INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

IJRCM

CONTENTS

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

http://ijrcm.org.in/

ii

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

http://ijrcm.org.in/

iii

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: **infoijrcm@gmail.com**.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

   DATED: _____

   THE EDITOR
   IJRCM

   Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF**.

   (e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

   DEAR SIR/MADAM

   Please find my submission of manuscript entitled '_____' for possible publication in your journals.

   I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

   I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

   Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

   NAME OF CORRESPONDING AUTHOR:
   Designation:
   Affiliation with full address, contact numbers & Pin Code:
   Residential address with Pin Code:
   Mobile Number (s):
   Landline Number (s):
   E-mail Address:
   Alternate E-mail Address:

   NOTES:
   a) The whole manuscript is required to be in *ONE MS WORD FILE* only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
   b) The sender is required to mentionthe following in the **SUBJECT COLUMN** of the mail:
      New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/ Engineering/Mathematics/other, please specify)
   c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
   d) The total size of the file containing the manuscript is required to be below **500 KB**.
   e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
   f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5.   **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6.   **MANUSCRIPT:** Manuscript must be in _**BRITISH ENGLISH**_ prepared on a standard A4 size _**PORTRAIT SETTING PAPER**_. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7.   **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8.   **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9.   **MAIN TEXT:** The main text should follow the following sequence:

INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10.   **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11.   **EQUATIONS:**These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12.   **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s**) for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

                                        PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS
- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES
- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES
- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES
- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES
- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT   vi

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

http://ijrcm.org.in/

ANALYSIS OF CHRONIC AND TRANSIENT POVERTY IN RURAL OROMIYA - ETHIOPIA

DEREJE FEKADU DERESSA
LECTURER
DEPARTMENT OF ECONOMICS
WOLLEGA UNIVERSITY
ETHIOPIA

ABSTRACT
This study is based on secondary data from Household Income, Consumption and expenditure Survey and Welfare Monitoring Survey 2004/5 collected by Central Statistical Authority. The study has tried to examine the extent and severity of poverty of households in rural Oromiya. It further looks through the determinants of poverty. Using the Foster, Greer and Thorbecke (FGT) poverty indices, the descriptive analysis of poverty indices revealed that 38.84% of the sampled households in the region are poor. A measured household poverty is decomposed in to transient and chronic poverty and majority of the poor are chronically poor. The Logit model is used to investigate the determinants of poverty. From the estimation result educational attainment of the head, household size, location of residence in the region, are found to be the key determinants of poverty in the region. The results show that chronically poor is not the same as transient poverty. For the chronically poor who lack economic assets, priority should be given to reduction of consumption fluctuations and building up assets through a combination of protective and promotional programmes. On the other hand, the transient poor are most likely to benefit from combination of prevention, protection, and promotion which would give them a more secure base to diversify their activity into higher-return, higher risk activities. Therefore ex post measures to alleviate those already in poverty should identify chronic and transient poor in undertaking poverty reduction strategies.

KEYWORDS
Chronic Poor, Oromiya, poverty, rural, transient poor.

INTRODUCTION

The most important goal for development efforts is to reduce poverty. Over time economists are also vexed with the high incidence of poverty in developing countries. Particularly today poverty in Africa is the primary development challenge facing the continent. Poverty in this continent is pervasive, intensive, chronic, gender-biased and largely a rural phenomenon (Simon Maxwell, 2001 P143–149). Poverty in Africa has been described as mostly a rural phenomenon not only because the majority of the population live in rural areas but also because of the distribution of economic activity between rural and urban areas. In Africa rural-urban differentials in incidence of poverty are large and persistent regardless of the overall level of incidence rates.

The problem of poverty and how to reduce it remains the most pressing dilemma in the international development debate. Although poverty reduction has become a central global agenda, there is still an ongoing debate on the policies that would help to attain the objective (Cashin et al, 2001). As a result Poverty reduction became a subject that has attracted serious international discussions for more than 20 years. This is evidenced by the attention poverty is receiving in the international development debate. For example in the year 2000, leaders from 189 countries endorsed a set of Millennium Development Goals (MDGs) to be achieved by 2015, one of which was to 'halve' the number of people living in absolute income poverty relative to the 1990 levels (Simon Maxwell, 2001 P143–149).

Over the past decade Ethiopia has made significant strides in improving the living standards of its citizens. Household survey evidence suggests that between 1999/00 and 2004/05, real total consumption per capita grew by 19 percent (15 percent with respect to 1995/96). This has resulted in significant reductions in poverty: the headcount fell by 12.4 percentage points between 1999/00 and 2004/05, and by 18.5 percentage points since the mid-1990s (MOFED, 2009 P18-19). Despite this progress population has grown with the result that the number of poor people in Ethiopia increased from 25.6 million in 1995/96 to 27.5 million in 2004/05 (MOFED, 2009 P18-19). As a result poverty remains a significant challenge facing the nation.

Poverty alleviation will remain a crucial part of the overall development agenda in Ethiopia in the years to come. The Ethiopian government has been constantly pursuing development efforts addressing mainly rural poverty. Moreover, the government introduced Agricultural Development Led Industrialization (ADLI) as its major policy program to achieve higher growth and reduce both rural and urban poverty. This strategy is upheld with an emphasis on agriculture as the generator of primary surplus, taking advantage of backward and forward linkages, to fuel the transition of a more modern economy. The approach remains basically sound; it places an appropriate emphasis on raising the incomes of the rural population, who constitute 83% of the population, and over 90% of the poor, and who are almost exclusively engaged in agriculture. However, the full potential of agricultural growth has not yet been realized, and intensification of the strategy seems to be required. More broadly, the overall growth performance has not yielded the hoped-for poverty-reduction results as yet.

REVIEW OF LITERATURE

There are different approaches to the measurement of welfare. An important distinction is between the 'welfarist' and 'non-welfarist' approach. One of the differences between these approaches is based on the importance attached to the individual's own judgment about his or her well-being (Ravallion: 2001 p 12). The welfarist approach bases an assessment of well-being solely on individual utility levels (assessed by the individuals themselves). Therefore, as to the welfarist approach the value attached to commodities by the consumer himself and the subsequent preference ordering is sufficient for assessing a person's well being. However, the non-welfarist approach pays little regard to the information on utilities. This approach attempts to assess the well being of an individual based on certain elementary achievements such as being adequately nourished, clothed and sheltered.

Is poverty simply about the level of income obtained by households or individuals? Is it about lack of access to social services? Or is it more correctly understood as the inability to participate in society, economically, socially, culturally or politically? The answer is that the term has been used in all these ways. There is no single, universally accepted standard definition of poverty. Modern definitions of poverty have moved away from conceptions based on a lack of physical necessities towards a more social and relative understanding. The European Union's working definition of poverty is:

'Persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State to which they belong' .

This is now the most commonly used definition of poverty. It recognizes that poverty is not just about income but about the effective exclusion of people living in poverty from ordinary living patterns, customs and activities. Most commonly used terms to describe poverty are**:** Income or consumption poverty; Human (under)development; Social exclusion; Ill-being (Lack of) capability and functioning Vulnerability; Livelihood unsustainability and Lack of basic needs

In poverty analysis, the most important issue that has to be addressed first is to determine whether the individual is poor or not. For this purpose, poverty line plays an important role in categorizing the population into poor and non-poor. The argument is that there is a minimum level of consumption of goods i.e. food, cloth, shelter, etc. below which it is difficult to sustain life. So in order to define the poverty line, the level and types of goods must be precisely identified. However, the debate is how to exactly arrive at these levels and types of goods for any given individual/household.

Once the poverty line is determined, it means that one is able to define poverty. It is a measure that separates the poor from the non poor. For any household, a poverty line is the command over resources that this household needs to have a certain welfare level that is chosen to be the poverty threshold (Hagenaars:

1986 P6). The following are some of the welfare concepts used in all poverty line definitions. Following the different definitions, three alternative approaches (Ravallion, 1992 P 10) spotted in building poverty line: absolute, relative, and subjective poverty lines.

Researches on factors that affect incidence of rural poverty in Ethiopia have indicated that entitlement failures are key in explaining low consumption levels . Bogale et al. (2005 P8) found that cultivated land per adult equivalent, geographical location, education and oxen ownership to be important determinants of rural poverty. Others emphasize the important role of non-economic forms of capital, such as social and human capital as well as entitlement rules, such as access rights to productive resources, political voice, inheritance rules and access to community support in determining household poverty.

Devereux and Sharp (2006 P4) question the validity of some of the above findings on the basis of the methodological foundations of the data up on which poverty trends and determinants are derived and the conceptual understanding of poverty itself. Moreover, they argue that the use of uniform national poverty line used to define the poor and the non-poor may camouflage the significant regional variations one can observe within the nation

While, on an aggregate scale, poverty seems to persist at debilitating levels, this does not say much about the location specific extent and determinants of poverty. based on a household survey conducted in three districts in eastern Ethiopia in the period of 2003/2004 Bogale and Korf (2009 P 13) found that poverty is location-specific: Access to irrigated land (not land per se) and non-farm income are strongly correlated with lower probabilities of being poor; and involvement in networks is a strong predictor of the probability of being poor.

NEED/IMPORTANCE OF THE STUDY

Identifying who is poor, who is not, and the characteristics of those who are, is essential for designing poverty alleviation policies. In this regard, the study looked into poverty and examined the household's characteristics, which are likely to be associated with poverty. The main distinguishing feature of this paper is its geographical area of focus. So it has a vital role for poverty reduction strategies if one is to combat poverty. Through identifying some of the key micro level binding constraints to poverty reduction, the study provides a critical insight for policy makers to trace out the relative contribution of different influences on poverty and to trace out major causes of transient and chronic poverty among the referred populations and their inter-linkages. The study also forwards the probable solution to overcome these problems in designing effective poverty reduction strategies

STATEMENT OF THE PROBLEM

Before the development community can become more successful in designing and implementing poverty-alleviation strategies, within the context of growth, it is important to understand better the conditions under which some households remain permanently (chronically) poor and how others move in and out of poverty. An emerging consensus is that poor households are likely to suffer not only from low income and consumption on average but also from fluctuations of their welfare. Poverty as a vulnerability concept is now seen as a dynamic process which allows for putting in place proper proactive policy interventions to address poverty.

The Ethiopian government has been constantly pursuing development efforts addressing mainly rural poverty. In Ethiopia although the poverty alleviation funds have risen year after year there are evidences that poverty has not been reduced as targeted, like 20 years ago the country is in need of food aid; still a majority of the population hover around the poverty line; there are large entries into poverty compared to those who exit. Many rural Ethiopians cycle around the poverty line, moving in and out of poverty and food insecurity during the course of a year. With so many households cycling around the cusp of severe poverty, a shock is often all it takes to push them into poverty. Thus households, while not currently poor are continually at risk of becoming so. This requires not only a deep look at the factors responsible for poverty but also the defenselessness of the poor and vulnerability to poverty. So the current study is initiated to fill this gap.

OBJECTIVES

The general objective of the study is to analyze poverty and its determinants in rural Oromiya. The specific objectives of the study include:
1.   To measure the level of poverty, its depth and severity on rural households
2.   To quantify chronic and transient poverty
3.   To identify the major determinants of poverty

HYPOTHESIS

o   Characteristics of households in chronic and transient poverty are the same
o   Determinant of chronic and transient poverty are different
o   Level of Poverty in Rural Oromiya is above the national average for rural Ethiopia .

RESEARCH METHODOLOGY

This study is based on the 2004/05 Household Income, Consumption and expenditure Survey (HICES) and Welfare Monitoring Survey (WMS) that were conducted by Central Statistical Authority (CSA).

Poverty status is one of the most important measures of household welfare. According to the consumption-based measure of poverty, a household is considered poor if its current per capita consumption falls below a certain threshold, which is referred to as the poverty line. With the increased awareness and availability of data, various measures of poverty have been developed overtime, among which the Foster, Greer and Thorbecke (1984), FGT, class of poverty indices is the most commonly applied. Given a vector of suitable measures of well-being, c The FGT poverty index (P_α) can be expressed as:

$$P_\alpha = \frac{1}{n} \sum_{i=1}^{q} \left[\frac{z-c}{z} \right]^\alpha \quad \text{if } c \leq z \text{ --(1)}$$

0 otherwise

Where z is the poverty line, q is the number of the poor in the sample below the poverty line), c is consumption, n number of people in the sample, α is the poverty aversion parameter (α >=0). The parameter α represents the weight attached to a gain by the poorest. The commonly used values of α are 0, 1, and 2. When we set α equal to 0, then (1) is reduced to the headcount ratio, which measures the incidence of poverty, when we set α equal to 1, we obtain P1 or the poverty deficit. P1 takes in to account how far the poor, on average, are below the poverty line. Setting α equal to 2 gives the severity of poverty or FGT (2) index. This poverty index will be used in this study since it gives greater emphasis to the poorest of the poor, as it is more sensitive to redistribution and variability among the poor. The three indices reflect different characteristics of poverty, and can explain poverty from different profiles

At the family/household level, poverty is measured according to the following expression:

$$P(c_h) = \left[\frac{z-c_h}{z} \right]^\alpha \quad \text{if } c \leq z \text{ ---(2)}$$

0 otherwise

Here z is the poverty line. In this study the national poverty line of the country will be used for analysis. Consumption to measure poverty will be used, for consumption is generally regarded as the best indicator of welfare in rural Ethiopia, because most people in the rural areas consume from their produce and do

not earn regular off-farm income (Fredu 2008 P10). Going by the permanent income hypothesis, welfare indicators based on consumption are preferred over those based on income.

Chronic poverty for the FGT class of measures can be written as:

$$CH_h = \left[\frac{z - E(c_h)}{z} \right]^\alpha \quad \text{if } E(c) \le z \text{ --(3)}$$

$$T_h \qquad \text{if } E(c) > z$$

Where E (C_h) is each household's expected consumption or the estimated/predicted value of a regression model of the relationship between a household's consumption level and its characteristics. T_h is Transient poverty

To investigate the determinants of poverty, the measure of poverty are regressed on the same set of household characteristics. The model of poverty is:

$$p_h = X_h \delta + \mu_h \text{ -- (4)}$$

=0 otherwise

Where p_h the observed poverty is measured in terms of household consumption, δ is a Kx1 vector of unknown parameters, X_h is 1xK vector of explanatory variables, and μ_h are models residuals.

RESULT AND DISCUSSION

In search of the conditions of poverty, the related determinant factors in rural Oromiya the data is analyzed by both descriptive statistics and econometric analysis techniques. The descriptive methods are employed to explain the level and extent of poverty among the different demographic and socio economic variables in the study area. The econometric analyses enlighten the determining factors for poverty and vulnerability hence give empirical evidences for the basic research questions of this thesis.

TABLE 1: POVERTY INDICES FOR RURAL OROMIYA

Poverty index	Proportion	SE
Head count ratio (P0)	0.3884	0.0101
Poverty gap (P1)	0.0936	0.0031
Poverty severity (P2)	0.0322	0.0014

Source: Author's computation based on CSA data

As one can see from table 1 the head count ratio of 38.84 percent of the households are poor. This is an evidence for high incidence of poverty in Oromiya where more than 90% of populations live in rural area. As a result, 38.84% of the rural population in the region live below meeting basic consumption requirement or cannot afford to buy a basic basket of goods and essential non-food items. Poverty levels in Oromiya is a little bit below the national rural average head count ratio (39.3). Oromiya is the largest region and this figure is high as it contributes to the lion's share of national poverty incidence. The poverty gap which is the percentage of the poverty line needed to bring the entire population who are below the poverty line at least to the poverty line is found to be 9.3 percent and it is slightly greater than the national average of (8.5 percent) in rural area of the country. Similarly the poverty severity index 0.032 is also a lit bit more than that of the national average for rural area (0.027). Poverty gap and poverty severity for rural Oromiya are relatively larger than the national average for rural area while poverty measured in terms of headcount is found to be low. So spatial comparison of poverty only based on headcount ratio might be misleading.

No study of poverty is complete without some discussion of the robustness of the findings.

When comparing poverty measures over time or group, using stochastic dominance technique can help in establishing the robustness of poverty comparison using summary measures. To that end, Figure 1, 2 and 3 present the stochastic dominance analysis for the poverty comparisons between FHHs and MHHs.

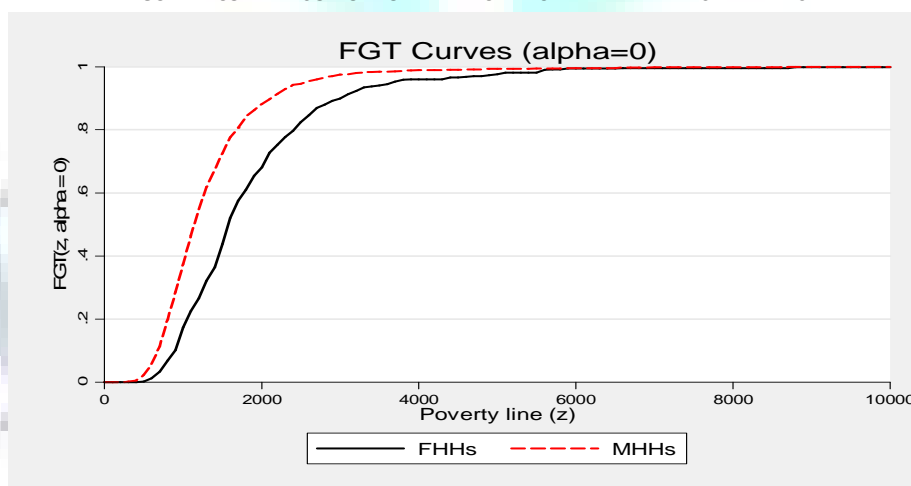**FIGURE 1: COMPARISON OF POVERTY INCIDENCE BETWEEN MHHS AND FHHS**

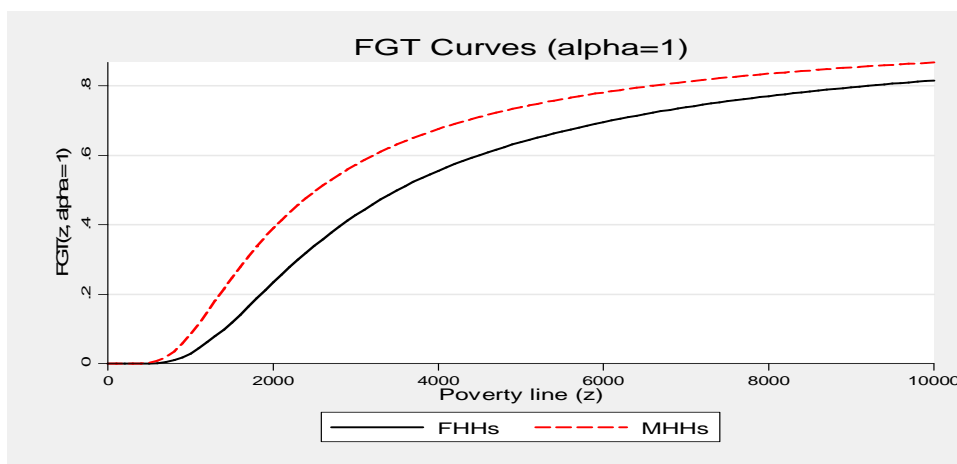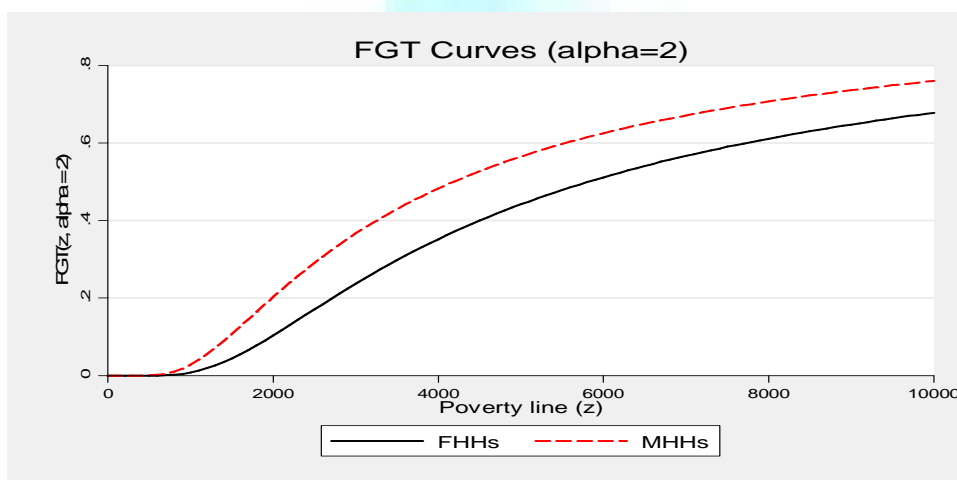**FIGURE 2: COMPARISON OF POVERTY GAP BETWEEN MHHS AND FHHS**

FIGURE 3: COMPARISON OF POVERTY SEVERITY BETWEEN MHHS AND FHHs

Source: Author's computation based on CSA data

As it is shown in figures 1, 2 and 3 the incidence, depth and severity of poverty are drawn across multiples of poverty lines for both MHHs and FHHs in one graph to conduct stochastic dominance analysis. And at all levels of these poverty lines, the incidence, depth and severity of poverty indices of FHHs are below than that of MHHs verifying that consumption poverty is consistently higher for MHHs than FHHs. It is to be noted that the stochastic dominance analysis reveals the same result as the statistical test. Therefore, given these results one can conclude that MHHs experience more poverty than their male counterparts in rural Oromiya.

DETERMINANTS OF POVERTY

The head count ratio indicates that 903 sampled households (37%) out of the total 2325 sampled rural households are poor in the study area. These huge numbers of the people could not get the daily minimum and recommended calories requirement (2200 kcal per capita per day) for. It means that they could not produce enough or they don't have other means to cope with shortage in agricultural production to satisfy their daily minimum requirement. Finding the factors that contribute to poverty goes beyond the descriptive analysis and requires employing econometric analysis. Multivariate econometric analysis helps us to identify factors influencing the extent of poverty. As it was discussed in the methodology part of this paper , a logit model is estimated to identify the major determinants of poverty of households. The variables described in the descriptive analysis are used as explanatory variables in logit model. Using the household poverty as a dependent variable whereby a value of 1 is given to households being poor and 0 otherwise, and using the identified explanatory variables the model was estimated by following the maximum Likelihood estimation procedure. The measurement of goodness of-fit of the model shows that the model fit the data well.

From table 2 the coefficients for age of the household head and its square have negative sign and are insignificant. This shows that the age of household head does not affect the probability of the household to be poor. According to the estimation result, the probability of being poor is on average lower for female headed households relative to the categorical variable (male headed households) and it is statistically significant at one percent. This result supports the result the results obtained from the descriptive statistics and stochastic dominance tests. Therefore, given these results one can conclude that MHHs experience more poverty than their female counterparts in rural Oromiya. Among the important demographic variables, the household size as explained by the number of people in the various disaggregated age groups appears to have positive coefficient and is significant at one percent so as family size increases the likely of the household increases. And the square of household size has negative coefficient and significant at one percent. This shows increment of household size after a certain level negatively affects the household probability to be poor

Compared to the base category 'illiterate head of household', the rest of dummies on education are found to affect poverty negatively. The relevant coefficients are also statistically significant except for household head with primary education. Compared to the base category household head's with some primary education does not affect the likelihood of the household to be poor. This basically conforms the finding from the descriptive analysis and stochastic dominance test. Other studies also confirm that literacy and education attainment decrease poverty). Educated household heads process and use information. For example, literate farmers may seek information on prices more than the illiterates ones and consequently sell their produce at reasonable prices.

TABLE 2: LOGISTIC ESTIMATION FOR DETERMINANTS OF POVERTY

Probability to be poor	Coefficients	Dy/dx	Robust std.err	Z	P>|z|
Household's demographic characteristics					
HAGE	-.0099029	.0094424	. 0244558	-0.40	0.686
HAGE2	-.0001514	-.0001804	. 0002678	-0.57	0.572
HSEXD2+	-.5106444	-.1588526	.1458189	-3.50	0.000*
HHSIZE	1.123248	.2714095	. 1037795	10.82	0.000*
HHSIZE2	-.0594622	-0139609	. 0070626	-8.42	0.000*
ELDER	.0145863	.000423	1559988	0.09	0.926
JUNIOR	.0533406	.0087295	0364791	1.46	0.144
Household head education					
HEDUCD2+	-.1300478	-.0393922	. 1205151	-1.08	0.281
HEDUCD3+	-1.693651	-.2724893	. 792517	-2.14	0.033**
HEDUCD4+	-1.774519	-.2843686	. 7212301	-2.46	0.014**
Dummies of locations					
East Wellega+	-.1938862	-.0256389	2465245	-0.79	0.432
Jima+	.3165178	. 3165178	. 2449795	1.29	0.196
Illubabor+	-.7796619	-.1570294	. 2368667	-3.29	0.001*
West Shoa+	-.1120969	-.0378335	2487109	-0.45	0.652
North Shewa+	-.801179	-.1591363	. 2650205	-3.02	0.003*
East Shewa+	-.4426765	-.1085596	. 2387456	-1.85	0.064
Arsai+	-.2739024	-.072009	. 2290077	-1.20	0.232
WestHararghe +	-1.468656	-.2646211	. 2622871	-5.60	0.000*
East Hararghe+	-.6081749	-.129523	. 238812	-2.55	0.011**
Bale+	-.157131	-.0437	. 2589328	-0.61	0.544
Borena+	.5052189	.1324224	. 2418823	2.09	0.037**
SouthWestShewa+	-.4602491	-.068732	.2724599	-1.69	0.091***
Guji+	-1.046033	-.1644369	. 2612879	-4.00	0.000*
Constant	-3.501861	-	. 5465865	-6.41	0.000*

Source: Author's computation based on CSA data

* Significant at the 1% level; **Significant at the 5% level; ***Significant at the 10% level

Log pseudolikelihood = -1237.7353
Number of obs   =   2322
Wald chi2(23)   =   404.85
Prob > chi2   =   0.0000 Pseudo
 R2   =   0.2016

Moreover, education may enable households to be more aware to factors that may reduce unexpected household welfare loss. Therefore, ceteris paribus, household head education is expected to reduce poverty. As to the location variable, compared to the categorical zone, west wollega, households living in rural area of Borena zone have higher likely hood to be poor.

FINDINGS

This study has sought to assess the extent of poverty as well as vulnerability to poverty in the region. In addition some of the key determinants of poverty are identified. Descriptive analyses, poverty measurement using FGT poverty indices and multivariate analysis have been employed for the study. In light of the evidences that are obtained the following are the findings of the study. The descriptive analysis of the data set indicates that among the 2325 sampled rural households in Oromiya region 903 (38.84%) households were found to be poor while 1422 (61.16%) of households were food to be non poor. Thus (38.84%) of the sampled households could not get the minimum and above recommended calorie level, i.e., 2200 kcal per adult per day through income generated from their major activity of subsistence agriculture. The profile of the rural households in Oromiya region was found to be more overwhelming. Illiteracy is more pervasive and accounts 70 percent of the sampled household heads. Even in the literate sub group majority of them attended education up to primary level. Only insignificant number of the household heads in the region was found to have secondary and higher level of education.

RECOMMENDATION

To address the issue of illiteracy investment in human capital has paramount significance in poverty alleviation in rural Oromiya. Particular emphasis also should be given to adult education since majority of the adults are illiterate. Larger family size and male headed households have higher probability to be poor. Accordingly, current government policy to increasing awareness among rural women in using family planning to reduce fertility should be encouraged.
Households who rely on subsistant agriculture are more vulnerable than households with in modern agriculture, which calls attention to the need for more protection of the agricultural community. Since agricultural income is the main source to feed rural households, mechanisms that increase productivity by increasing labor and land productivity through the provision of modern agricultural inputs(high variety seeds and fertilizers), crop insurance and micro credit. Development of small-scale irrigation should be given a priority because rural households follow subsistence agricultural activity that solely depends on rain.
Therefore poverty reduction strategies should place ahead the importance of social protection and promotion programmes for ensuring inclusiveness in the development process so that growth becomes more pro-poor. A sizeable portion of households that are now non-poor are certainly vulnerable to falling into poverty in future. This has policy implications that ex ante measures should be enhanced to prevent as many households as possible from becoming poor and therefore such results should be taken into account, particularly when policy makers design social policy in addition to ex post measures to alleviate those already in poverty.

CONCLUSION

Most of the findings in the descriptive analysis are consistence with the result obtained from multivariate model. The estimation of the model for determinants of poverty shows that larger household sizes significantly increase the probability of the household to be poor. Similarly the probability of being poor is on average higher for male headed households relative to the male headed households. On the other hand literate household head has negative effect on poverty. In general, households with large family size and illiterate are more likely to be poor than those with smaller family size and educated household heads. The percentage of households with illiterate heads is higher among poor households than among non poor households. Poor households achieved lower average grade level than those who are non poor. Except the mean household age, the mean values of household size, adult equivalent household size and real consumption were found to be higher for non poor households than poor households.

SCOPE FOR FUTURE RESEARCH

More intensive researches on the area should be undertaken specially in the area of agricultural productivity, food security, shocks, and uncertainties that rural households face, poverty status between MHHs and FHHs. and similar issues that contributes for the prevention rural households from poverty.

ACKNOWLEDGMENTS

REFERENCES

1. Bigsten, A., Bereket k., Abebe S., and Mokonnen T., (2002), "Growth and Poverty Reduction in Ethiopia: Evidence form Household Panel Surveys", Working Papers in Economics No. 65, Department of Economics, Gothenburg University.
2. Bogale, A., Hagedorn, K., Korf, B., 2005. Determinants of poverty in rural Ethiopia. *Quarterly Journal of International Agriculture* 44 (2): 101-120.
3. Christiaensen, L., and Boisvert, R., (2000), "On Measuring Household Food Vulnerability: Case Evidence From Northern Mali", (Unpublished).
4. Foster, J.E., Greer, J., Thorbacke, E., 1984. A Class of decomposable poverty measures. *Econometrica* 52 (3): 761-766.
5. Foster, J.E., Greer, J., Thorbacke, E., 1984. A Class of decomposable poverty measures. *Econometrica* 52 (3): 761-766.
6. Fredu Nega Rural poverty dynamics and impact of intervention programs upon chronic and transitory poverty in northern Ethiopiaa A paper selected for presentation at the 2008 African EconomicConference 12-14 November 2008 Tunis, Tunisia
7. Hagenaars, A., (1986), "The Perception of Poverty. In Contribution to Economic Analysis,) Tibergen, J., and Waelbroeck (eds), Elesiver Science Publishers.
8. Jalan, J. and Ravallion, M. (2001). 'Household income dynamics in Rural China'. Policy Research Working Papers Series No. 2706. The World Bank.
9. Maxwell, S. (2001) WDR 2001: Is there a "new poverty agenda"? Development Policy Review 19(1): 143–149.
10. Ministry of Finance and Economic Development (MOFED) Dynamics of Growth and Poverty in Ethiopia (1995/96-2004/05 Development Planning an Research Department (DPRD) April, 2008 Addis Ababa Ethiopia
11. MoFED (Ministry of Finance and Economic Development), 2009. Ethiopia: Building on Progress - A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06-2009/10) Volume I: Main Text, Addis Ababa.
12. World Bank, 2000. A Sourcebook for poverty reduction strategies. Washington, DC.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail **info@ijrcm.org.in** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

http://ijrcm.org.in/

III