

Poverty Status and Determinants of Income Diversification among Rural Households of Pakistan

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Abstract : This study is designed to determine the poverty status and determinants of income diversification in rural areas of Pakistan using cross sectional data of Pakistan Social and Living Standards Measurement (PSLM) for 2010-2011. The variables used for measuring income diversification are demographic indicators, poverty status, and income of households. Foster-Greer-Thorbecke (FGT) poverty measures show that 43.1% poor and 56.9% non-poor resided in rural areas of Pakistan. A Tobit model was employed to examine the determinants of livelihood diversification among households. The result showed that age, gender, marital status, household size and province have significant impact on income diversification. The data show that non-poor and female headed household with higher family size diversify more as compared to poor, male headed household with small size of family members. The place of residence (province used as proxy for place) also plays important role for income diversification as Sindh Province was found more diversified as compared to Punjab and Khyber Pakhtoon Kha (KPK). It is recommended to improve the ways of income diversification among rural household to reduce poverty among them. This can be done by more investment in education with universal access for poor and remote localities households.

Keywords : poverty, income diversification, rural Pakistan, Tobit regression model, FGT

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