

**Session-4 (December 2, 2021), Paper-2:**

**Abstract**

## **Convergence in Income, Poverty, and Inequality across Districts of Bangladesh**

Mohammad Yunus \*

Bangladesh has made remarkable progress in growth in per capita income and reduction in poverty rates along with stable consumption inequality between year 2000 and 2016. The paper explores the nature of convergence in per capita income, poverty measures, and inequality across districts as well as between 'east districts' and 'west districts' based on a unique set of data in order to assess if the progress transcended across or remained concentrated within a few regions. Given the particular types of empirical models specified, the dynamic panel method is used as a suitable empirical strategy to address unobserved heterogeneity and endogeneity of regressors. Our study finds evidence of convergence in these vital parameters across the districts and the changing effects on the 'east-west divide'. The results of convergence in per capital income and poverty rates are similar when a set of variables that proxy for differences in steady-state characteristics are controlled for. While growth spurts poverty reduction, initial poverty rates and initial inequality have little effect on growth. In contrast, both poverty-adjusted elasticity of growth and inequality-corrected elasticity of growth adversely affect poverty reduction. Decomposition of poverty reduction shows that stronger growth effect dominates adverse poverty elasticity effect to ensure strong poverty convergence found across the districts as well in the east and west districts. Despite slow reduction, inequality also experienced convergence across districts. There have been frequent changes in the trajectory and lead-lag roles of east and west districts are often interchanged during the three quinquennia due apparently to constant duel between backwash effect and spread effect.

Key Words: Bangladesh, Convergence, Income, Inequality, Poverty

JEL Classification: I32, O47, O53

---

\* Bangladesh Institute of Development Studies. The author is profoundly grateful to Ruth Hill, Chief Economist, Centre for Disaster Protection, UK and Maria Genoni, Senior Economist, World Bank,

Washington D.C., for useful conversations and numerous suggestions. However, the usual disclaimer applies for all errors and omissions.