Tropentag, September 17-19, 2014, Prague, Czech Republic

"Bridging the gap between increasing knowledge and decreasing resources"

The Impact of Multiple Shocks on Household Asset and Poverty in Kenya

Marther Ngigi[1], Ulrike Mueller[2], Regina Birner[2]

[1] *University of Bonn, Center for Development Research (ZEF), Germany*

[2] *University of Hohenheim, Inst. of Agricultural Economics and Social Sciences in the Tropics and Subtropics, Germany*

Abstract

This study evaluates the impact of singular and multiple shocks on households' asset and its implications for poverty, using two waves of panel data of 360 rural households in three agro-ecological zones in Kenya. The study considers a wider range of household assets and a number of covariate and idiosyncratic shocks. To control for unobserved heterogeneity across households, we applied household fixed effects model. The results show that covariate shocks negatively affects poultry, cattle and draft livestock, through physical death or as a coping strategy to smooth consumption and other expenditures. Further, drought affects financial capital, consumer durables and social capital. Political shocks negatively affect financial and social capital. Health shocks adversely affect poultry and draft livestock, which trigger the demand for credit to meet the sudden medical bill. The joint significant tests of multiple shocks show that covariate and idiosyncratic shocks jointly affect livestock holdings, consumer durables, financial and social capital. The differential impacts of shock on asset depend on the liquidity of asset, the nature of the shock and the coping behaviour of the household. The exposure to multiple shocks also worsen the level of poverty because productive assets partly determine the income levels of the households. These findings suggest the need to consider shocks as a major driving force of development outcomes. The study suggests the need to design policies for social protection intervention and affordable rural insurance mechanism. Enhancing security and political stability in the rural setting could also safeguard assets as well as enhancing social capital.

Keywords: Asset-based approach, fixed effects, Kenya, multiple shocks, poverty

Contact Address: Marther Ngigi, University of Bonn, Center for Development Research (ZEF), Walter-Flex Str. 3 53113, Bonn, Germany, e-mail: martherngigi@gmail.com