$

And

$$P(Y_i = 0) = \frac{1}{1 + \sum_{k=1}^J e^{\beta_k' x_i}}$$

In the case of the analysis of poverty dynamics  $J = 3$ , where  $P(Y_i=0)$  is the probability that an individual belongs to a poor household in both years,  $P(Y_i=1)$  is the probability of being non poor in the first period and poor in the second period, i.e. falling into poverty,  $P(Y_i=2)$  is the probability of being poor in the first period and non-poor in the second period, i.e. escaping poverty, and  $P(Y_i=3)$  is the probability of a household being non-poor in both periods.

## 4. Empirical Results

### 4.1 Panel Data Analysis: Hausman Test.

After the panel data set for the representative five West African countries were collected, and pooled for the purpose of panel analysis, the Hausman test was applied. This was to guide our decision on the choice of fixed and random effects. In the Hausman test, the null hypothesis is that the preferred model is random effects, while the alternative hypothesis was stated that the fixed effect is preferred as follows.

**H<sub>0</sub>: Model is Random effect**

**H<sub>1</sub>: Model is Fixed effect.**

Decision Rule: If the probability Chi-square is less than 0.05, the decision under the null hypothesis to use the random effect is rejected in favour of the fixed effect. Since the result of our analysis in the Hausman test estimated the Chi-square for the five entities as 481.68 with the corresponding probability value as 0.0000 less the 0.05 percent, the null hypothesis is rejected. Thus our preferred model is fixed effect, implying that there is heterogeneity effect across years and countries. Importantly too, is the fact

that the coefficient of the fixed effects model cannot be biased because of the omitted time-invariance characteristics like culture, religion, and Gender (Oscar, 2007).

### 4.2 Results Presentation and Interpretations

The results of the pooled regression used to obtained the estimates coefficient determinants of household poverty incidence and to ascertain their propensity of transiting in and out of poverty is presented in table one below.

**Table 1: Estimated Coefficient of Poverty Incidence Model**

Variable	Coefficient	Standard Error	T-Statistic	Prob-statistic
lnPPP	.0346677	0.0108912	3.1800	0.0002**
lnGINI	.9113412	0.0075812	120.48	0.0000***
lnPCI	-.739906	0.0279407	-26.48	0.0000***
CONSTANT	11.93024	0.1218219	97.930	0.0000***
R <sup>2</sup> = 0.9955				
Adj R <sup>2</sup> = 0.993				
F(3,9) = 6884				
Prob>F =0.000				

Note: \*\*\* 1% \*\*5% \* 10%

Source: Stata 12

### 4.3 Discussion of Results

The study obtained secondary data from World Development Indicators (WDI) on the variables used as proxy factors for poverty incidences in the selected West African countries. The aim of is to provide empirical evidence from the result generated to show how these countries have either high or low tendencies of moving in and out of poverty trap. This is in addition to identifying the factors associated with circumstances that trigger this transition so as to suggest effective policy measures targeted at the problems

The purchasing power parity (PPP) factor was found to explained poverty incidence positively as shown by the results above. Though negation relationship as an apriori expectation from this variable was supposed to be the case, because theoretically, it is expected that an increased in purchasing power parity (PPP) should reduce the incidence of poverty. However, the results turn out to be the other way round can as well be explained. This is likely because of the differences in inflation and exchange rate regimes in the different that cumulatively tend to worsen the countries PPP. Therefore, countries with high inflation, poor exchange rate and worst export performance in the group tend to dampen this effect and hence the positive result produced.

The Gini coefficient is a ratio that measure income and wealth distribution of nation's residence. From the result of this paper, the estimated coefficient of this variable is positive indicating that wealth and income is positively associated with poverty incidences in the sub-region. The result is well in line with our expectation, because the region is said to have a gini coefficient of close to one which is indicative of near perfect inequality in terms of income and wealth distributions. The bulk of income and wealth in the region is largely concentrated in the hands of few leaving a large number in abject poverty. The variable is highly statistically significant with highest coefficient magnitude accounting for more than 60% and also meaning that the

database for the study was large enough to influence the dependent variable.

The per capita income determinant also produced a negative sign with poverty incidence in the selected countries. This is what theory postulated, that when the income per head is low, there will be high probability of the population being trap in the poverty net and vice versa. Therefore empirical data has further confirmed this assertion. Closely related to gini coefficient estimated, the per capita income estimate has followed the same direction, because these are indicators of inequality. When Growth in the sub-region do not translate to improve welfare as a result of so many factors such corruption, weak economic policies on social security and conflicts there is bound to be poverty on the land. The result autonomous variables has the highest coefficient value, this is to buttress that other variables as well are contributors to explaining the dependent variables, poverty incidence.

## 5. Summary, Conclusions and Recommendations

One of the hydra headed Monster that is causing a nightmare to policy makers is the issue of how to holistically tackle poverty in all its ramifications. It is on this note that this study was anchored and on the acknowledgement that there is near absence in particular of an empirical analysis on the categorization and dynamism of poverty and policy treatment of same in the West Africa sub region. The paper commences with a survey of the background information of the issue in the sub region, thereafter carried out a thorough review of relevant literature. The review culminated to the discussion of appropriate methodology to equip it with tools to accomplish the task. A model for the study was then constructed and data for the variables obtained from World Development Indicators (WDI). Since the study was on a selected number of West African countries, a pooled regression panel analysis was adopted as a suitable analytical technique. The empirical analysis was then carried out and produced using the stata statistical software. The result was quiet revealing and with policy implications. In inclusions, it was evident that inequality proxy by gini-coefficient and the other variants of inequality were instrumental in pushing more into and less out of poverty cycle in the sub-region. Consequently the paper based on its findings made the following recommendations.

The proceeds of growth should be inclusive to address the wide gap between growth and inequality. It is the character of growth (how it is achieved, who participates, which sectors are given priority, what institutional arrangement are designed and emphasized, etc) that determines the degree to which the growth is or is not reflected in improve standards of living of the very poor. It is not the mere fact of rapid growth per se that determines the nature of its distributions, but pragmatic internal policies are in place in the form of social security safety net to cover the vulnerable in the society.

Tax reforms (consumption tax systems) that target to rich be introduced and implemented to the later. This would check ostentatious consumption habits of the rich and transfer resources through provisions of basic needs infrastructure to

ameliorate the plight and reduce the inequality gap of the very poor with the rich.

In the final analysis, it is hope that is paper is one of the few that contributes to the body of knowledge in this subject matter and is expected to ignite the intellectual mind of scholars to broaden the frontier of knowledge in the future.

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