

Factors Affecting Urban Poverty In Nekemte Town: A Cross Sectional Econometrics Analysis.

Dr. Akshaya Kumar Mohanty (Ph.D. ; M.Phil. ; M.A. ; L.L.B. ; Q.I.P. & F.D.P.)

Associate Professor Of Applied Economics,,Department Of Economics

Wollega University ,

Abstract

Strategies aimed at reducing poverty need to identify factors that are strongly associated with poverty and that could be influenced by policy changes. Therefore, this study was conducted to identify and describe the poverty **Factors** in some urban area of Oromia regional state of Ethiopia in particular Nekemte town. There are several symptoms of urban poverty (like high unemployment, food insecurity, low living standard, poor infrastural facilities and etc) in Nekemte town.

Hence, the study tried to assess extent and determinants of Nekemte urban poverty using six kebeles; 01, 02, 03, 06, 07, 08 of the town at the household level as a sample. The study had used both primary and secondary data. A total of 203 households were selected to undertake the research and systematic random sampling was employed to select households.

With the probability of a household being poor as a dependent variable and a sets of demographic and socio economic variables are as the explanatory parameters. Using logistic regression model, by making use cost of basic need approach THE surveyed households are identified as the poor and non- poor. Based on this, out of the 203 surveyed households, 69 (34%) of them were found poor, the head count, poverty gap, and severity index of the survey obtained as 0.34, 0.028 and 0.013 respectively.

From those total estimated variables household family size and rural urban migration are significant and positively related with the probability to being poor. Variables that are significant and negatively related with probability of being poor are: sex, educational level, marital status and salary employment.

Keywords: Poverty, urban, households and expenditure,developing nation.

1. INTRODUCTION

The world's population is becoming increasingly urbanized. In sub-Saharan Africa approximately 34% of the population currently lives in urban areas, by 2020 it is predicted that nearly half (46.2%) of the population will be urban (UN, 2001). This expansion of urban agglomerations, in developing countries brings about severe challenges for assuring household food security and access to basic services such as adequate housing, water, sanitation, and education and health care facilities. There is a critical need to address issues of food security in the urban context in order to foster healthy urban environments.

According to the United Nations, the global urban population will grow from 3.3 billion people in 2008 to almost 5 billion by the year 2030 (UNFPA 2001, 7).

One billion people—one-third of the world's urban population—currently live in slums (UN, 2006). In cities across the globe, hundreds of millions of people exist in desperate poverty without access to adequate shelter, clean water, and basic sanitation. Overcrowding and environmental degradation make the urban poor particularly vulnerable to the spread of disease.

In the year 2002, 746 million people in urban areas were living on less than \$2.00 a day (Ravallion 2007:16). The absolute number of urban poor has increased in the last fifteen to twenty years at a rate faster than in rural areas.

The problems of poor city dwellers have become more pressing including the issues of how the urban poor earn their livelihood and the ways in which this affects key indicators of human welfare, such as food security and nutrition Maxwell, et al. (2000) cited in (Ahimed adem, 2008)

Sixty-six percent of the world's urban population lives in developing countries, and this will increase to 80 percent by the year 2030. Within developing countries, 38 percent of population now lives in urban areas. The urban population in developing countries is growing three times faster than the rural population (UN, 1998). Urban populations in Africa are growing rapidly, and inequality is increasing.

Although Ethiopia is one of the most populous countries in Africa, it is also one of the least urbanized African countries. The level of urbanization reached 17 percent in 2002. However, this level is expected to reach nearly 30.1 percent by the year 2020, as the urban areas are currently growing at around 6 percent per year. Drought and war have also contributed to the high population influx in to the cities and towns, which in turn contributed to the deterioration of infrastructure and service. Slow economic growth and the low level of investments in urban centers combined with high population growth, have resulted in high rates of unemployment and the inaccessibility and inadequacy of existing services for low income groups, which further exacerbated urban poverty (FDRE, 2002).

A combination of factors has resulted in serious and growing problem of poverty in Ethiopia. Adverse climatic changes (drought) combined with high human population pressure, environmental degradation, technological and institutional factors have led to a decline in the size of per capita land holding in rural areas. In the last twenty years (1981 – 2001), on average 5.3 million people were affected by drought (FDRE, 2001). Moreover, a recent report also shows that the country's score of 0.414 the Human development is among the lowest in the world. This puts on the rank of 171 out of 182 countries (UNDP/HDR, 2009) cited in (Todaro and smith, 2012). Additionally the recent estimates of the incidence of poverty also attest the seriousness of the situation. For instance, according to MOFED (2012), 29.6% of the population is poor. While, the proportion of the population below the poverty line stood at 25.7% in urban areas.

Urban poverty in terms of access at the household or individual level has increased as urban poverty and inequality have increased. Under circumstances where low-income urban populations are spending up to three quarters of their total income on food, the issue of income and livelihood are directly linked to food security. In the earlier era, urban food security in Sub- Saharan Africa was characterized by short term, acute crises, but has become a chronic problem experienced mainly by the poor (Maxwell, 1998) Cited in (Ayalneh bogale ,2009)

According to Tesfaye Alemayehu, (2006) urban poverty in Ethiopia using the 1994 and 2000 household survey data obtained from the Ethiopian Urban Household survey (EUHS), reveals that urban-specific poverty indices reveal that poverty had decreased in three of the urban centres surveyed (Addis Ababa, Awassa and Mekelle) while it increased in the rest (Bahir Dar, Dessie, Dire Dawa, Jimma). The growth effect contributed significantly to changes in poverty in some urban centres (Addis Ababa, Awassa, Jimma and Mekelle) while the re-distribution effect was dominant in others (Bahir Dar, Dessie, and Dire Dawa).

Nekemte town poverty level is very severe, as it is recognized from several indicators of poverty incidences like high unemployment level, poor sanitation system, inadequate pure water supply, inadequate electric power supply, low wage employment for daily laborers, large percentage of population with low-income earning, inadequate health facilities, poor infrastural facilities (roads, networks and etc), poor housing services, and etc.

Poverty in urban areas takes place in an environment of diverse condition, problems and actors. To meet the rising challenge of urban poverty and malnutrition governments, communities and aid agencies must work together. But improved responses to these problems require more information about their causes and better analysis of what programs and policies are most effective (IFPRI, 2002). Previous analyses of poverty in Ethiopia have generally focused on rural rather than urban areas. Dercon and Krishinan (1996), for example, study the status of rural poverty in Ethiopia by taking the income portfolios and food entitlements of households. Bevon and Joermen (1997) in Ayalneh (2009) adopt a sociological approach to analysis rural poverty. They explored the importance of social class and family relationships including the extended family in the fight against poverty. They conclude that in rural Ethiopia social capital are very important in the way of out of poverty.

At the recent time, though poverty is taken as the country's rural phenomena there is a diffusion & Growth of urban poverty. Indeed, the number of urban poor is increasing at unprecedented rate. This is due in part to the highest rural –urban exodus & alarming internal population growth (Dessalegn & Aklilu, 2002) cited in (Esubalewu, 2006). In effect, the urban economy has limited capacity to accommodate the populous. In such a situation employment in the formal sector is tough & the probability of getting commendable job opportunities, in fact, could be daunting.

The report on household food security study of four towns of Ethiopia has thrown light on the magnitude of urban food insecurity. Considering an intake of 2100 calories per person per day and the minimum cost prevailing in each location, households with insufficient purchasing power in Nekemte were identified to be 47 % (MoFED, 1994). Study result of MoFED (2002) Welfare Monitoring Unit showed that for the period 1995/96 and 1999/00 the calorie intake per adult per day in urban Nekemte is estimated to be 1831 and 1929 kcal respectively which is below the minimum requirement of 2100kcal. All urban households (rich and poor) are averaged out to provide one single estimate of the caloric intake. The Central Statistics Authority (1999) report indicated that population growth rate in urban Nekemte with the medium variant was estimated to be about 4.1 for the period between 2005–2010. With regard to urban unemployment CSA (2004) report revealed the unemployment rate of urban Ethiopia in 2004 was 22.9 percent and the rate was highest in urban areas of Nekemte (33.5%) followed by Addis Ababa (22.1%). This increase in urban population outstrips the capacity of the city to provide employment opportunity because it cannot absorb all the additional supply of labor coming from other areas.

Moreover, According to (planning and economic development office report of estern wollega, 2012) the economic activity and social infrastructure of the town is low and the overall living standard of the inhabitant is not in a good condition. This is due to excessive rural-urban migration, population growth, strikingly high and ever increasing HIV/AIDS prevalence rate, limited infrastructure and technical skill. As well, interruption of the electric power, communication network and water supply. Moreover, lack of diversified opportunities such as, lack of commerce, entrepreneurship, income shortage, sanitary problem and more of dwellers are engaged in occupation which have limited returns. This include large number of the residents employed in civil service, small scale industries (wood work and metal work) and in a number of petty business of preparing and selling the traditional popular drink- tella, arekie and teji. In sum, the entire above problem directly or indirectly have implication of urban poverty in the town.

Strategies aimed at poverty reduction, both in rural and urban, need to identify factors that are strongly associated with poverty and amenable to modification by policy (Alemayehu, et al. 2006). However;

although the problems are getting sever, the factors that account for the results are not studied very well (Esubalew, 2006). Nekemte, which is one of the oldest & medium town's of Ethiopia, faces no exception to this.

There is a cultural component and socio-economic difference associated with work habit in earlier study areas; this means that the problem and determinants of poverty in different regions and/or cultural settings will differ. This indicates the need for region specific poverty studies. However this research is intended to examine the determinants of urban poverty using cross sectional survey data rather than secondary data by specifying logit approach. Once again the issue of poverty may differ from town to town, which calls for studying the situation for each town separately rather than making generalizations based on the studies in few urban centers. Having this in mind, this research is designed to investigate the extent of poverty in one of the urban areas of Ethiopia, Nekemte.

2. Objectives of the study

- ❖ Examine the dimensions and extent of urban poverty in the study area
- ❖ Identify the determinants of urban poverty in the study area.

3 . Literature review

The empirical studies that explored the poverty situation of urban households in Ethiopia are both in static and dynamic context (Kedir, 2003). The focus of these studies was on transitory poverty. An attempt to study the chronic poverty was made by Abbi M. kedir & Mc Kay (2003). Their study uses three rounds of rich panel data from Ethiopia urban household survey (EUHS) for the year 1994-1997. The poverty was measured using total consumption expenditure as a preferred welfare measure. The finding shows that, there is a high incidence of urban poverty. Chronic poverty was found to be 25.9% and is concentrated in the northern cities. Transitory poverty also accounted 23% and was mainly due to previous non poor falling to poverty. The study also shows that, poverty is associated with certain household characteristics like household composition, unemployment, lack of asset ownership, casual employment, and lack of education, ethnicity, and age and to a certain extent with female headedness. According to the study the poor in general and the chronically poor particular have somewhat higher dependency rates. Chronic poverty was also found to have higher association with characteristics of household head. The stronger association was with education and moderate association was found with female-headedness (A.M. Kedir, 2003)

The finding of Kedir was similar with that of the official statistics (FDRE, 2002 cited in Dejene, 2005). The official statistics shows that the poor tend to have more dependent members and aged head. Female- headed households were also found to be more susceptible (easily influenced/ affected) to different sorts of urban shocks and poverty than male- headed households (Dejene, 2005)

Adetunji, M.O (2012) by using descriptive statistics, regression analysis and FGT P-Alpha measure the study results showed that only the household size, total expenditure, and income from alternative sources were significantly related to per capita expenditure of the respondents at 1% levels.

A study by Christensen (2004) examined the evolution of urban poverty. On the causes of urban Poverty, Christensen's findings point out factors such as high urban population growth, rural- urban migration and migration from small to big towns. Rural- urban migration is a coping mechanism devised by the rural poor, but migration adds to the existing burden of urban poverty. Unlike findings elsewhere in sub- Saharan Africa, Christensen's results indicate the rate of urban poverty is strikingly similar to that

of rural poverty is strikingly similar to that of rural poverty in Ethiopia. Although the service sector has shown some growth and is believed to alleviate poverty in Ethiopia, this study did not show that the increased potential for employment has translated in to decline in urban poverty

Urban areas in Ethiopia are expanding without the necessary preconditions and this is, in fact, paving the way for rampant urban poverty. There is, indeed, ample evidence that urban areas are unable to cope with the increasing population, and delivery of services has deteriorated markedly over the years. Access to housing, health, and education services continues to be seriously limited. Basic sanitary conditions are atrocious by any standard. Transportation facility, energy availability and access to job, labor market, skill reproduction, work, entitlements and finance are also at their lowest level (Dessaiegn and Aklilu, 2002). Most empirical studies undertaken on poverty concluded that education has a negative impact though the magnitude is different depending on the socioeconomic condition in which the study is undertaken. A remarkable correlation between poverty and level of education is for example, observed in urban Ethiopia Bereket & Abebe (2002).

The study found out that the percentage of poor people significantly declines as the level of education of the household head increase. Their study illustrated the incidence of poverty among people who have never attended school which is 42 percent compared to people with college level and above education who have had one member to the poor population. Existing educational services within urban areas are less equipped to meet the pressing demands for increased coverage and better quality. The impact of education on the development of an individual and of a country and the role it has with urban poverty is ascribed to the speed with which the student is able to absorb new ideas and to adopt himself to changing and often unforeseen conditions (TGE, 1994) cited in Kebede (2004). The development Assistance Group (DAG) noted that where as significant improvement has been achieved in terms of participation rates in some developing countries, the potential for human resource development in Ethiopia still remains questionable owing to the minimal progress associated with educational quality and retention. Although the coverage of education seems promising in urban Ethiopia today, the quality is still far from reality to make learners competitive for employment.

A study made by Clox (2003) finds out that in Ghana education of the head and spouses all had strong positive influences on the likelihood that a household was never poor. The spouses having been educated to primary level or the head to secondary level both had strong negative influences on the likelihood that the household was chronically poor. Djavad (2002) in Yared (2005) found the effect of education for long-term poverty but for short-term poverty its effect was only significant with high school and above.

Ayalneh Bogale and A. Shimelis(2009) by using the binary Logistic model and the study results show that household size, household income, age, cultivated land size, credit received and amount of livestock holding significantly explain the variations in the likelihood of being food insecure (poor). The household income, age, cultivated land size, credit received and amount of livestock holding of the household head reduces the probability of being food insecure (poor), whereas household size is associated with an increased probability of being poor.

Girma Gezimu (2012) by using logistic regression model at household level finds that Education level of household head, credit services, Asset possession and access to employment were affects food insecurity(poverty) situation negatively and significantly at 10 %,5% and 1% probability level respectively.

Mekonnen (2002) studied determinates and dynamics of urban poverty in Ethiopia by using panel data of households drawn from the Ethiopian urban socio-economic survey conducted by the Economics Department of Addis Ababa University. The study used multivariate regression model to capture factors that determine changes in the standard of living and mobility of households in and out of poverty. He employed total household expenditure per adult equivalent as the dependent variable in the model with the exogenously predetermined household characteristics as the explanatory variables. Grootaert (1997) in Garza (2001) Studied determinants of poverty in Cote d'Ivoire by using probit model. He used the data from cote d'Ivoire living standard survey conducted annually from 1985 to 1988 for analysis. Both researchers (Mekonnen and Grootaert) found that the probability of being poor decreases as the age of the household head increases. With regard to the correlates of employment to urban poverty (Abbi and Andrew, 2003, Eyob and Mark, 2004, Mekonnen 2002) found that there is a negative and significant relationship between employment level of the household head and incidence of poverty.

Lawson, et al. (2003) analyzed poverty transitions and persistence in Uganda. The study used the Uganda National Household survey conducted in 1999/2000. In the study, household movements relative to the poverty line were considered by means of a multivariate nominal logit model. The study obtained an increase in household size had significant and positive influence on the likelihood that household was chronically poor or fell into poverty.

Most empirical evidences suggest that there is a positive correlation between households' size and poverty. For instance, Djavad (2002) in Yared (2005) for Iran concludes that households with larger numbers tend to be poor. Likewise, Grootart for cote d'Ivor, international Food policy Research institute (IFPRI) for Malawi, Herrer for Peru, Garza for Mexico, Eyob and Harris for Eritrea, Nigatu Mekonnen and Ethiopia Economic Association for Ethiopia also reached at similar conclusions household size is positively related with poverty.

Tshediso Joseph (2013) by using the Logistic regression model and minimum daily energy requirement approach, the study results show that household size, age and the employment status of the household head significantly explain the variations in the likelihood of being poor. The age and employment status of the household head reduces the probability of being poor, whereas household size is associated with an increased probability of being poor.

Additionally, on the current report of Oxford University Study, poverty level in Ethiopia is ever increasing. According to The Global Multidimensional Poverty Index (MPI)¹, published by Oxford University, Ethiopia ranks the second poorest country in the world just ahead of Niger. The study is based on analysis of acute poverty in 108 developing countries around the world. Despite making progress at reducing the percentage of destitute people, Ethiopia is still home to more than 76 million poor people, the fifth largest number in the world after India, China, Bangladesh and Pakistan. India has the world's largest number of poor people at more than 647 million. 87.3% of Ethiopians are classified as MPI poor, while 58.1% are considered destitute. A person is identified as multi dimensionally poor (or 'MPI poor') if they are deprived in at least one third of the weighted MPI indicators. The destitute are deprived in at least one-third of the same weighted indicators, The Global MPI uses 10 indicators to measure poverty in three dimensions: education, health and living standards. In rural Ethiopia 96.3% are poor while in the urban area the percentage of poverty is 46.4%.

¹ For detail : <http://www.ophi.org.uk/wp-content/uploads/Global-MPI-2014-an-overview.pdf>

Comparing the poverty rate by regions, Somali region has the highest poverty rate at 93% followed by Oromiya (91.2%) and Afar (90.9%). Amhara region has 90.1% poverty rate while Tigray has 85.4%. Addis Ababa has the smallest percentage of poverty at 20% followed by Dire Dawa at 54.9% and Harar (57.9%) and they conclude that there is a negative relationship between poverty with level of education, health status and living standard.

4 . Methodology

Both primary and secondary data has been used to carry out the study. The structured questionnaires were posed to the heads of the households with the support of the enumerators. Written documents from the previous working literatures, statistics, facts and figures as well unpublished material were used. The study employ cross-sectional survey to asses determinant of urban poverty in Nekemte, from the six kebeles **203** sample size is determined from the total household population size of 20,870 using mathematical formula developed by Yamane (1967:886).

The sampling technique procedure was a systematic random sampling technique so that each household has equal chance to be selected. The town has six sub towns /kifle Ketemas/ namely; Chelalaki, bake jama, bakanisa kase, burka jato, kesso and darge, and nine kebeles. Based on this administrative division, six kebeles has been taken for colleccting data. This is systematically done to have one kebele from each kifle ketema. The sampled kebeles were 01, 02, 03, 06, 07 and 08.

Finally, 203 households were randomly selected from each representative kebeles by using probability proportional to size. The sample frame to be used is registered household list collected through census by Population and Vital Statistics Office of the Administration Council with technical support of Central Statistical Authority and the list was updated whenever new household come to the town as a resident and seeks to obtain any service.

Household expenditure is considered as an adequate measure of household welfare in developing countries as it is better able to capture household composition capabilities grootaertr (1986). Accordingly, a household is considered as poor when household expenditure is insufficient to meet the food and other basic needs of all household members. Many poverty analysts including Kedir (2003), Esubalew (2006) and Tesfaye (2006) use a household level analysis in their poverty studies. This approach is based on a simple and plausible assumption that all members of the household equitably share income, consumption and resources.

The importance of this assumption is that, since we use a household level analysis, we can easily classify households as poor and non poor by taking their total household consumption and dividing it by the household's adult equivalent size. This is due to that, in most house hold surveys, it is very difficult to get information about how resources are distributed among household members. In reality, the assumption is at best an approximation, because there may be inequalities in privilege and access to resources among household members. But, the researcher accepts this assumption due to the aforementioned reason.

Moreover, the analysis uses the annually adult equivalent consumption in general and cost of basic need approach in particular to classify households as poor and non poor. The rational behind this is that, individuals and households are assumed to maximize their consumption subject to constraints and preference to leisure. Consumption is also less volatile than income, because households have the possibility of smoothing consumption through different mechanisms (Kedir, 2004). Therefore, consumption expenditure can be considered better welfare indicator especially for LDCs like Ethiopia,

where household incomes are mostly erratic and non-regular. The poverty line used in this study was a national poverty line of 3781 birr per year taken from central statistics authority in 2010/11. To accomplish the objectives set, the study uses both descriptive and econometric tools.

The rationale behind demographic adjustment is that, different households have different demographic composition. Some households are nuclear while others are very large. Similarly, some households have large proportion of children while others are composed of adult members. So, aggregate consumption of households may bias in classifying households as poor (below poverty line) and non-poor.

Nor can per-capita income do that purpose. This is due to differences in relative needs of children in consumption that makes a difference in consumption needs across households of different age and sex composition even when the household size is the same.

There are different methods of calculating equivalent income. These are generally classified as subjective and objective methods. The method that is popular and easily used is the nutrition (income) method which is one type of the subjective method. This method uses minimum consumption basket for each age and sex group to determine equivalence scales. Its benefit is that it is based on a specific socio economic context where the scales are applied. This method has been used by many poverty analysts of Ethiopia. This study also used this method. The scales were taken from Kedir (2003). Kedir has made some adjustments to the previous scales to the existing realities of the country stipulated by Ministry of Health. These scales are given (see appendix 1)

The econometric part of analysis uses a proxy variable showing whether a household is poor or not. This proxy variable (taking binary form) is assigned a value of 1 or 0 using the poverty line as a cutoff point.

The logit model is more preferable for this study due to the drawbacks of LPM and the normality assumption of probit model which makes it difficult to test.

In this study two main variables were explored: the dependent (regressed) and independent (regressors). The regressed variable is urban poverty and that of the regressors are the determinants of urban poverty which are thought to have significant role in determining urban poverty in Nekemte town. These are:

The dependent variable

Urban poverty. For this study the dependent variable is the household annual expenditure for their family life. If the household annual expenditure is equal or more than Poverty line (birr 3781), it is represented as non-poor (0 value) and if the household annual expenditure is less than Poverty line (birr 3781), it is represented as poor or 1.

Explanatory variables

Household Head Sex (HHS): This refers to the sex of the head of the household and it takes binary value. If the head of the household is male, it takes the value of 1, 0 otherwise. In this study it is expected that the probability for the household to be poor is high if female heads and vice versa.

Household Head Education (HHED): It stands for the highest education level attained by the head of the household. Education level is represented as continuous variable by number of school years. It is expected that the probability of the household being poor decreases with increase in the educational attainment level of the household head.

Household Head Age (HHA). In this study age is represented as continuous variable by number of years of age. People of productive age groups are believed to earn more income than the unproductive

ones. However, this may not be true in developing countries where there is rampant unemployment among the productive sections of the society.

In this study it is expected that the age of household head is positively related with level of poverty.

Household Head Marital Status (HHMS): This refers to the marital status of the head of the household. If the head of the household is married, it takes the value of 1, 0 otherwise. In this study it is expected that households with their head married have more probability of being poor.

Household Family Size (HHFS): This one stands for the number of family members in the household. In this study it is expected that households with larger size have more probability of being falling into the poor category than those with lesser family size.

Household Head Occupation (HHOC): This refers to the type of occupation that the household head is engaged in. In this category four dummies were identified. If the household head is self employed it take the value of 1, 0 otherwise. If the head is casual worker it takes the value of 1, 0 otherwise. If the head is a pensioner it takes the value of 1, 0 otherwise. If the head is unemployed, it takes the value of 1, 0 otherwise. If the head is salary employed it take the value of 1, 0 otherwise.

Household head Rural-Urban Migration (HHHRM): This explanatory variable used to identify whether the household head is migrated from rural to urban or permanently live in Nekemte town. If the household head is migrated from rural to urban it take the value of 1, 0 otherwise. The expected sign is that probability that being poor become decrease when house hold head migrate from rural to urban, because the mostly in Ethiopia(Nekemte town) poor people migrate to urban for search of job opportunity and better life.

Household Head Private Water Pipe Owner (HHHPWO): This explanatory variable describe that whether households have their own private water pipe or not. If the household head have their own private water pipe it take the value of 1, 0 otherwise. The expected sign from household head private water pipe owner, the probability being poor become decline when the household head own private water pipe

Household Head Private House Owner (HHHPO): This variable tries to identify the whether head have their own house for shelter or not. If the household head have their own private house for shelter, it take the value of 1, 0 otherwise. If the household have their own house or building for shelter, the probability being poor become decline.

5. Econometric Analysis

To see the effect of variables more precisely, multivariate analysis is necessary. This section tries to analyze the determinants of poverty in the town of Nekemte by taking all proposed variables together in a multivariate econometric analysis. The logit model is employed for estimation purpose.

Estimation Results and Analysis

Logistic regression

Log likelihood = -77.59672

hhexpen	Coef.	Std. Err.	z	P> z	marginal effects (dy/dx)
sex	-.9354504	.5660759	-1.65	0.098	-.2562855
age	-.0191518	.0260875	-0.73	0.463	-.0015775
hhmarist	-1.207581	.5470997	-2.21	0.027	-.2603589
hhfamsiz	.4811892	.188077	2.56	0.011	.0954469
educhh	-.2138751	.0622922	-3.43	0.001	-.0388775
salary	-2.024665	.686156	-2.95	0.003	-.3611575
selfemp	-.5426808	.5735438	-0.95	0.344	-.0723786
unemplo	.4725501	.6420298	0.74	0.462	.1306892
pension	.0626895	.9069951	0.07	0.945	.0695176
ruraurrm	1.689632	.4682694	3.61	0.000	.2696306
water	-.8907716	.6000336	-1.48	0.138	-.2137134
house	-.6941057	.5069392	-1.37	0.171	-.1388849
_cons	3.217761	1.18258	2.72	0.007	

Source: Own survey result, 2014

As it is evident from the above logistic regression, most of the variables included in the model have the expected sign except rural urban migration and marital status. Moreover, five of the variables are found statistically significant at less than 5% significance level and one variable at less than 10%. From this six significant variable tow of them are positively correlated while the rest are negatively with the probability to be poor. More of the econometric results of the variables were in agreement with the findings in the descriptive part of the analysis except for household family size.

As we observe from the above survey result there is a significant and negative relation between the male headed household head and the probability to be poor. This may be as described in the descriptive part those female household head are less educated which leads to generate lower income. The marginal effect of the variable reveals that for male headed households the probability being poor decrease by 25.62%. This finding was similar with that of (FDRE, 2002 cited in Dejene , 2002).

Having the above survey result as evidence opposed to the researcher expectation as a household head is married the probability to be poor is less (there is negative and significant relationship between married household head and probability to become below poverty line). This finding supports the argument that unity is strength (marriage may leads to financial and labor forces in the household). The marginal effect of the variable shows that for married households the probability being poor decrease by 26.03%.

Regarding the large household size there is a positive and significant relationship with the probability of being poor. Larger household family size is associated with higher chance of being poor. But it is somewhat difficult to conclude that larger house hold size causes poverty, due to the presence of circular causation. In some developmental economics theories, poverty is considered as the cause of having large family. Interpretations in terms of opportunity cost of income lost in bearing a child are also strengthening this argument. The marginal effect of l household family size implies that for large household family size the probability of being poor increase by 9.54%

The results regarding education are, increment in the school completion level of the household head have negative and significant impact on the household’s probability of falling below poverty line. The

previous literature also shows that there is significant relation between poverty and level of education. For example (Kedir, 2003) using total consumption expenditure as welfare measure, he found that there is a negative and significant relationship between educational level of the household head and incidence of poverty. From the theoretical foundation, the assertion that education at lower level has lower private benefit compared to the costs is a good explanation for this. The marginal effect of the variable reveals that for higher literacy level the probability being poor decrease by 3.88%.

The general result regarding education may be due to that if the head has attained a relatively better education, the other members have better probability of being educated, and there by the household may have better earning opportunities.

From all the household head occupation salary employed head is significant and negatively related with the probability to fail below poverty line. The marginal effect of the variable show that for salary employed households the probability being poor decrease by 36.11%. The previous finding also shows that there is significant relation between poverty and level of employment. Fore example (Mekonnen, 2002) found that there is a negative and significant relationship between employment level of the household head and incidence of poverty. Accordingly, those households with the head employed in these sectors have significantly lesser probability of being poor. This may be due to the relative stability of the income earned from these economic engagements.

Similarly, those migrants from rural areas have higher chance of being poor. The positive relationship between those household coming from rural areas and poverty which contradict with researcher expectation may be due that, those people come to the town to escape from poverty in the rural areas while not still being able to do that. The marginal effect of the variable manifests that for rural urban migrated household the probability to be poor increase by 26.96%.

As regard to the categorical variables as a household head is large aged, self employed, unemployed, pensioner, have private tap water and house each of their contribution to poverty in the study area is insignificant.

5. Conclusion and Recommendation

5.1. Conclusion and Recommendation

That incidence of poverty is rampant among the surveyed households (34%), 0.34 the head count ratio 0.028 poverty gap and 0.013 as the severity index in the town respectively calls for urgent interventions aimed at curbing the fate of the poor. One way of doing this is studying the determinants of urban poverty by informing concerned parties as the factors are important infighting against poverty. Without the clear identification of the factors that account for the sporadic or continues impoverishment of life in the town it is really ridiculous to come up with concrete solutions. Simultaneously, critical identifications of the variables is important. However, because it is difficult to bring panaceas for the whole problems over night prioritization of the variables is paramount important.

Based on the findings of the study, the following directions of action may be recommended to tackle poverty in the town.

- ❖ Since most of the poor are concentrated around the poverty line as we observe from the poverty gap, policies should focus on absolute poverty rather than relative poverty among the poor.
- ❖ The study come up with female-headed households are more likely to be poor than households of which the head is men. The implication is therefore that promoting female education should be an important element of poverty reduction policies this is because education and fertility are negatively correlated

such a policy could also have an impact on household size which is another important determinant of poverty in Nekemte.

- ❖ Since households with casually employed head are more vulnerable to poverty from descriptive analysis, new development projects should primarily consider the employment and income generating opportunities of those sections of the society with less paying jobs.
- ❖ Since educational attainment of the head of the household is found to be the most important factor associated with urban poverty clearly suggests ways of focusing on the value of education adequate education in addressing incidence of poverty. Specifically, Promoting higher education may also have important contribution to minimize poverty in Nekemte.
- ❖ Since household size is found to have positive relationship with poverty as the study depicted. This manifests for the residents of the town in that households with large size will fall into the hardcore sections of poverty easily than those who have not. Thus, in order to minimize such effects, family plans and/ or education of couples be provided by the concerned bodies. In the regard the town's health service can play a great role.
- ❖ Since rural urban migration of the house hold have positive and significant relation with probability to be being poor. Therefore concerned bodies should control it or increasing social service accessibility to them.
- ❖ From general side. The problem of poverty in the town can be reduced to a significant level so long as there are joint efforts in the identification of the courses, consequences, and commitments in the implementation from the government, NGOs, researches by professionals, the poor themselves, and from any interested stakeholder (s).

REFERENCES

- Adetunji, M.O, (2012), Determinants Of Urban Poverty In Osun State Nigeria, VOL 3, NO 11, Ladoké Akintola University of Technology, Ogbomosho, Oyo State.
- Asmamaw Enquobahrie (2004), Understanding Poverty, the Ethiopian Context, a paper presented at the Gambia, AAPAM Roundtable Conference, Banjul.
- Ayalneh Bogale and Shimelis, (2009), Household Level Determinants of Food Insecurity In Rural Areas of Dire Dawa, Eastern Ethiopia, Humboldt University of Berlin, Philippstrasse, Berlin, Germany.
- Bevan, Philippa, (2000), Poverty in Ethiopia, discussion paper prepared for: DFID, final draft, 6 November 2000, University of Bath.
- Central Statistical Agency (CSA) Ethiopian Consumer Price Index Methodology and Data Collection Ethiopia May, 2008.
- Dejene Aredo (2005) Migrant Remittances, Shocks and Poverty in Urban Ethiopia: Analysis of micro level data, Addis Ababa, Ethiopia.
- Dercon and Krishnon (1998). Changes in poverty in Rural Ethiopia 1989-1995. Oxford University press, UK.
- Dercon, S (2001). Economic Reform. Growth and the poor: Evidence from Rural Ethiopia. Center for the Study of African Economies. Oxford University press, UK.
- Dessaiegn R. Aklilu K. (2002). Livelihood Insecurity among Urban Households in Ethiopia Forum for Social Studies. Image printing Press. Addis Ababa, Ethiopia.
- Esubalew Alehegn (2006), Determinants of Urban Poverty, the case of Debre Markos Town, Masters of Arts, thesis in Regional Developmental Studies, Addis Ababa, Ethiopia

- Ethiopian Economic Association (2004/05). Report on the Ethiopian Economy vol. IV. Rohobot Printers. Addis Ababa, Ethiopia.
- Girma Gezimu Gebre (2012). Determinants of Food Insecurity among Households In Addis Ababa City, Ethiopia Aksum University, Aksum, Ethiopia
- Kedir, A et al (2003). Chronic poverty in Urban Ethiopia, "Staying poor: Chronic poverty and Development policy." Manchester, UK,
- Mekonnen T. (2000). Perception of Welfare and Poverty. Analysis of Qualitative Responses of a panel of urban Households in Ethiopia. Ethiopian Journal of Economics, Vol.8 No 1. ,Ethiopia
- MOFED (2002). Sustainable Development and poverty Reduction program. Ministry of Finance and Economic Development. Addis Ababa, Ethiopia.
- MOFED (2012). An interim report on poverty analysis study. Ministry of Finance and Economic Development. Addis Ababa, Ethiopia.
- Nekemte Town Administration(2013)., General profile of Nekemte town Nekemte town, Nekemte, Ethiopia
- Ravallion. M (1992), Poverty Comparisons: A Guide to Concepts and Methods. LSMS working paper No. 88. Washington, D,C, World Bank.
- Ravallion. M (1995), Poverty and policy. Handbook of Development Economics, Vol IIIB, Washington, DC, World Bank.
- Shewaye T. (2002), "A Review of Institutional Capacities to address Urban Poverty in Ethiopia." Addis Ababa, Ethiopia.
- Tesfaye, Alemayehu G. (2006), Analysis of urban poverty in Ethiopia, University of Sydney NSW 2006, Australia
- Thorbecke, E (2004), Conceptual and Measurement issues in Poverty Analysis. No, 2004/04. World Institute for Development Economics Research. United Nations University. Helsinki, Finland.
- Tizeta M. (2001), Urban poverty: A Comparative Study of Female and Male headed households in Addis Ababa, Addis Ababa University, Ethiopia
- Tshediso Joseph Sekhampu, (2013), Determinants of Poverty in a South African Township North-West University, Vaal Triangle Campus, South Africa, Hendrick.van Eck Boulevard Vanderbijlpark 1911 South Africa.
- United Nations Development Program, UNDP (2003), Human Development Report. Oxford University press.
- UNDP/HDR, (2006), Beyond Scarcity: Power Poverty and Global Water Crisis, 1UN Plaza, New York, 10017, USA
- World Bank, (2007), Development and the next generation, World Development Report Washington, DC, USA
- Yassin, W (1997), Poverty in Addis Ababa: A Case Study of selected Kebeles in Eastern Addis Ababa, Unpublished Masters of Arts thesis, Department of Geography, Addis Ababa University Ethiopia.

Appendix

Description of Explanatory Variables

Variable	Type	Description
Dependent		
hhexp1	Binary	=1 if equivalent consumption expenditure <z(poverty line) =0 otherwise
Explanatory variables		
hhsz	continuous	Number of persons in the household
Ageh	continuous	Age of household head in number
female head	Binary	=1 if household head is male =0 otherwise
Married	Binary	=1 if household head is currently with spouse =0 otherwise
Education status of the household head		
Educational level of household head	Continuous	Educational Level of household head in number
Type of economic activity of household head		
Wage emp	Binary	=1 if household head is wage earner =0 otherwise
Self emp	Binary	=1 if household head is self employed =0 otherwise
Pensioner	Binary	=1 if household head is pensioner =0 otherwise
Unemployed	Binary	= 1 if household head is unemployed =0 otherwise
Other		
Rural	Binary	=1 if the household head comes from rural =0 otherwise