

# Sustainable Way to Eradicate Poverty through Social Protection

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Social protection can be used as an effective policy instrument to achieve zero poverty. A considerable percentage of households in Sri Lanka are still suffering from poverty, reflecting the fact that the existing social protection system does not correctly address the heterogeneity of poverty.

poverty

spatial heterogeneity

social protection

## 1. Introduction

One of the integral parts of sustainable development is eradicating poverty by increasing the social and economic well-being of people ([Mustafa et al. 2021](#)). Eradicating poverty is crucial for sustainable development as it ensures equal access to resources, opportunities, and fundamental human rights for all individuals. Poverty alleviation contributes to social stability, reduces inequality, and fosters inclusive economic growth, allowing communities to thrive and reach their full potential. By addressing poverty, a solid foundation for sustainable development can be created. The United Nation's sustainable development goals emphasize the importance of eradicating poverty through different policy instruments. Social protection is one of the policy instruments suggested by the United Nations. Social protection plays a vital role in eliminating poverty and vulnerability by protecting economic and social stability ([ILO 2021](#)). However, only 46.9 percent of people around the world have benefited from at least one social protection program, while 53.1 percent were unprotected from social protection ([ILO 2021](#)). Only 30.6 percent of working-age people have legally benefited from a comprehensive social protection system, which includes anything from child and family benefits to old-age coverage ([ILO 2021](#)). Conversely, 69.4 percent of working-age people have not been protected or only partially benefited from social protection ([ILO 2021](#)). The social protection coverage gap between men and women was 8 percent, reflecting less coverage of women ([ILO 2021](#)). The inadequate coverage of social protection for needy people may affect increases in poverty, struggling to achieve zero poverty by 2030.

A considerable number of people still suffer from poverty around the world, including in Sri Lanka, highlighting the need for expanding or restructuring the existing social protection system. Although Sri Lanka has a quite comprehensive social protection system with universal free education and health care, many people still suffer from poverty. According to the updated poverty line based on 2012/2013, the Poverty Head Count Index (PHCI) was 14.3 percent in 2019 ([DCS 2022a](#)). Especially, poverty levels are significantly dissimilar in the different parts of Sri Lanka because of geographical, economic, and social factors. The PHCI of the urban, rural, and estate sectors in Sri Lanka were 6, 15, and 33.8 percent, respectively ([DCS 2022a](#)). These spatial differences can also be seen in the districts and provincial levels because of disparities in resource endowment, economic opportunities, and infrastructure facilities. The PHCI for the Colombo district, which is the capital of Sri Lanka, was 2.3 percent, while for the Nuwara Eliya district, where most

people economically depend on the estate sector, it was 26.3 percent. Additionally, 20.8 percent of people in the Batticaloa district, where a significant number of people depend on the fishing industry, live below the poverty line. At the same time, this percentage is 24.9 percent for the Rathnapura district, where most people depend on the mining industry and the estate sector ([DCS 2022a](#)). Currently, Sri Lanka faces a huge economic crisis by increasing poverty and vulnerability. Hence, it is necessary to evaluate the impact of poverty-related social protection programs in the context of the current situation to identify its contribution to achieving zero poverty by 2030.

Poverty is multidimensional. The nature of poverty is different, and it depends on local geographical, economic, and social factors, except for other common factors that cause poverty. Hence, social protection programs should be designed according to the nature of poverty and the reasons for poverty in different geographical areas. A universal social protection system is not always effective in eliminating poverty ([Sebastian et al. 2018](#); [Kuss et al. 2022](#); [Beegle et al. 2016](#)). The social protection system should be arranged according to the nature of poverty by targeting the neediest people. This is helpful to prevent leakages of transfer payments for the non-poor and reduce the risk of non-recovering transfer payments for the poor. Although in Sri Lanka, there are many social protection programs to eradicate poverty, those programs do not focus on differences in economic and social opportunities in different geographical areas. Hence, it is essential to identify the reasons and nature of poverty and outreach, and the impact of social protection according to the different geographical areas to target the needy people better so as to achieve zero poverty.

## **| 2. Poverty alleviation for Sustainable Development**

Poverty alleviation is crucial for sustainable development as it helps to create a more inclusive and equitable society. When a significant portion of the population is trapped in poverty, their potential contributions to the economy remain untapped, hindering overall growth and progress. Poverty reduction initiatives play a pivotal role in reducing income inequality, which can have far-reaching consequences for social stability and cohesion. Addressing poverty helps to bridge the wealth gap, reducing social tensions and creating a more harmonious society where opportunities are more evenly distributed.

Since poverty alleviation has a high potential for economic growth and social well-being, researchers have analyzed poverty in different aspects. However, poverty cannot be reduced without understanding its nature. Therefore, many researchers have analyzed the spatial heterogeneity of poverty to identify the nature of poverty.

Some researchers have suggested implementing appropriately targeted poverty alleviation programs by considering spatial factors since they found the spatial disparities of poverty. [Okwi et al. \(2007\)](#) examined the relationship between poverty incidence and spatial conditions in rural areas in Kenya using spatial regression. The results indicate that soil type, travel time to public resources, slope, elevation, type of land use, and demographic variables mainly cause the spatial pattern of poverty. They emphasized the importance of implementing targeted anti-poverty programs by considering spatial factors contributing to poverty in different areas.

[Ulman and Walega \(2014\)](#) investigated the levels and composition of poverty in different areas of Poland and the factors that affect the risk of poverty according to the different levels of poverty lines. The results emphasized the spatial

disparities and heterogeneity of poverty according to poverty levels. Further, the results indicate that the diversification of poverty is much greater in lower poverty lines.

[Mendoza et al. \(2016\)](#) analyzed the spatial differences of poverty in three provinces in the Philippines using data from the National Household Surveys on Family Income and Labor Market Status. The economic development of the different areas in the Philippines diverges because of geography; ecology; natural resource endowment; and economic, ethnic, and cultural factors. The different levels of economic development have caused poverty in different areas following the factors, such as lack of economic opportunities, low level of skills, education, exposure to shock, poor access to the market, and limited support from policies. Therefore, the authors emphasized the importance of targeted programs for poverty alleviation by considering the reasons for poverty in each area.

[Paraguas and Kamil \(2005\)](#) analyzed the spatial disparities of poverty in Bangladesh using a spatial econometric model. The results confirmed the spatial factor cause for heterogeneity of poverty in Bangladesh. The study recommends introducing targeted anti-poverty programs by assessing spatial factors to reduce poverty.

[Agostini et al. \(2008\)](#) examined the spatial disparities of poverty in Chile by focusing on urban and rural poverty. They found wider variation in poverty in both sectors. They also emphasized the importance of considering the spatial heterogeneity of poverty in formulating anti-poverty programs.

Sri Lanka has three main sectors (urban, rural, and estate), and poverty incidence is diverse because of resource endowment, availability of infrastructure facilities, and economic opportunities. Especially, the poverty rate is higher in the estate sector than in other sectors. [Vijayakumar and Olga \(2012\)](#) analyzed the factors that affect poverty in the estate sector in Sri Lanka. They consider roads, education, access to the market, industrial employment, and agricultural employment as key variables in the model. The results indicate that some factors that cause poverty in the estate sector are associated with spatial factors.

[Ranathunga \(2010\)](#) examined the micro-level determinants of household poverty in Sri Lanka using the Probit and OLS quantile regression models. According to the findings, the significant determinants of poverty are related to the human capital.

As found in the literature, many researchers have pointed out spatial factors caused by the heterogeneity of poverty, and they emphasized the importance of introducing poverty alleviation programs targeting the root causes of poverty in different areas. Social protection is considered an anti-poverty policy that is accepted by policymakers. Many researchers around the world have analyzed the impact of social protection on poverty from different points of view.

Social protection is a vital economic and social policy to reduce poverty and people being vulnerable and poor. Poverty reduction is the main component of economic development and it also boosts economic development in various ways. [Mustafa et al. \(2021\)](#) indicate that social protection expenditure boosted economic growth by reducing poverty in Pakistan, China, India, Bangladesh, and Sri Lanka from 1982 to 2017. They point out that health-related expenditure, especially, has an enormous impact on economic growth by improving labor force efficiency, productivity, and performance. They emphasized the importance of considering social protection expenditure in a dynamic way to achieve economic growth.

Natural disasters are one of the main reasons for poverty and vulnerability. Distortion of property and livelihood, inability to continue education in the usual manner, and resettlement are the most crucial negative aspects of natural disasters. Sri Lanka also faces natural disasters throughout the year in different geographical settings. Floods, landslides, storms, and drought are the main natural disasters that Sri Lanka faces. [Walsh and Hallegatte \(2019\)](#) pointed out that investment in social protection is very effective in reducing well-being losses and resilient people being vulnerable due to climate change, especially considering the flood situation in Sri Lanka. [De Silva and Kawasaki \(2018\)](#) also investigated the relationship between disaster risk, poverty, and associated vulnerabilities in the household sector in Sri Lanka. Especially, they analyzed the impact of flood and drought on local-level communities. The study found that the impact of natural disasters is high for low-income families if their livelihood is based on natural resources and agriculture. However, they did not consider other natural disasters that cause massive damage to some areas in Sri Lanka.

The primary objective of social protection is to uplift people from poverty. [Sebastian et al. \(2018\)](#) found a positive impact of social protection on poverty reduction in Sri Lanka if the programs better target the needy groups and short-term and long-term risks.

[Newhouse et al. \(2016\)](#) found that the impact of social protection on poverty reduction is low in Sri Lanka since the allocated fund for social assistance programs is low and has declined. They found that a large proportion of low-educated poor and near-poor engaged in the agriculture sector faces a high risk of vulnerability, highlighting the need for social protection. Further, they indicate that the 'Samurdhi', the main poverty alleviation program, has a decreasing impact on poverty reduction. They concluded these findings without considering the geographical differences.

Risk and uncertainty mainly affect poverty and vulnerabilities. The COVID-19 pandemic is the major health-related risk that has affected poverty around the world recently. The impact of COVID-19 on poverty is vast around the world, highlighting it as an enormous problem in Asia, also. Loss of jobs, lockdown, and health problems mainly affect the economic life of the people, pushing them into vulnerable or poor groups. [Kidd et al. \(2020\)](#) pointed out the importance of social protection to overcome being vulnerable by assessing the economic crisis in Asia. According to them, the social protection system should be reformulated in response to pandemics by reducing the coverage gap to boost the well-being of the people.

Some researchers analyzed the impact of social protection on food security since it is one of the main problems of poor people. [Osabohien et al. \(2021\)](#) analyzed the impact of social protection on food security in the Global South using 15 West African countries. Results show that social protection has a positive impact on food security, and the authors suggested enhancing the social protection system to mitigate the risk faced by poor and vulnerable people. [Hidrobo et al. \(2018\)](#) found that social protection programs cause an increase in food security and assets formulation.

There are various kinds of social protection programs around the world targeting poor people. Cash transfer programs are a more common mechanism. [Nirere \(2022\)](#) found that social protection helps to manage the risk of the poor in Rwanda, even though social protection has not lifted the poor above the national poverty line, by analyzing the cash transfer program. [Karakara and Ortsin \(2022\)](#) found little or no impact of social protection on consumption by analyzing the cash transfer program in Ghana. However, there is a positive impact on non-consumption spending, such as children's schooling. [Katrin et al. \(2021\)](#) analyzed the outreach and impact of Cash Plus reform on poverty reduction in Zambia by considering specific population sub-groups, changing benefit amounts, and eligibility rules. They found

dissimilar impacts on poverty reduction according to the geographical differences and gender of the household head. The results indicate that the reduction in the poverty gap is higher than the reduction in the poverty headcount, emphasizing that the benefits do not always manage individuals out of poverty. Similarly, multiple benefit receivers have a higher impact on moving out of poverty than single benefit receivers. They recommended providing multiple support strategies and a higher level of benefits for a single benefit receiver.

Children also suffer from poverty-related issues. Many countries, especially developing countries, offer special social protection programs targeting children. Cash transfer programs, food programs, and provision of school equipment are some of the social protection programs that aim to reduce poverty-related issues for children. A [United Nations Economic and Social Commission for Asia and the Pacific \(2021\)](#) country team in Mongolia analyzed the impact of Mongolia's Child Money Program on consumption poverty and inequalities by considering different benefit levels and targeting regimes. According to the findings, the program has a significant but lesser effect on poverty reduction. However, the program has increased the consumption capacity of households, especially the lower deciles groups. Similarly, investment in child benefits has a positive impact on reducing inequalities. The results pointed out that inequality reduces drastically if the benefits are high. However, low benefits have a marginal effect on reducing inequality.

[Kuss et al. \(2022\)](#) found that all beneficiaries did not gain equal benefits from social protection considering the elderly population in Uganda. They emphasize the importance of considering the local economic structure when formulating social protection programs since people in well-developed areas have more opportunities to participate in economic activities rather than in remote and marginalized areas where people have less access to economic opportunities. Similar findings were found by [Beegle et al. \(2016\)](#) in Sub-Saharan Africa, which has a high level of spatial inequalities, especially in transportation, financial services, and markets.

Social protection consists of mainly three branches: social insurance, in-kind transfer, and active labor market programs. Although most researchers have analyzed the impact of in-kind transfer, the impact of social insurance is rarely analyzed. However, social insurance also contributes to poverty alleviation by managing risk and increasing wealth and income. [Renuka \(2021\)](#) found that micro-insurance programs have a significant impact on alleviating poverty, increasing the intellectual investment and growth of marketing strategy, and employment opportunities, increasing small industries and economic development in India using 150 micro-insurance policy-holders of micro insurance, which was implemented by the Insurance Regulatory and Development Authority of India.

A review of the literature shows that many researchers have analyzed the impact of social protection around the world by considering different social protection programs, different risks, and different target groups. Although a significant number of studies have focused on the Sri Lankan situation, it is difficult to find recent studies that comprehensively analyze the poverty situation and the impact of social protection on poverty in different geographical settings. Although Sri Lanka is a small country, there are huge geographical differences with a high risk of natural disasters and inequalities in accessing resources and infrastructure facilities. Those factors widely affect poverty and vulnerability. Additionally, the social protection system should be reformulated according to the heterogeneity of poverty by considering the geographical disparities to eradicate poverty sustainably. However, the research focus on those factors is limited or unavailable in Sri Lanka. Additionally, the inflation rate of Sri Lanka is increasing rapidly, and poverty lines also change

significantly. Therefore, the formulation of social protection policies without considering the current situation is not valid to eradicate poverty sustainably.

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