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Impact of Livestock Credit and Socio-Economic Variables on Poverty: A Simulation Study of Rural Households in Eastern Hararghe Zone of Oromia Region, Ethiopia

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ABSTRACT This study was carried out at Fadis District of Ethiopia with the specific objectives of identifying determinants of poverty, analyzing impact of livestock credit and simulating the effect of change in significant covariates on household poverty as measured by consumption expenditure per adult equivalent (AE). Data was generated through face-to-face interview of 140 rural households. For analytical purpose, descriptive statistics, poverty measurement, ordinary least square regression, and simulation techniques were applied. The result of the multivariate regression revealed that family size in AE, highest education grade completed by any household member in years, size of land cultivated per AE, number of crops cultivated, age of household head in years, livestock holding, amount of credit received, frequency of extension visit and number of sick individual in the year have statistically significant coefficients. However, the sign of the latter two variables was not as expected. The simulation result indicated the specific contribution and magnitude in increasing consumption expenditure and reduction of different poverty indices as a result of marginal change in significant explanatory variables that affect poverty status. All simulations, reduction of family size to mean, increase education level of household members, increase land holding, increase in number of crops grown, increase in livestock holding, and expand credit to reach all households showed an effect of increasing mean household consumption expenditure and hence reduce poverty level of households. Thus policy makers should need to consider these specific factors in planning of poverty reduction strategies and interventions in the study and similar rural areas depending on magnitude of their contribution.