

## **EXPLAINING INEQUALITIES THROUGH DEMOGRAPHIC, SOCIOECONOMIC AND INSTITUTIONAL INDICATORS: HOUSEHOLD LEVEL EMPIRICAL EVIDENCE FROM ETHIOPIA**

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### **ABSTRACT**

The trend of inequality in Ethiopia is not promising. The overall national consumption inequality, as measured by the Gini Coefficient, between 1999/00 and 2004/05 is increased from 0.28 to 0.30. The Gini coefficient (0.298) in 2010/11 is also almost similar to that of the 2004/05. Thus, addressing inequality in Ethiopia has been an important component of poverty reduction and hence better livelihood of the society. In turn, the task of addressing inequality would require understanding and analyzing the driving forces of the prevailed inequality in Ethiopia. This study is, therefore, aims to understanding the demographic and socioeconomic characteristics, among others, that make inequality to persist overtime and analyzing the power of each characteristic to explain inequality. The study employed rural household survey questionnaire based on expenditure dataset of the 382 sample households from four study districts using a two stage random sampling method proportionate to size. OLS regression is used to analyze the driving forces of inequality. Results show that the Gini coefficient in north-eastern Ethiopia is estimated at 0.247, indicating the existence of consumption expenditure inequality among the sample rural households in the stated areas and this is to some extent lower as compared to the national level Gini coefficient of 0.274 for rural Ethiopia in 2010/11. Regarding the driving forces of inequality, most demographic, socioeconomic and institutional variables entered with expected signs and are significantly explain inequality among households. Policy makers and other concerned bodies therefore must concentrate on measures to enhance demographic, socioeconomic and institutional aspects of the households in favour of reducing inequalities.

**KEY WORDS:** Consumption, determinant, Ethiopia, household, inequality, north-eastern Ethiopia.

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