



Moving Out of Poverty in India: An Overview

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*Poverty is a curse. Freedom from it
brings power.*

—WOMEN'S DISCUSSION GROUP,
Thengal Gaon, Assam

*Freedom for the poor is like a pot full of
curd that hangs up by a string. One can
see it, but one cannot get it.*

—DISCUSSION WITH YOUNG GIRLS,
Katmati, Uttar Pradesh

*In our place, all powerful men are rich.
A powerful man without money is like a
sunless sky.*

—MEN'S DISCUSSION GROUP,
Assam

Why is it that in one village many poor people manage to escape poverty, while in another nearby village hardly anyone escapes poverty? Why is it that one household moves out of poverty while the household next door remains poor? What are the factors and processes at the community, institutional, and household levels that enable some people to move out of poverty while others remain stuck there?

Much is already known about poverty in India through the work of statisticians, economists, political scientists, sociologists, journalists, and practitioners in civil society. Their contributions are invaluable. Despite this vast knowledge, something is missing: the voices of poor people themselves and of those who were recently poor. There is a great deal to learn from them about how and why some people manage to escape poverty and others do not.

This study focuses on people who moved out of poverty during the decade from 1995 to 2005 in rural areas of four Indian states: Andhra Pradesh, Assam, Uttar Pradesh, and West Bengal. It also considers people who have fallen into poverty, those who have remained poor, and some who have never been poor but who live alongside poor people in the same communities. We started by setting aside official and expert opinions, ideologies of the right and left, and—to the extent possible—the beliefs and assumptions of the rich and the middle class, including our own preconceived notions. We let poor people speak.

The study is unique in four ways. First, it examines changes in poverty status of the same households over time. Most poverty studies are snapshots of the poor taken at a particular point in time, with extrapolations made by comparing them with the rich at that same point in time. In our study, we focus on understanding the dynamics of change by asking individuals to recall their life stories, particularly what happened to them over the past decade.

Second, most poverty studies are conducted at the national, state, or district level. We focus on local communities, mainly villages, as the unit within which individuals and households are embedded. There is much variation between villages, even within a district, and our sampling strategy enables us to examine these community-level differences. Third, we rely primarily on nonstandardized data collection methods, including life stories and discussion groups. We complement these with data we gather using household and community-level questionnaires. Finally, since we deliberately adopted an open-ended approach, we use inductive methods to systematically aggregate data from life stories and individual discussions over 50,000 pages of notes. We started with broad questions rather than a particular conceptual framework, but we did impose a framework after six months of inductive data analyses, before starting the quantitative data analyses.

Policy makers often dismiss subjective data collection methods and individual life stories as anecdotal and “not scientific.”¹ In this study, we deliberately give primacy to people’s own experiences while accepting that these data collection methods, like all methods, are prone to error. We cross-check data by asking the same questions at different times of the same people and of different people. Usually studies that employ subjective methods are done on a small scale, using informal sampling methods. By contrast, we bring together the life experiences of more than 30,000 women and men from 300 rural villages across Andhra Pradesh, Assam, Uttar Pradesh, and West Bengal.² Individuals were carefully selected through stratified random sampling methods.

The book is based on people’s own definitions of poverty and their own poverty thresholds, and it examines a broad range of factors—economic, psychological, social, political, institutional, and community-level—that people tell us are important for escaping poverty. It belongs to a line of cross-disciplinary literature that aims to give voice to those whom Fuller (2004) provocatively describes as “nobodies”—those who are all too often trapped in a voiceless existence and perceived as the faceless poor.

India in the first decade of the new millennium is in the enviable position of maintaining high levels of economic growth. Yet it continues to be home to millions and millions of poor people—women, men, youth, and children—who suffer high levels of malnutrition and hunger. In the political arena, the 73rd amendment to the Constitution introduced local government at the village level, bringing democracy to Indian villages in the 1990s. We seek to understand how these economic and political changes over the past decade have affected poor people’s lives. We hope that insights from this study

will help policy makers refine policies and will inspire new ways of reducing poverty to lift up the millions who still live in dehumanizing conditions.

We begin by describing two communities with contrasting poverty trajectories. This is followed by a presentation of the conceptual framework and a summary of our 10 major findings. The next two chapters explore cross-cutting themes across the four states: chapter 2 focuses on learning from life stories, and chapter 3 on processes and factors that affect community-level prosperity. Each of the remaining chapters in the volume looks in depth at one of the four study states: Uttar Pradesh, Andhra Pradesh, West Bengal, and Assam.

A Tale of Two Villages

Bidrohipar and Gobhali in Assam are two of the 300 Indian villages visited by the Moving Out of Poverty study teams. Each of these 300 villages is, of course, unique. Yet a closer look at these two suggests the many factors that can either help or hinder economic mobility across villages. These factors relate to economic opportunities, individual and collective empowerment and agency, and local political, social, and economic institutions.

Bidrohipar, in Cachar district, lies in a region of great natural beauty, surrounded by the northeastern states of Mizoram and Manipur on two sides and the nation of Myanmar on the third. Agriculture is the primary livelihood, with rice the principal crop. But even those farmers who employ a “modern” system of cultivation, using fertilizers, high-yield seed varieties, and pesticides, are held back by a lack of irrigation facilities. According to a discussion group member, Fokhrul Islam, 500 bighas (approximately 167 acres) of land remain unused because of the dryness of the soil.³ This problem, together with repeated flooding, makes farming an unappealing prospect for the village’s young people, who increasingly look for alternative sources of livelihood in the nearby town of Silchar or farther afield, in Guwahati and Mumbai. “By their jobs, they are feeding their families,” observed another man.

The village government, or panchayat, has helped promote prosperity in Bidrohipar. It set up and supervises a daily market called the *swadhin bazar*. Discussants note that starting a new business is easy: licenses are issued by the panchayat and vendors pay a fee of Rs 20–30 a month. Basic infrastructure has also improved over the course of a decade. Electricity has been available since 1997, and 90 percent of houses now receive power, although the majority of these are “illegal” or nonpaying customers. A male discussant noted,

"Electric facilities have affected the working life of people. Now shops are open until 7 p.m." As a result of the central government's sanitation program, a quarter of the village now has concrete latrines. Link roads were repaired in 2000, and a principal road connecting the village to neighboring towns was constructed in 2001. As a result, villagers commute to town for work on a daily basis, and students can reach the college easily. The improved roads have also helped local businesses develop.

Bidrohipar has also experienced remarkable growth in its education services and now has seven primary schools, two middle schools, and one higher secondary school, in addition to the three private schools run by the panchayat. The college is located 7 kilometers from the village and the closest university is 30 kilometers away. A health center and family planning center offer basic services, while a number of private doctors operate from the marketplace. Government-sponsored child care services distribute food and provide some health care. But discussants still consider the health system to be in "very bad condition."

People's collectives form an integral part of community life, supporting agricultural activities, disseminating information on government schemes, promoting health and sanitation, and offering loans and flood relief. Satana Sangh is just one of the many social welfare groups operating in the village. Among its numerous activities, it has distributed high-yield seeds, fertilizers, and pesticides, disbursed loans through the Kisan credit card scheme, and supported students' education. Iqbal, a college student, said, "My dream of getting a master's degree and then becoming a college lecturer is more or less associated with the willingness of our Satana Sangh. They help me from every angle."

The collectives foster a spirit of cooperation. "In our society, unity is the biggest strength," reflected a female member of a local group, the Purbanchal Demand Committee. "We can, by our joint efforts, solve all our problems." In a region marked by conflict, Bidrohipar is peaceful: neither the army nor separatist forces menace the community.

Villagers believe that local democracy has positively affected community prosperity over the past 10 years, as the local government has paid greater attention to people's needs. A men's discussion group said, "Nowadays the local government has gradually become close to ordinary people. People also feel its importance. . . . Now they freely go there and make complaints. And the local government helps people as far as possible." Participation is active in the gram sabha, the village-wide meeting. Some of the women attribute increased participation levels over the decade to improvements in education.

"The people of our society did not participate in these meetings 10 years ago because they were not so educated. Ten years ago they were not so conscious, they had no knowledge about their own life. But at present day they know everything about their own life because now they are educated so they also participate in this institution."

Corruption is nonetheless rampant. The women's discussion group observed, "One lakh [100,000] rupees, which is sent by the government to our society, becomes 50,000 when it reaches the block and becomes 25,000 at the panchayat office. As a result we can't help the people." The police are also routinely corrupt, demanding bribes from both parties in most disputes, according to male discussants. "People generally try to avoid the police," noted one man.

Yet the residents of Bidrohipar believe that democracy exists in more than just name. Effective governance is possible because of the increased awareness of people and their desire for a prosperous future. In the words of Maneruddin Laskar, "Self-confidence of people becomes high. So they can freely speak out and present their views before public meetings." Two young men summed up: "We must speak out against injustice. . . . If we do not demand the good maintenance of our roads from our contractors, why would they not be corrupt? . . . Freedom of speech is most important. . . . We should speak out against such corruptions that it will reduce the number."

The second village, Gobhali in the Kamrup district of Assam, sits on the banks of the Brahmaputra River, 18 kilometers from Guwahati city. The principal livelihoods include farming and daily wage work. Few people own businesses, and still fewer are public employees.

This community has experienced major setbacks over the decade. Landslides between 1997 and 2004 destroyed 1,000 bighas (more than 300 acres) of land, forcing people to abandon their traditional livelihoods of growing rice and vegetables. "This erosion has snatched away the food of the people," reflected one villager. Major private sector employers have also disappeared following the closure of a power plant and the subsequent folding of the National Textile Corporation. Bubul, a 41-year-old woman, said that economic opportunities have decreased over the decade "because there was a cotton mill and a power house in our village before. But both are closed now and the former workers have no advantage of any work." A male discussant noted, "About 1,000 workers have become jobless. . . . Now labor of all kinds of job has dropped." Even daily wage laborers have trouble finding work, as they used to depend on the employees of the power house and spinning mill to hire them.

The panchayat has done little to stem the tide of misfortune. It is "unwilling to transfer the benefits provided by government to society," observed members of the male discussion group. "The economic support for repairing roads or development is wasted by the leaders," said another. In the face of landslides, "petitions were made to the government to stop the erosion," explained Tilok, one of the few government schoolteachers in the village. In 2004 at least Rs 600,000 was designated to deal with the problem, but "the contractors only built a few bamboo post barriers and digested the rest of the money."

There is only one self-help group in the community, with 13 members, and it is burdened by debt. A nongovernmental organization (NGO) taught the group to make candles, but discussants noted that because of "lack of money, this group cannot go forward. If the government gives loans or training, they can do business." Youth organizations have been rendered inactive by the mass migration of young people in search of better work opportunities outside the village.

In the absence of a strong collective tradition, social divisions persist. Though the village is shielded from the separatist conflict in Assam, local land disputes divide rich from poor. Land that is theoretically set aside for members of scheduled tribes has been captured by more powerful members of society. "Height is right" in Gobhali, reflected a female discussant.

The male discussion group said that Gobhali is a democracy only "in its name . . . in its activities there are no characteristics of democracy. . . . Leaders give more importance to self without giving any importance to people's social problems." Only "those who have money can win the elections," as candidates buy votes by feeding villagers with "fish and meat and giving them a party of rice and wine." Once candidates are elected, their promises to provide drinking water or repair roads come to naught, while a handful of cronies benefit from food cards and free electricity. People's perceived ability to contact local government has only decreased over the decade. "The public of the village cannot influence the decisions of panchayat members. They do not give any importance to the common people," noted one man.

Bidrohipar and Gobhali share much in common. Each is a predominantly agricultural community, exposed to the vagaries of nature. In a state that is no stranger to conflict, each is generally peaceful. And in a system of decentralized democracy, residents of each village have struggled with the consequences of corrupt local governance.

Yet the two villages are even more noteworthy for their differences. Thanks to a relatively effective local government, Bidrohipar has experienced remarkable improvements in the quality of its basic infrastructure and educa-

tion over the course of a decade, although much remains to be done in the areas of health and sanitation. By working together in groups, residents have overcome internal divisions and reinforced their mutual prosperity. Villagers testify to feelings of empowerment, even in the face of persistent corruption. By contrast, the local government in Gobhali has done little to reverse negative shocks to livelihoods, and residents seem to be locked in a low equilibrium of poor economic opportunity and weak organizational power. Far from feeling like empowered participants in their local democracy, ordinary people feel increasingly distant from the institutions of power and unable to affect their own fates.

These contrasts are reflected in the two villages' different rates of economic mobility. While more than 20 percent of villagers are perceived to have moved out of poverty in Bidrohipar, only 6 percent have crossed the poverty line in Gobhali. Location is not destiny, however. Even in relatively prosperous Bidrohipar, some people remain trapped in poverty, while in Gobhali, generally marked by low economic mobility, a few households have managed to prosper.

Conceptual Framework

The Moving Out of Poverty study is concerned with the dynamics of poverty reduction, as opposed to trying to measure poverty incidence alone. This is because net poverty rates are the product of two contrasting phenomena: movement out of poverty and falling into poverty, processes that may have very different dynamics.

The men and women who participated in the study testify that the local economic and political environment, individual attributes, and collective characteristics all matter for movement out of poverty. Reflecting their observations, we employ an opportunity-agency structure as our basic conceptual framework. The framework indicates that movement out of poverty will depend both on changes in the *opportunities* offered by local economic conditions and political institutions and on changes in the capabilities of poor individuals or groups to take purposeful actions, that is, to exercise *agency* (Narayan 2006).⁴

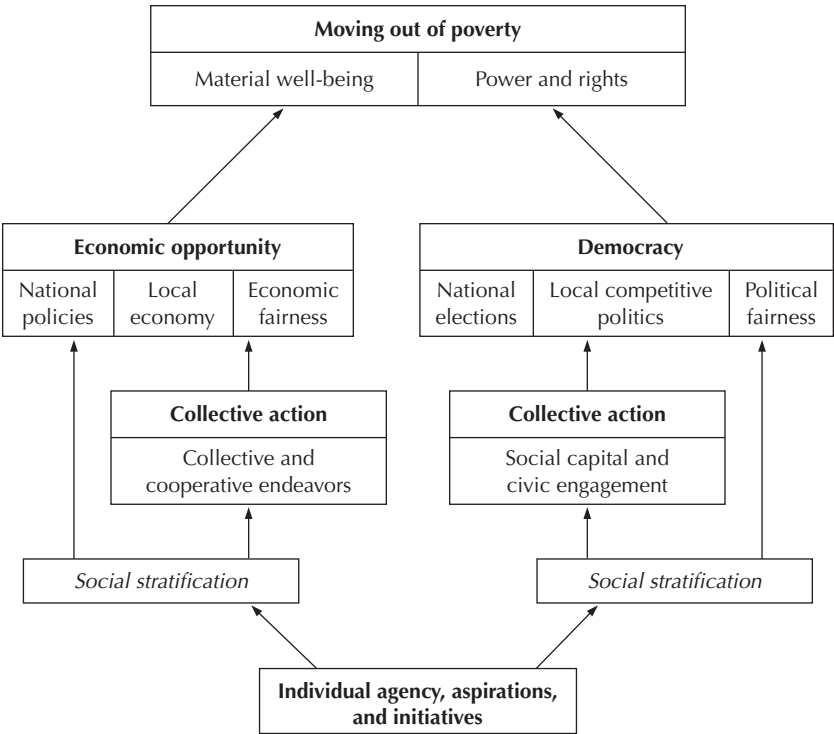
Economic opportunity in a community is one important factor that favors mobility for the poor; a responsive and effective local democracy is another. But even when these are present, it cannot be assumed that all residents of a community will have equal access to them. Social stratification and discrimination—based on caste, tribal, or gender distinctions, for instance—

will constrain the extent to which individuals and groups are able to advance their interests. And equal access to fair prices, credit, and justice will largely determine whether opportunities are available to the many or the few.

A combination of individual and collective agency can be critical to overcoming institutional inequalities that lead to economic, social, and political exclusion. Agency at the individual level is measured by a sense of self-confidence, power, and a capacity to aspire. At the collective level, it is measured by community members' willingness to assist one another and solve common problems, as well as by the strength of local organizations and networks.

Figure 1.1 provides an overview of this conceptual framework. While we recognize that national-level policies are important, our study focuses on the local level and our methods are best suited to understanding local realities.

FIGURE 1.1
Initiative and opportunity interact to produce upward movement



While the core objective of the study is to explore from the bottom up how and why people move out of poverty, each of the individual state chapters also addresses an issue of particular relevance to local economic mobility in that state. The Andhra Pradesh chapter focuses on the role of self-help groups in movement out of poverty. The chapter on Uttar Pradesh considers the role of caste in facilitating or hindering people's mobility, and the West Bengal chapter focuses on the role of local governance, particularly with respect to land reform. The Assam chapter explores the links between conflict and economic mobility.

Methodology: Moving and Falling on the Ladder of Life

What is poverty? Who is poor? In contrast to most studies, which use as their starting point an objective definition of poverty often based on income or consumption data, the Moving Out of Poverty study set out without any definition of poverty at all. Instead, the study teams asked local people participating in the research to define what it means to be poor in the context of their own communities.

The "ladder of life" is the main tool by which village-level discussion groups defined poverty in their communities.⁵ The principal questions addressed in the ladder of life exercise include the following:

- What are the various levels of well-being in your community?
- What are the characteristics of households at each of these steps?
- What factors enable upward movement or cause downward movement from each step?
- On which step does a given household stand today (in 2005), and on which step was this same household approximately 10 years ago (around 1995)?
- At which step are households no longer considered poor in this community?
- Where would the official poverty line fall on this community's ladder of life?

As a first step in the exercise, discussion groups were asked to describe the levels of well-being in their community, from the poorest to the most affluent. Researchers prescribed neither the number of levels nor the content of the descriptions, leaving groups free to explain the full spectrum of conditions in their village along both economic and noneconomic lines.

Table 1.1 provides an example of a ladder constructed by a focus group in Kamalapur village in Andhra Pradesh. Although the details are unique to Kamalapur, the descriptions of the various levels are common to many of the ladder of life exercises conducted throughout the four states. For instance, employment status and assets feature in most groups' descriptions of the various steps. In the case of Kamalapur, the lowest step is occupied by landless laborers, while the middle steps consist of farmers with incrementally larger plots, who in some cases combine land ownership with government jobs. Step 6, the highest step, is reserved for two landowning families in the village who can afford to employ others to cultivate their land. In this drought-prone region, irrigation assets are an important mark of status within the community: farm households at step 3, for instance, are entirely dependent on rainfall, while farmers at steps 4 and above have access to borehole wells.

TABLE 1.1
The ladder of life in Kamalapur, Andhra Pradesh

| | |
|--------|--|
| Step 6 | Landlords: Employ servants to cultivate their lands; own huge buildings; command high respect in the village. Only 2 families in the village are at this step. |
| Step 5 | Big farmers: Own 15–25 acres of ancestral property and 4–5 houses, plus motorbikes, fans, and cattle. Cultivate crops like cotton, chilies, soybeans; land gives good yields. Banks provide loans. Educate their children and can live without working. |
| Step 4 | Medium farmers: Own 5 acres of land. Some have government jobs. Own houses with cement walls, cattle, borehole wells, televisions, fans, and cots. Eat fine rice. Women wear gold ornaments, and children study in good schools. Banks provide loans. |
| Step 3 | Small farmers: Own 3–5 acres of land. Own houses and cattle but do not have wells. Their lives depend on rainfall. During periods of drought, they migrate to towns or work as agricultural labor. They are a little bit educated. |
| Step 2 | Laborers with small landholdings: Own 1–2 acres of land. Land is rarely fertile, and they have to do wage labor; some serve as bonded labor. Don't have proper houses. They are illiterate and belong to backward and scheduled castes. Every day is a struggle. |
| Step 1 | Landless laborers: Lack proper food, proper clothes, and proper houses. Don't find work regularly and are able to work only 12–15 days a month. They are usually illiterate, and their children cannot attend school because they have to work. |

Source: Male ladder of life discussion group, Kamalapur, Andhra Pradesh.

Note: Bold line indicates the community poverty line.

Participants across communities also refer to noneconomic criteria when defining steps on the ladder of life. Kamalapur is no different in this regard: social identities play an important role in the village hierarchy, with households on step 2 belonging to scheduled and backward castes and those on step 6 commanding “high respect in the village.”

Once the ladder of life was created, groups identified the factors that were instrumental in moving up or down from each step. The discussion group in Kamalapur identified hard work, savings, and investment, together with government assistance (in the form of land and housing programs or irrigation and marketing facilities) as preconditions for upward mobility. Weather-induced crop failure and sickness of a family member were cited as reasons for falling down.

Discussion groups were next asked to identify the step at which households were no longer considered poor. The line between this step and the ones below was designated the community poverty line (CPL). In this way, each community arrived at a definition of poverty that was specific to local circumstances and that integrated both objective and subjective measures of well-being. In the case of Kamalapur, the CPL was set just above step 2 on the ladder of life. At step 3, where people typically owned 3 to 5 acres of land, a house, and some cattle, and had some education, households were no longer considered poor, although they remained exposed to significant economic insecurity due to their reliance on rainfed agriculture.

Only once the CPL had been established did the interviewer inform discussants of the government of India’s official poverty line (OPL) and ask them to identify the step on the ladder where a person with this income would fall. The OPL could then be compared to the CPL on the community’s ladder. In other words, focus groups determined whether income at the official poverty line would be sufficient for a household to be no longer considered poor by local standards. In Kamalapur’s case, discussants placed the OPL below the CPL, at step 1 of the ladder. Villagers at this lowest step, described as landless laborers, were typically employed in daily wage work and were considered to lack proper food, clothing, and shelter. In the great majority of the communities in the study, as in Kamalapur, focus groups placed the OPL below the CPL.

As a final stage in the ladder of life exercise, focus groups ranked all households in their village according to their position on the ladder in the year of the study, 2005, and about a decade earlier, around 1995.⁶ This

exercise generated a community mobility matrix consisting of four mobility groups:

- *Movers*: households that were poor in 1995 but moved out of poverty by 2005
- *Chronic poor*: households that were poor in 1995 and remained poor in 2005
- *Fallers*: households that were not poor in 1995 but fell into poverty by 2005
- *Never poor*: households that were not poor in 1995 and remained not poor in 2005 (also called the “chronic rich”)

Figure 1.2 reproduces a community mobility matrix for the village of Pathari in Uttar Pradesh. In this community, focus group participants identified five steps on the ladder of life and placed the CPL at step 2. Of the 22 households above the CPL in 1995, 20 remained there in 2005, gaining the status of never poor (bottom right quadrant), while two dropped below the poverty line and became fallers (bottom left quadrant). Of the 128 households that were below the poverty line in 1995, 96 stagnated at the same step in 2005, gaining the unfortunate title of chronic poor (top left quadrant), while 32 succeeded in crossing the community poverty line to become movers (top right quadrant).

In the course of formulating the rankings, discussion groups stated causes for individual households’ upward or downward movement or stagnation. For instance, in Pathari, upward mobility from the lower steps was seen to be the result of hard work in agriculture and outward migration for relatively high-paying work opportunities, such as masonry. At the middle and higher steps, investments—whether in modern agricultural equipment, higher education of children, or an additional business—enabled further upward mobility. Falling at the lower steps was perceived to be the result of large family size, irregular work opportunities, and cycles of illness and indebtedness, while at the higher levels discussants cited family divisions and sale of land because of marriage expenses as reasons for falling.

Across the 300 villages, the ladder of life exercises and community mobility matrixes provided rich insights into the nature of poverty and the factors that helped and hindered household and community mobility. They also offered an important source of data on economic mobility in each village during the study period and a means of comparing trends across communities. Table 1.2 summarizes the indexes that could be derived from the community mobility matrix. Many of these indexes will be discussed in the state-level chapters.

FIGURE 1.2
Community mobility matrix for Pathari, Uttar Pradesh, shows household mobility over a decade

| Steps | Now | | | | | Total |
|-------|---|--|--|----------------------------------|---------------|-------|
| | 1 | 2 | 3 | 4 | 5 | |
| 1 | 13, 23, 57, 58, 59, 60, 67, 68, 74, 85, 86, 87, 88, 95, 96, 97, 98, 108, 109, 116, 127, 128, 129, 133, 143, 144, 146 | 11, 12, 19, 20, 48, 49, 61, 103, 104, 105, 107, 113, 114, 115, 118, 120, 121, 125, 126, 135, 136, 139, 141, 142, 145 | 82 | Movers | | 53 |
| | 21, 22, 33, 37, 38, 41, 132 | 14, 15, 16, 17, 18, 24, 25, 26, 27, 29, 32, 36, 39, 40, 42, 43, 44, 47, 50, 53, 54, 56, 64, 66, 77, 78, 79, 80, 91, 94, 112, 119, 122, 123, 124, 131, 134 | 5, 6, 7, 28, 34, 35, 45, 46, 51, 52, 55, 75, 76, 92, 93, 99, 100, 101, 102, 106, 110, 111, 117, 140, 147, 148 | | | |
| 2 | Chronic poor | | | | | |
| 3 | 69, 149 | | 8, 9, 10, 72 | 62, 65, 70, 71, 137, 138, 150 | 130 | 14 |
| 4 | | Fallers | Never poor | | 2, 83, 89, 90 | 5 |
| 5 | | | | | 63, 73, 84 | 3 |
| Total | 36 | 62 | 31 | 13 | 8 | 150 |

Source: Male ladder of life discussion group, Pathari, Uttar Pradesh.

Note: Bold lines indicate the community poverty line.

TABLE 1.2
Summary indicators of mobility

| | |
|------|--|
| MOP | Moving out of poverty index Measures extent of upward mobility by the poor across the CPL in a community. MOP = initially poor who move above CPL ÷ initially poor. |
| MPI | Mobility of the poor index Measures extent of upward mobility by those who were initially poor. MPI = initially poor who move up ÷ initially poor. |
| MRI | Mobility of the rich index Measures extent of upward mobility by those who were initially above the CPL (nonpoor or "rich" by the study's definition). MRI = initially rich who move up ÷ initially rich. |
| FI | Falling index Measures extent of all downward mobility in a community. FI = all households that move down ÷ total number of households. |
| FPI | Falling of the poor index Measures extent of downward mobility of the initially poor. FPI = initially poor who move down ÷ initially poor. |
| FRI | Falling of the rich index Measures extent of downward mobility of the rich. FRI = initially rich who move down ÷ initially rich. |
| FRIP | Falling of the rich into poverty index Measures extent of downward mobility of the rich across the CPL. FRI = initially rich who move below CPL ÷ initially rich. |
| NPR | Net poverty reduction Measures changes in the share of poor over study period. NPR = % ending poor – % initially poor. |
| NPI | Net prosperity index Measures extent of net upward mobility (upward less downward) in a community. NPI = (all households that move up – all households that move down) ÷ total number of households. |
| NPP | Net prosperity of the poor index Measures extent of net upward mobility (upward less downward) of the initially poor. NPP = (initially poor who move up – initially poor who move down) ÷ initially poor. |
| PI | Prosperity index Measures extent of all upward mobility in a community. PI = all households that move up ÷ total number of households. |

Finally, each community mobility matrix provided a basis for stratified random sampling of households for further quantitative and qualitative investigation, first through detailed household questionnaires and then through individual life story interviews. All households within each mobility group were randomly selected. Since the primary objective of the study was to explore how and why households moved out of poverty, the sampling for household questionnaires favored movers, followed by the never poor, chronic poor, and fallers.⁷ The questionnaires collected information on respondents' subjective perceptions of freedom, democracy, social capital, insecurity, and personal aspirations, as well as more objective measures of assets, expenditure, and education.

A subset of households was then randomly selected from within each mobility group for open-ended individual life story interviews, which aimed to identify the web of social, economic, institutional, and psychological factors that helped or hindered individual mobility—details and dynamics that could not be gleaned from the household questionnaire alone. Each life story interview covered five themes: migration history; occupational history; financial history; social, cultural, and psychological history; and educational history. Trend lines were created for each thematic area and then consolidated to provide an overall record of individual well-being over the course of the decade. Chapter 2 discusses in detail results from the analyses of life stories.

In addition to the ladder of life discussions, household questionnaires, and individual life stories, seven additional data collection tools were employed to gain a rich understanding of poverty mobility at the household and community levels (see volume appendix 2).

Three Caveats

Before highlighting some of the key findings across states, it is important to note several ways in which the strengths of the Moving Out of Poverty study—its most innovative elements—also entail certain limitations.

Use of subjective measures

First, the poverty numbers generated by the study tools are based on perceptions rather than on objective measures. While the use of group rather than individual interviews in the ladder of life helps overcome the well-known problems associated with recall data, it remains true that any household's position on the ladder of life reflects subjective perceptions and the fallibility of memory. However, a comparison between measures of well-being established

through the ladder of life exercise and more objective measures—for instance, expenditure—demonstrates that subjective and objective measures tend to align with one another and move in the same direction.

We tested the extent to which subjective measures of household well-being determined by focus groups meshed with more objective measures of income poverty. The results are reassuring (table 1.3). Movers and the never poor reported higher levels of mean expenditure and asset accumulation than both fallers and the chronic poor. With respect to levels of food adequacy, households ranked as movers by focus groups also reported the greatest improvement in ability to meet their food needs over the decade: the percentage with adequate food increased by 42 percentage points, from 52 to 94 percent. Households ranked as fallers reported the greatest decline in food adequacy, decreasing by 55 percentage points (76 to 21 percent). The never poor and chronic poor both tended to experience stagnant levels of food consumption, as might be expected of groups that experienced little upward or downward mobility. The level of food adequacy for never-poor households changed by only 5 percentage points (90 to 95 percent), and that of the chronic poor by only 3 percentage points (from 20 to 17 percent).

Use of the community poverty line

Second, researchers prescribed neither the number of steps on the ladder of life nor the position of the community poverty line, each community profile is unique. This raises some questions about the extent to which comparisons can be made across communities, although there are plausible arguments to be made in defense of the CPL (box 1.1).

TABLE 1.3
Objective measures of well-being largely align with subjective perceptions

| <i>Mobility group</i> | <i>Expenditure (mean, rupees/year)</i> | <i>Difference in assets^a</i> | <i>Adequate food (%)</i> | |
|-----------------------|--|---|--------------------------|-------------|
| | | | <i>1995</i> | <i>2005</i> |
| Movers | 45,146 | 0.333 | 52 | 94 |
| Chronic poor | 31,392 | -0.482 | 20 | 17 |
| Fallers | 25,818 | -0.797 | 76 | 21 |
| Never poor | 58,202 | 0.399 | 90 | 95 |

a. To see the change in asset distribution, we took the principal components analysis (PCA) of the difference in assets between 1995 and 2005 and then the given means for each mobility group. A negative result implies that improvements in assets were below the mean, and a positive result indicates that improvements in assets were above the mean. Data are from all four Indian states in the sample.

BOX 1.1**In defense of the community poverty line**

There are several reasons why we think that a poverty comparison based on each community's own definition of poverty is valid and useful. First, and most fundamentally, it is important that a poverty measurement make sense in the local context and be "owned" by the community itself. Thus, we took a deliberate decision to stick with people's own definitions of poverty rather than imposing the researchers' definition or the official definition in a given country.

Second, the focus of the study is on subjective and multidimensional poverty rather than on monetary and unidimensional poverty. This also requires us to allow each community to self-define poverty, and we were prepared to accept whatever multidimensional aspects might appear. In the context of this study, the multidimensional factors considered by communities include consumption adequacy, asset ownership, educational status, housing conditions, and occupational categories. Also included are nonquantifiable class/status characteristics such as being "respected" or having "good social links" or, conversely, being a member of an excluded caste, religious, or social group. Since there is no satisfactory way of privileging one dimension over another or objectively combining them into a synthetic multidimensional poverty line, we take the community's definition of poverty, and of which local households are considered poor and nonpoor, at face value.

Third, when we use "subjective and multidimensional poverty" as a yardstick necessarily defined by the community, problems may arise in operationalizing the idea through the ladder of life approach. For instance, the number of steps on the ladder differs across communities (some use four steps, some six, some eight, and so on), and this difference can create problems in making poverty comparisons across communities. However, we found, rather surprisingly, that the "churning index," which measures step-down or step-up mobility, is quite uniform across communities for a given state in the Indian sample irrespective of the number of steps on each ladder. We do not see more churning in communities where the ladder of life has a larger number of steps.⁸

Finally, a community-defined subjective and multidimensional poverty line is a relative poverty line. Any index constructed for movement out of poverty is subject to the placement of a threshold line that can vary across communities and contexts. Placement of such relative thresholds can affect reporting of changes in overall well-being. Given problems that relative lines like the CPL can pose, a broader index of upward movement of the poor (MPI) is also used alongside the moving out of poverty (MOP) index; the MOP is defined in relation to the CPL, but the MPI is not. In the actual empirical analysis of factors influencing movement out of poverty, the study uses both the MOP and MPI indexes for all states in the India sample.

Local specificity

Third, the India study produced 300 community-specific investigations of what it means to be poor and of the processes—individual, collective, and institutional—that enable movement out of poverty. Due to their highly localized nature, the statistical findings should not be interpreted as representative of economic realities in each state as a whole. So while the study presents data from, say, West Bengal, the findings hold true only for the particular communities sampled in West Bengal, although they may also be indicative of certain statewide trends. Where the findings are most valuable is in helping us see poverty through the eyes of local people and understand the processes involving individual and collective agency and the local-level political, social, and economic institutions that help or hinder economic mobility.

Ten Findings

Many insights emerged from this study. In this overview, we highlight 10 of the most important. While we draw attention to some differences in findings across states, it is impossible to do justice here to all the nuances, which are detailed in chapters 4 through 7.

One: Official poverty lines systematically underestimate poverty

What can a person do with such a poor income [income at the official poverty line]? He would die of starvation.

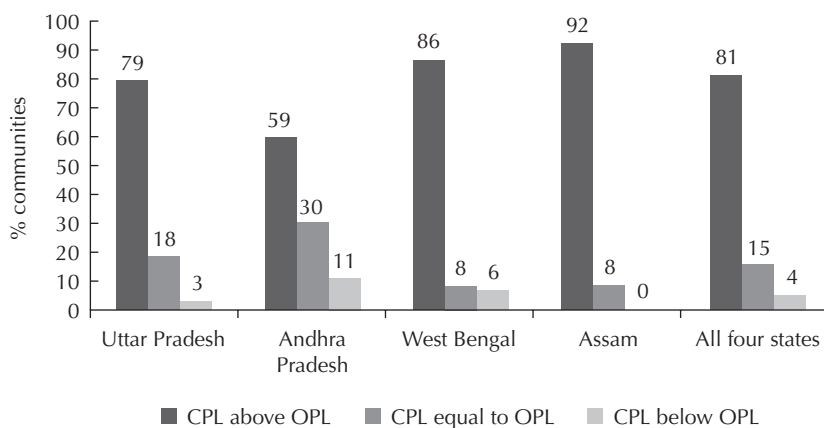
—Discussion with men, Tihuliya, Uttar Pradesh

The study found that local people's definitions of what it means to be poor differ substantially from the definitions used by government officials. The income levels underlying official poverty lines tend to underestimate poverty as it is perceived at the community level.

When ladder of life discussion groups in the villages were informed of the official poverty line in their state, many participants jeered and said that it was impossible to live on such a small income. Many expressed anger that the better-off people expected them, the poor, to live such a meager existence. In three of the four states—Assam, Uttar Pradesh, and West Bengal—more than three-quarters of communities placed the community poverty line above the official poverty line, meaning that more people face poverty than would be indicated by the OPL (figure 1.3). In other words, poverty rates are higher than official statistics would imply.

FIGURE 1.3

Majority of villages across states place the community poverty line above the official poverty line



This finding should not be interpreted as an indictment of official poverty lines. OPLs are extremely useful as a basis for intrastate and interstate analysis and as a factor in determining the distribution of public resources. However, the finding does underscore the importance of listening to the voices of poor people who are calling for adjustments to official poverty lines. When community and official definitions of poverty do not mesh, policy responses based on the OPL alone may violate local notions of fairness and justice and may fail to reach the majority of poor people. This is particularly true during periods of rising aspirations.

In the India study, poor people said, quite clearly and repeatedly, that the income deemed sufficient according to official lines is inadequate to meet their basic needs or preserve their dignity. By contrast, community poverty lines usually tend to represent a dividing line between those who have adequate income, land, and housing to live with dignity—although they may still be vulnerable—and those who do not.

Ladder of life descriptions of households just below the community poverty line attest to dire situations. In Patnapur village, Andhra Pradesh, men in a discussion group said, “At this step people don’t have houses. . . . They don’t have lands. . . . These people are illiterate and never send their children to school. They work in the summer season as agricultural laborers, but in the rainy season they do not have work. These people cannot afford minor expenses that occur suddenly. . . . To go to higher steps, they have to work

hard. Only some miracle can do this because they don't have even one decimal of land." Similar descriptions of households just below the CPL were offered in other communities as well.

Descriptions of households just above the CPL, on the other hand, often make clear the importance of acquiring permanent assets. In Niddam village, Andhra Pradesh, women described families at this step as follows: "We have farmers with 5 acres of land who also migrate seasonally to other places for work. These people live in good houses and have no problems for basic amenities. They have modern electronic durables in their home. They get their children educated in the nearby villages and towns." Such descriptions suggest that concerted policy interventions are required to support the livelihoods and asset base of poor households so as to enable them to move up. One key event seems to be the acquisition of a permanent house, often through a government program that builds houses for the poor. Acquisition of a home often marks the beginning of the process of accumulating assets and slowly moving out of poverty.

Two: Net poverty figures hide two distinct phenomena: moving out of poverty and falling into poverty

The reason for my progress has been my hard work. I worked very hard and educated my son, as a result of which he got a government job. Hence, the condition of my family improved considerably. Previously, I didn't have enough to eat, whereas today I have surplus.

—A scheduled caste mover, Uttar Pradesh

Everything was going on happily. But in 1994, it seemed as if all grief attacked my life, when my eldest son died of brain tumor and my husband after hearing this news died of heart attack within 15 days. I was then continuously struck by thunder and lightning. I hadn't come out of my sorrow, but after two years my eldest daughter died in 1996 while delivering a child. . . . My happiness has gotten eclipsed. My economic and mental condition deteriorated day by day as I fell into the ocean of disappointment.

—Manjawa, a 52-year-old faller, Uttar Pradesh

The almost exclusive focus on net poverty reduction rates in many studies obscures two crucial and contrasting phenomena: moving up and out of poverty, and falling down into poverty. Each has a different set of associated

processes. This focus on aggregate rates is partially a result of the poverty methodology that has been adopted as the standard approach, based on one-time national household surveys that by definition cannot reveal dynamics over time. Our study finds that just reducing the numbers of people falling into poverty has quite dramatic effects on overall poverty rates. And the underlying reasons for falling are different from the reasons for upward movement.

In Uttar Pradesh, poverty was reduced by 7.3 percentage points during the decade covered by the study. But the overall poverty reduction rate tells only part of the story. Ant Sant village has experienced relatively high rates of both movement out of poverty and falling into poverty. Almost 20 percent of the village inhabitants moved out of poverty and almost 5 percent fell into poverty, which meant a net reduction in the percentage of poor from 76.3 percent to 61.2 percent. Accordingly, the overall poverty reduction rate in this particular community was 15.1 percent, which is more than twice as high as the average poverty reduction rate in the communities studied in Uttar Pradesh. But it would have been almost 20 percent if no one had fallen into poverty.

Prem, a 34-year-old man, is one of Ant Sant's movers. He was born into a poor family of low caste. He remembers, "My father used to work hard as a laborer for others. Only then were we able to get one meal for the day. This is because right from the beginning the village *zamindars* [landlords] had an upper hand and they kept us in servitude." In spite of the family's poverty, Prem's father took great pains to ensure his son's education. "Time passed and I cleared the high school exam in 1989. I was very happy because this was my first aim in life." Unable to find a job in the private sector, he took "land on lease and started working." Six years later, in 1995, "I learnt how to make taps with the India Mark II [a brand of hand pump] and this has enabled me to earn more today." Prem's fortunes began to turn around: "The government helped us, and in 1996 I got a house in the Indira Awas [residential] colony. Today I have proper house to live in and two meals in a day." Meanwhile, the village's caste system, once so rigid, has begun to ease, enabling Prem to pursue his aspirations. He reflects, "Gradually the time started changing and the influence of the [upper-caste] Thakurs also reduced. In this case the government played a substantial role."

Jagdev, age 37, is one of Ant Sant's fallers. He remembered, "Ten years ago, we had a substantial amount of land. At that time my father and my brothers—all of us used to live jointly." But an argument between Jagdev and his father prompted the older man to apportion the land between Jagdev's two brothers. Jagdev was also saddled with a Rs 50,000 loan that he had taken with his father's support. "When we were together, everyone was ready to help in paying

back the loan, but when I got separated, nobody was ready to help and I had to repay it," he said. His household slipped into poverty. "In 2002, a proposal came to the village to appoint a *shiksha mitra*," a government-appointed primary school teacher. Jagdev got the job but he said, "we have not progressed, because I am not paid even once in two years and the situation of farming is such that the condition is really bad." He is "unable to repay the interest itself" on the loan. "With great difficulty we are able to eat twice a day."

Prem and Jagdev represent two faces of mobility in Ant Sant, rising and falling—a reality that is obscured by the focus on net poverty reduction figures alone.

This core finding of the Moving Out of Poverty study, that rising and falling are both important and should be considered separately, is borne out by statistics across the communities. Results from the four states affirm a net decline in poverty over the 10-year period, ranging from 11.1 percentage points in the sampled villages of West Bengal to 7.4 percentage points in Andhra Pradesh, 7.3 percentage points in Uttar Pradesh, and 1.5 percentage points in Assam (table 1.4). Although the sampling is not meant to be representative of each state as a whole, these results are consistent with what we know about statewide performance.⁹ But more importantly, the statewide statistics on movers and fallers confirm that communities that are superior in generating opportunities for upward mobility may not be equally successful in preventing slippage into poverty.

For instance, in West Bengal the research finds that 18.8 percent of households moved up and out of poverty between 1995 and 2005. But 7.7 percent of households—a higher percentage than in any other state sample—fell into poverty, resulting in the net poverty reduction rate of 11.1 percent. Without the falling, West Bengal would have had almost 19 percent poverty reduction. In Assam, a falling rate of 5.5 percent almost entirely negated the moving rate of 7.0 percent to produce the lowest net poverty reduction rate across the

TABLE 1.4
Moving out of poverty and falling into poverty both affect net poverty reduction rates

| State | % initially poor | % movers | % fallers | % change in poverty |
|----------------|------------------|----------|-----------|---------------------|
| Uttar Pradesh | 66.7 | 12.8 | 5.5 | -7.3 |
| Andhra Pradesh | 63.8 | 10.6 | 3.2 | -7.4 |
| West Bengal | 63.3 | 18.8 | 7.7 | -11.1 |
| Assam | 71.5 | 7.0 | 5.5 | -1.5 |

four states, 1.5 percent. While the falling rate in the sampled communities of Uttar Pradesh was identical to Assam's (5.5 percent), a higher moving rate (12.8 percent) resulted in greater net poverty reduction. Finally, communities in Andhra Pradesh recorded a lower movement out of poverty than those in Uttar Pradesh (10.6 percent versus 12.8 percent), yet the two states scored about the same on overall poverty reduction because of the lower number of fallers in Andhra Pradesh (3.2 percent versus 5.5 percent).

These findings show that when we focus on net poverty reduction numbers alone, we lose sight of the different phenomena that together contribute to the net poverty numbers. This can lead to policy missteps. Movers and fallers face very different opportunity sets and different challenges in their pathways out of and into poverty. If we hope to accelerate poverty reduction, these phenomena have to be disaggregated and correctly understood.

Three: While moving up is primarily a story of initiative, the chronic poor are not lazy—they undertake as many initiatives as the well-off, but they remain poor

A rat who is caught in a rat trap tries everything to escape. In the same way, a poor person does everything he possibly can to escape poverty, but he is so deeply surrounded by it that his wish is just left a wish.

—Women's discussion group, Uttar Pradesh

One of the most important findings of the study, and one that should fundamentally reframe the public policy debate on poverty in India, is that poor people are constantly taking initiatives to escape poverty. In an effort to understand how people accumulate assets and move up, the study carried out systematic analysis of 2,700 life stories and over 35,000 events and shocks in people's lives. This analysis revealed three important patterns. First, when we asked movers how they had managed to move up and escape poverty, the reason they mentioned most frequently was their own initiative. Second, the most important reason for upward movement across *all* mobility groups, including the chronic poor, is individual initiative.

Third, the kind of initiative the chronic poor are able to undertake differs from the initiatives taken by movers and the rich, and this helps explain why their upward movement is not enough to lift them out of poverty. Lacking capital to buy equipment and assets, and with few social connections to networks of the well-off, poor people face extremely limited choices. They try to make up for lack of capital and connections with sheer hard work, most often backbreaking physical labor, but this is seldom enough. There is no

evidence that most poor people are lazy, drunk, or sitting idle. The problem is lack of opportunity and lack of the supports that poor people need to take advantage of new opportunities. Particularly crucial is the ability to connect to markets on fairer terms.

Life story data also provide insights into the channels through which people accumulate assets that enable them to move up. These data show that initiative is the most frequent channel: in a discussion of triggers for asset accumulation, initiative was mentioned 53 percent of the time and institutions 42 percent of the time, while inheritance and infrastructure were barely mentioned at all (table 1.5). The results by mobility group are more telling still. Initiative was the single most frequent reason for asset accumulation by the chronic poor (54 percent). This was slightly higher than the corresponding figure for the never poor (52 percent) and only slightly lower than the figure for movers (56 percent).¹⁰ This finding alone should lay to rest any lingering perceptions of the poor as lazy or unmotivated.

The study found that while the chronic poor take a similar number of initiatives as movers and the never poor, the initiatives they are able to take are critically constrained, hampering their ability to move out of poverty. Life story after life story revealed poor people who attempted many different economic activities and worked hard yet remained poor (box 1.2).

The detailed quantitative data on the kinds of initiatives undertaken by the different mobility groups provide some answers as to why the chronic poor remain in poverty (table 1.6). First, in their main activity, agricultural production, poor people rely disproportionately on hard work. This undoubtedly reflects their inability to make complementary investments in assets and

TABLE 1.5
Across mobility groups, initiative is most important reason for upward movement

| <i>Trigger for asset accumulation</i> | <i>% of asset accumulation events</i> | | | | <i>Total</i> |
|---------------------------------------|---------------------------------------|---------------------|----------------|-------------------|--------------|
| | <i>Movers</i> | <i>Chronic poor</i> | <i>Fallers</i> | <i>Never poor</i> | |
| Initiative | 56 | 54 | 46 | 52 | 53 |
| Institutions | 41 | 43 | 46 | 42 | 42 |
| Inheritance | 3 | 3 | 8 | 6 | 5 |
| Infrastructure | 0 | 0 | 0 | 0 | 0 |

Source: Narayan, Nikitin, and Richard (2009), chapter 2 in the present volume.

BOX 1.2**The chronic poor work hard to escape poverty**

Prafulla is a 43-year-old man from Bilpar village in Assam. “At the time of my birth, our family economic condition was not good. My father used to do farming as well as work on daily wage. With much hardship, I read up to class 10, and in the year 1979, I appeared for matriculation examination but failed to get through the examination. After failure in matriculation, I went to Silchar in search of work.”

Prafulla tried his hand at multiple jobs as he strived to improve his household’s income. He first worked in a paper mill in Silchar. “I didn’t like to continue there at such a low salary. So I returned to my village in 1983 and started farming. But by farming, I could sustain my family up to six months only and for the remaining six months I had to work on daily wage basis. In 1998, I went to Rani to work under a mason as a helper.” In mid-1998, he returned to Bilpar, his birthplace, and started working as a daily wage laborer. The following year, he purchased two plowing bulls, and his family’s condition improved as a result. “The worry about rice has decreased. But in the same year, my beloved mother expired.”

Prafulla now relies primarily on his income as a daily wage laborer. “Farming could not sustain, and there was scarcity everywhere because of bad rains.” In 2002, his daughter graduated from high school. “It was a remarkable event in my life because there was not a single matriculate in our whole family.” But “there was no money to admit my daughter into a college. I am not getting work regularly.”

TABLE 1.6
In agriculture, movers benefit from new assets and technology while chronic poor rely on hard work

| <i>Trigger for asset accumulation</i> | <i>% of asset accumulation events</i> | | | |
|---------------------------------------|---------------------------------------|---------------------|----------------|-------------------|
| | <i>Movers</i> | <i>Chronic poor</i> | <i>Fallers</i> | <i>Never poor</i> |
| New business | 27 | 32 | 39 | 23 |
| Purchase of asset or new technology | 28 | 7 | 15 | 31 |
| Hard work | 11 | 23 | 15 | 10 |

Source: Narayan, Nikitin, and Richard (2009).

new technology for farming. Movers, by contrast, cited hard work as a trigger for asset accumulation only half as often as the chronic poor, and they were four times as likely as the chronic poor to say that purchase of assets or new technology had played a role. This purchasing power enables movers to invest in the kinds of initiatives that remain out of reach for poor people.

The chronic poor do not *choose* to take less effective initiatives. Rather, weak social and familial networks limit the extent to which they can mobilize external support to make the kinds of investments necessary for escaping poverty. In Hathina, Uttar Pradesh, Suresh said, "Nobody has helped me in any way in my life," while in Bidrohipar, Assam, Ziauddin observed that he has many good friends "but they cannot help me because they are also poor." In fact, the chronic poor are half as likely as movers to rely on family support in their business ventures.¹¹

Like fallers, the chronic poor are also disproportionately subject to shocks (see finding four below). But, in contrast to fallers, the chronic poor experience these shocks from a very low initial asset base and thus have even fewer prospects of recovery. All too often, the poorest are forced to sell the few assets they own in a desperate attempt to ensure their family's survival. In West Bengal, discussants who had received small parcels of land under the state land reform program spoke of how they had to sell the land parcels to meet unexpected expenses, ranging from medical treatments to food during poor harvests. In Halapara, West Bengal, Ranjan, a 45-year-old chronic poor man, said, "I got 8 katha patta land [about 0.7 acre of redistributed land] in 1982. Due to ill health, I had to sell off the land in 1983 for 8,000 rupees." And in Gutri, Amol described how he was forced to sell the 5 katha of land that he had received from the government in 1980. "In 1998, I lost everything as I sold my land that year. For cultivation, our main source of water was our nearby canal. But in 1996, water of the canal dried up. So cultivators faced difficulty, and their condition became worse. So to return money that I had borrowed earlier, I had to sell my land." Thus, while shocks can drive those once wealthy into poverty, they also ensure that a large number of the poor are confined to years of hard work at the margins.

Four: Falling is primarily a story of health and social shocks

Malaria first took my youngest child, then my husband. I was forced to become a maidservant. Without husband there's no life. Then my eldest got malaria too. I sold my jewelry to save him from the jaws of death.

—A faller, Uttar Pradesh

The study found that most fallers are plunged into poverty by unexpected events and expenses related to ill health or death, family and social obligations, and family breakdown.

Mohiroop, a 30-year-old man from Dostpur, Uttar Pradesh, told the story of his family's descent into poverty. "My financial condition was very good earlier. Farming was inherited from our forefathers. . . . We never faced any shortages of life. . . . When I started doing this work, my elder brother was not keeping good health. A lot of money was spent on his treatment and in a way our family was ruined since then. In the year 1996, I had to sell 2 bighas of land for the purpose of meeting expenses on the treatment of my elder brother. But we could not save our elder brother still. In the year 2002, I sold another 2 bighas of land in order to meet expenses on the marriage of my younger sister. I felt very sad about this, but it was the marriage of my sister after all so I had to do that."

Biren, a man from Leteku Gaon village in Assam, recounted how his household fell into poverty. "At one point in time our family condition was good. My father had four sons. He had also cultivable land to maintain us all. In 1990, we divided our father's property among the brothers. I used to do cultivation before 1991. From 1991, I started doing daily wage work. In 1995, my father died and after four months my mother was also dead. From 1997, my wife has been suffering from mental disease. I did all possible means to give her a good treatment but she was not cured. . . . At times I faced problems even to get enough food for my family. In 1999 I had to mortgage out a piece of my land for 3,000 rupees. In 2002, I sold my wife's golden ring for 1,800 rupees. I had to maintain my family through these resources."

Various shocks related to death, ill health, social obligations, or other factors can bring about or hasten a downward spiral of asset depletion and poverty. With each expensive family event—first illness, then a wedding—Mohiroop was forced to sell more land, his most important asset. Biren mortgaged his land and sold his wife's jewelry in an attempt to meet unforeseen costs.

The psychological impact of shocks can be as damaging as the financial effects. Losing land and other valuable assets and barely able to feed their families, fallers like Mohiroop and Biren struggle to maintain their dignity. Some fallers give up hope that they will ever rise on the ladder of life once more. A villager in Assam spoke of his exhaustion in facing a series of illnesses in his family—his own illness, his parent's illness, and the mental illness of his brother resulting from the conflict. As a final blow, in 2005, floods destroyed all his land. "I don't think my life is dynamic. It has become static," he said. "I feel demoralized."

Mohiroop's and Biren's stories are typical of the broader experiences of fallers throughout the 300 Indian communities in this study. When we coded life story data to explore the triggers for asset depletion among people who have fallen into poverty, we found that death and health shocks together play the largest role (34 percent). They are closely followed by social shocks, including family divisions and the expenses incurred for marriages of children (27 percent). Financial shocks such as business or crop failures, destruction of property, or theft account for a further 18 percent of descents (table 1.7).

Differences do, however, emerge across the state samples. Death- and health-related shocks dominate the accounts of fallers in Assam. Fifty percent of all fallers interviewed for the life story exercise in that conflict-affected state cited illness or death as the main trigger for their asset depletion, the highest among the four sampled states. In Uttar Pradesh, a state with a falling rate similar to Assam's (table 1.4), the significance of death and health shocks is lower: together they account for only 31 percent of all asset depletion events. Social shocks, including family divisions and expenses for ceremonies like marriages, explained another 31 percent of descents in Uttar Pradesh, more than in any other state in the study. Poor people interviewed in Uttar Pradesh lamented the ever-increasing expenditures on the marriage of their daughters, among other social obligations. One woman spoke of saving money for her daughter's dowry since the day of the child's birth:

TABLE 1.7
Death and health shocks are leading reason for asset depletion among fallers

| <i>Shock</i> | <i>% of asset depletion events among fallers</i> | | | | <i>Total</i> |
|--------------|--|-----------------------|--------------------|--------------|--------------|
| | <i>Uttar Pradesh</i> | <i>Andhra Pradesh</i> | <i>West Bengal</i> | <i>Assam</i> | |
| Death | 20 | 22 | 15 | 28 | 20 |
| Health | 11 | 10 | 15 | 22 | 14 |
| Social | 31 | 16 | 30 | 16 | 27 |
| Financial | 17 | 19 | 23 | 14 | 18 |
| Education | 10 | 15 | 9 | 11 | 10 |
| Other | 11 | 18 | 8 | 9 | 11 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: Narayan, Nikitin, and Richard (2009).

"I was happy on her birth because she was my first child. But I was also sad because the birth of a girl in a poor family is equivalent to death." Social shocks are also high in West Bengal, explaining 30 percent of downward movements.

In contrast, social shocks receive less mention in Andhra Pradesh: they were cited only 16 percent of the time as a trigger for falling. And while shocks related to death figure prominently in explanations (22 percent), those related to health (10 percent) are mentioned less frequently than in any other state. The low explanatory power of social and health shocks in Andhra Pradesh hints at the valuable role played by women's self-help groups, which provide loans at favorable rates to help members cope with just such family crises and obligations. Women in Malkapur reflected on the role of numerous self-help groups organized under the state government program known as Velugu (literally "light"): "These groups have helped us in many ways by giving us loans for the marriages of our daughters. At the time of our daughter's marriage many of us borrowed 15,000 rupees. . . . The rate of interest is very much less [than for other loans]." In Appilepalle, members of a self-help group recalled, "One member utilized her loan amount for her treatment in the hospital, and now she is all right. One member took loan to perform her daughter's marriage."

A range of factors contribute to falls into poverty, including household, community, and institutional circumstances.¹² A quantitative exercise based on survey data reveals several correlates of descent among the vulnerable (annex 1.2). Households that experience difficulties finding work or accessing medical treatment in time of sickness, or are burdened with debt, have higher risks of falling. Household-specific factors such as an adverse change in the composition of the household—the addition of dependent members or the departure of wage earners, for instance—are also associated with greater risks of falling down. Conversely, access to regular employment and responsive local government can help reduce the risk of falling.¹³

Most accounts of fallers in the India study place the onset of decline much earlier than 1995, the benchmark year selected for mapping movements in and out of poverty. In fact, the life story analyses reveal that people typically start on their path toward poverty or affluence *as early as 15 years of age*. This points to the need to study long-term dynamics. Descent and ascent alike are often the product of long-term processes—a frequently overlooked point in conventional income poverty dynamics involving short panels. And this divergence happens very early, in the teenage years, in rural

villages. While the demographic bulge has been celebrated, strategies to create economic opportunities for young teenagers are critical in breaking poverty traps.

Five: Aspirations are a powerful force for moving out of poverty

I am dreaming to see my children as doctors and engineers. That is my desire.

—A woman who recently moved out of poverty, Chennampalle,
Andhra Pradesh

I want to start a dairy farm in the next 10 years to supply pure milk to the villagers. I also want to be an honest social worker, because social service is our duty. I am ready to invest my profit in social service. My parents' blessing is the most important. Don't you think that this blessing is the most important?

—A male youth who moved out of poverty, Assam

Few large poverty studies to date have sought to integrate the psychological dimensions of human and social capabilities. In the Moving Out of Poverty study, individuals and groups consistently spoke of the importance of psychological characteristics—motivation, determination to succeed, and belief in oneself, one's community, and one's country. Poor people attest that, despite the great difficulties they face, they have high aspirations for themselves and for their children.¹⁴ And we find strong evidence to suggest that these aspirations against all odds do contribute to upward mobility.

We see this in the life of Urmila. She has blazed a trail, not only in her family but also in her village of Booti in Uttar Pradesh. Her aspirations have been a powerful force for her own education and a source of inspiration for others. She said, "I am doing BA and I want to be IAS [Indian Administrative Service]. Therefore, I am doing preparation. I am making notes and studying seriously. . . . I faced difficulty because my family members were not allowing me to study after fifth but I insisted. I was beaten in the home also, but still I did not change my mind. I escaped from the home and went on to sit on one branch of the tree. Then people find me, and my uncle and father agreed for my further study."

Sandhya, another young woman in Booti, believes that Urmila's aspirations have helped expand the realm of the possible for others. "I want to be a teacher after completing study. Therefore, I am doing study with heart. I will

study after marriage also. The helping factor in this is Urmila of the village who is the first to study after class 5 after fighting with her family members. We are also studying further since then."

Overall, 77 percent of households expect that their children will be better off in the future, another 17 percent say they will be in a similar situation, and only 6 percent believe they will be worse off (table 1.8). Moreover, 65 percent of the chronic poor hold an optimistic view of their children's future. In short, the majority of poor people do not lack what Appadurai (2004) describes as a "capacity to aspire," that is, to imagine a different future. And aspirations serve as a motivation to action that can lead to better futures.¹⁵

It is not surprising, however, that movers have a higher level of aspiration for their children than the chronic poor (table 1.8). Running linear regressions, we also find that aspirations for a better future are highly significantly associated with mobility in Uttar Pradesh, West Bengal, and Assam (table 1.10). Interestingly, in Andhra Pradesh, most probably because of the self-help group movement, even the chronic poor have high aspirations and hence there is little association between aspirations and mobility.

Success is likely to reinforce belief in oneself, and so as people move out of poverty, their aspirations also grow. But aspirations are far from entirely state-dependent. Among young people discussing their future goals in West Bengal, for example, 35 percent favored an occupational choice similar to that of their parents, such as farming, while 65 percent aspired to a different career path, such as nonfarm occupations. Bringing the voices of other young people and their parents to the fore, box 1.3 indicates that there is little intergenerational transfer of low aspirations.

TABLE 1.8
In all mobility groups, a majority of parents have high aspirations for their children

| <i>Expectation for children's future</i> | <i>% of households</i> | | | | <i>Total</i> |
|--|------------------------|---------------------|----------------|-------------------|--------------|
| | <i>Movers</i> | <i>Chronic poor</i> | <i>Fallers</i> | <i>Never poor</i> | |
| Better | 87 | 65 | 54 | 86 | 77 |
| Same | 10 | 26 | 29 | 10 | 17 |
| Worse | 3 | 9 | 17 | 4 | 6 |
| Total | 100 | 100 | 100 | 100 | 100 |

BOX 1.3**Shaping pathways out of poverty**

The occupational aspirations of young men and women serve as their inspiration—their driving force for the future. And youth tend to hope for different occupations than those practiced by their parents, especially in mover and chronic poor households. In Bhotpara, West Bengal, Ashok's father is a farmer while his mother works in the home and sells puffed rice. But Ashok has different plans: "I want to run a business of my own in the future. My plans are to start my own stationery shop with my savings or by taking a loan, if I am allowed one." Sibuj from Biruha, West Bengal, is determined to relieve his parents from the drudgery of agricultural labor and paper packet making: "At present, I am doing vegetable business after passing Madhyamik [secondary school exam]. . . . I will provide two meals a day to my parents by earning myself and will bring my brother in this business after getting him educated up till Madhyamik."

Parents, too, are determined to provide their own children with a brighter future. Pampa from Amdahara, West Bengal, recalled that her father toiled on 2 bighas of land and couldn't afford to educate her beyond the sixth grade. She does not want to limit her own children's dreams because of poverty. "I have a son and three daughters. I'm trying to educate them and make them government [civil] servants."

Six: Poor people's self-confidence and empowerment matters

Courage, ability, and power to assist oneself gives empowerment, which in turn helps to come out of poverty.

—Men's discussion group, Virupapuram, Andhra Pradesh

Now that I am old, I have seen too many things and worked a lot, but there is no freedom from poverty. Poverty is a daily friend of mine. It will not leave me until I die.

—Dhruba, a 51-year-old chronic poor woman, Satoria, West Bengal

A belief in oneself, a sense of one's own power and rights, and a feeling of control over decision making are all important for moving up. This emerged from both the qualitative and the quantitative survey data.

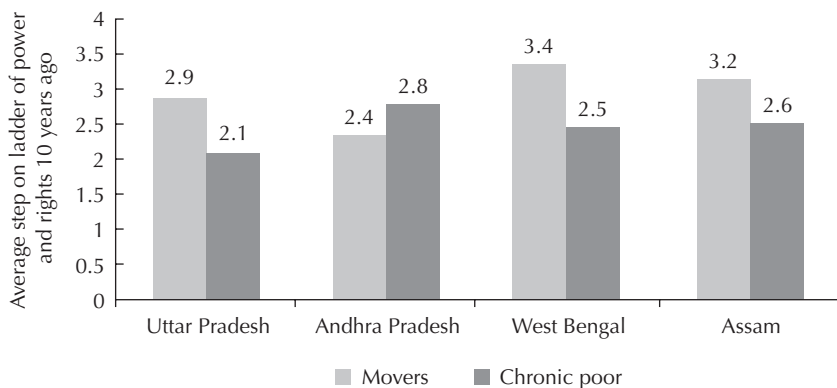
When poor people experience upward mobility, it reinforces their self-belief and also earns them respect from their families and peers. This boosts their confidence further. Netaji from Gutri village in West Bengal was once a day laborer. He now runs a successful tea stall in the local marketplace. Netaji

alludes to a virtuous cycle of self-belief, respect from others, and economic mobility: "Today I am standing in a good position and have confidence in myself. I get respect from my family as well as from society." Men in a village in Uttar Pradesh said, "People feel more powerful after coming out of poverty because their relations with other people start improving. There is a common saying that a hungry man only invites further drought and is not welcome anywhere. A rich man however is welcome everywhere." Young women from the youth group of Hathina village in Uttar Pradesh insist that hard work and confidence go hand in hand in determining mobility. "When a poor person has got confidence that he can earn some money by doing hard work, he works extra hard and becomes self-dependent. This work automatically gives him power."

By contrast, those trapped in extreme poverty sometimes describe a cycle of low self-confidence, low social respect, and few prospects for upward mobility, in many cases going back to childhood. Banshiram from Bamrana village, Uttar Pradesh, said, "I spent my childhood in extreme poverty. I used to walk naked at the age of four or five. I could not go to the school because of poverty. Gradually, I grew old and started doing labor. . . . As a whole, my condition is the same. Neither do I have prestige in society nor have I got confidence."

In addition to evidence from life stories and discussion groups, the study uses two quantitative measures of empowerment: self-ratings on extent of power and rights and on extent of control over everyday decisions. In all states except Andhra Pradesh, people who moved out of poverty between 1995 and 2005 identified themselves as higher on a ladder of power and rights at the beginning of that period than those who had remained poor (figure 1.4).

FIGURE 1.4
In three states, movers rate themselves higher than chronic poor on power and rights 10 years ago



These findings suggest that starting off with a sense of “I can do it” may matter for economic mobility. Our regression results confirm a strong positive association between the two empowerment measures and movement out of poverty, even within a multivariate framework that controls for many other factors (table 1.10). The association between initial empowerment ranking and subsequent mobility is statistically significant in Uttar Pradesh and West Bengal, and the association between control over everyday decision making and mobility is significant in West Bengal and Assam.¹⁶ The only exception to the pattern is Andhra Pradesh.

What explains the outlying results for Andhra Pradesh, where the chronic poor place themselves even higher on the ladder of power and rights 10 years ago than movers? As seen in the aspiration ratings as well, participation in self-help groups has helped build poor people’s self-confidence in Andhra Pradesh, although it has not, as yet, translated into mobility out of poverty for all. This is explored in greater detail in chapter 5. Arika, a chronic poor woman from the village of Seedhi, notes that in spite of her continued poverty her social status has improved since she joined a collective. “In 2000 I joined the self-help group. My life changed after joining the group . . . Both in my house as well as in my village, I was respected by all the people. The group helped me to come up in my life.” For now, Arika remains poor. But our findings suggest that her membership in a self-help group, which promotes its members’ dignity, social standing and sense of “I can do it,” could be an important first step to helping her escape poverty.

These findings corroborate a body of psychological evidence showing that self-belief affects people’s “aspirations, level of effort and perseverance, resilience to adversity, and vulnerability to stress and depression” (Bandura 1998).¹⁷

Seven: Among institutions, family matters most

My wife gave me the inspiration and strength to progress in life. It was very difficult to run the family when I worked as a laborer. But my wife never complained. I was unable to fulfill the needs and dreams of my children and it made me feel sad. But she always encouraged and consoled me . . . Only because of her have I been able to progress in life and we have been able to see light at the end of the day.

—Uttam, a daily laborer, Ranigar, West Bengal

Life stories shed light on the roles of different local-level institutions in asset accumulation. In this study, four kinds of institutions—family, public insti-

tutions, civil society, and the private sector—mattered for moving out of poverty. Of these, family was by far the most important (table 1.9). When people discussed the institutions that helped them accumulate assets, about 83 percent of all references were to the family. Another 10 percent were to public institutions, while private sector and civil society accounted for only small fractions. Family becomes, if anything, more important to people who are facing economic difficulty: it is mentioned in 88 and 84 percent of cases by fallers and chronic poor respectively, versus 82 and 81 percent of cases by movers and the never poor.

This is not to say that public institutions, the private sector, and civil society do not matter for economic mobility. For one thing, the quantitative findings measure only the frequency with which various institutions played a role in asset accumulation; they say nothing about the relative importance of each event. It is plausible that even occasional interventions by government, civil society, or the private sector may contribute more to household well-being than regular support from family. For instance, Shymapada of Barwa village, West Bengal, moved out of poverty between 1995 and 2005. But his process of upward mobility began earlier, when his father received land under the state's land reform program. "In 1980 my father got land on barga [surplus land redistribution], which I am cultivating now."

When the testimonies of our participants are combined with the quantitative results, however, the overall picture suggests that family is indeed the first and most frequent recourse in good times and bad. The contributions of families are enhanced by family unity and diminished by family divisions. Mustafa, a 54-year-old man who has managed to move out of poverty in Nachni Ghat, Uttar Pradesh, reflected that "the main reason for my

TABLE 1.9
Across mobility groups, family is the most important institution in asset accumulation

| <i>Institution that helped in asset accumulation</i> | <i>% of asset accumulation events</i> | | | | <i>Total</i> |
|--|---------------------------------------|---------------------|----------------|-------------------|--------------|
| | <i>Movers</i> | <i>Chronic poor</i> | <i>Fallers</i> | <i>Never poor</i> | |
| Family | 82 | 84 | 88 | 81 | 83 |
| Public | 10 | 7 | 7 | 13 | 10 |
| Civil society | 5 | 7 | 4 | 5 | 5 |
| Private | 3 | 2 | 1 | 1 | 2 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: Narayan, Nikitin, and Richard (2009).

upward movement is unity of family." Others have not been so lucky. Life story interviews resonate with the voices of chronic poor and fallers beset by family divisions.¹⁸ One such person is Parvati, who was unable to continue in school beyond eighth grade because of a family dispute. "We had to pay for admission to school and my father went there to pay the fees. But my elder brother obstructed him from making the payment. That's why I had to leave my studies." Her father died the following year and the family's land was divided. Upon receiving 3 bighas, her brother distanced himself from the family. "He went away after father's funeral. He became our enemy after that," Parvati said. Heavy rainfall destroyed the family home in 2000. Parvati remembered, "I along with my mother passed our days in the temple, the villagers guarded us, my brother didn't even come to see us. Then I sold 11/2 katha out of 3 katha and I constructed my house newly with that money. After that my condition deteriorated further. I used to pass my days with half meal and after that I passed my days without taking any food." Parvati continues to eke out a living on her remaining land, under constant threat that her brother will snatch it away.

Families are, of course, not only important from a financial point of view. For Nurbibi, a woman from South 24 Parganas district, West Bengal, who has fallen into poverty, family represents a pillar in an unstable world. "My relation with my husband is the most important . . . Today he is bedridden, but for many years he brought up our children, arranged for our daughter's marriage. After his accident our land and other assets were sold. My family respect has remained the same; it has become neither more, nor less. We have good relation with everyone in the society." Nurbibi considers her husband to be a crucial source of relational and emotional support, even though he is unable to provide her with financial support.

The younger generation is also a source of solace and hope. Poor men and women in the study express pride in having provided their children with a higher level of education than they themselves received. Biren, a faller from Assam, sees his eldest son's scholarship to attend a lower primary school as "the only good news" in a decade. Prafulla, also from Assam, considers his daughter's graduation from high school to be "a remarkable event in my life because there was not a single matriculate in our whole family." Their pride reflects the expectation that their children will benefit from greater social esteem and income-earning opportunities thanks to their higher level of education. In close-knit families, parents will also be direct beneficiaries of their children's success. Nuruzan, of Baintala, West Bengal, remains in chronic pov-

erty, and his son represents his principal source of hope. "The most important event in my life is my son's passing in BA examination. In the beginning we took the pain in getting him educated but after passing Madhyamik he went to Kolkata and passed the BA examination on his own expenses. Maybe he will get a good job and this will bring an end to our sufferings."

Eight: Poor people value democracy even when it does not help them

Those who pay more can get their work done faster; since the poor don't have money to give bribes, their work is never done.

—Women's discussion group speaking about obtaining licenses,
Doola Mau, Uttar Pradesh

If a man fails in intermediate college he becomes a doctor [quack], and if he fails in high school he becomes a political leader.

—Discussion with men, Hathnasa, Uttar Pradesh

The easiest way to be powerful is to grasp the hand of the party. Only then will you have many privileges.

—Women's discussion group, Kantipur, West Bengal

In all states, poor women and men value democracy as an ideal even when the practice of it is less than perfect. While local democratic structures are instrumental in promoting economic mobility, not everyone benefits equally. Contrary to the skeptics' view, local democracy has helped at least some poor people move out of poverty; it is not always captured by the elite. But the gains of the movers from local democracy do not come without costs. Using the statistical tool of leave-out means (LOM), we establish that movers often achieve their gains at the expense of nonmovers, especially in West Bengal and Assam. This seems to be related in part to the party, political, factional, and other clientelist links that the movers are more successful in forging. And while movers benefit more than the chronic poor, the rich benefit most of all from local democracy—a comment on pervasive inequality and corruption. Finally, the two most important factors across states associated with responsive local democracy are availability of information about local government and individual empowerment.¹⁹

Democracy is not an abstract notion for the people in our discussion groups. For many, it is akin to freedom and equality: in the words of female

discussants in Kantipur, West Bengal, "Democracy means equal rights for men and women. Men will not get more freedom and women will not get less freedom." Participation is frequently mentioned as an essential element. "Democracy means to join with people to rule ourselves," said a men's group from Mechiri village in Andhra Pradesh. And empowerment and fairness are cited as two key principles of democracy. Men from Shekh Dahir in Uttar Pradesh said democracy exists "where more importance is paid to the voice of the people." Those in Pakhimora Gaon, Assam, said that "in democracy, all are equal. A poor person can reject or select an MP [member of Parliament] or a minister [of government]. There are no religious differences." However, as we will see, the participants in our study also recognize that their local governments are imperfect vehicles for realizing freedom, equality, participation, empowerment, and fairness.

The context for local democracy is different in each of the four states. In many parts of Andhra Pradesh, a strong self-help group movement acts as a complement to local democratic structures by demanding accountability from officials and amplifying the voices of poor people in local politics. In Assam, local governments face the challenge of operating in a conflict environment. In Uttar Pradesh, caste divisions have historically shaped local democratic structures. And finally, West Bengal's local democracy is unique due to three decades of Left Front rule and the implementation of extensive land reforms from the late 1970s onward.

Villagers across these states testify to democracy's potential to contribute to their economic prosperity. They suggest that local governments can facilitate mobility when they transfer funds from the state to the district or village level and help implement programs providing access to land, housing, and credit. Sankata, a 38-year-old man in Gautamman Khera, Uttar Pradesh, attributes his ability to move out of poverty to a government land redistribution program: "I moved upward only because the government had given me 1.5 bigha of land in 1996. This brought happiness in my family and the living standard also became good because earlier I was landless." Rajamma, a mover from Kondittangi, Andhra Pradesh, said, "We got financial help from government to construct our house, which increased our status in society." Niranjan of Paila, Assam, attributes his upward mobility to the Prime Minister's Rojgar Yojana (PMRY) program to promote self-employment. "After taking PMRY loan in the year 2001, I developed the shop. Presently it is my main source of livelihood."

Our quantitative findings confirm the positive association between local democracy and movement out of poverty. In all states except Assam,

the majority of movers report being very or somewhat satisfied with their local government. Moreover, in all states, among those who were poor 10 years ago, a higher proportion of movers than chronic poor report being very or somewhat satisfied with their local government. That is, those who moved out of poverty were more satisfied with local democracy than those who remained poor over the study period (figure 1.5).

We constructed a composite measure of local democracy using four variables: perceptions of responsiveness, ability to influence action of local government, trust, and satisfaction. In three of the four states—Assam, Uttar Pradesh, and West Bengal—there are strong positive and significant associations between responsive local government and moving out of poverty, even after controlling for an array of other community- and household-level variables (table 1.10).²⁰ However, the association is not statistically significant for Andhra Pradesh.

These positive findings about the links between responsive local democracy and movement out of poverty support the optimists’ view on the promise of local democracy, even though, as we will see, much remains to be improved.²¹

Notwithstanding this generally positive association between local democracy and movement out of poverty, participants in the study—especially the

FIGURE 1.5
More movers than chronic poor are satisfied with local democracy

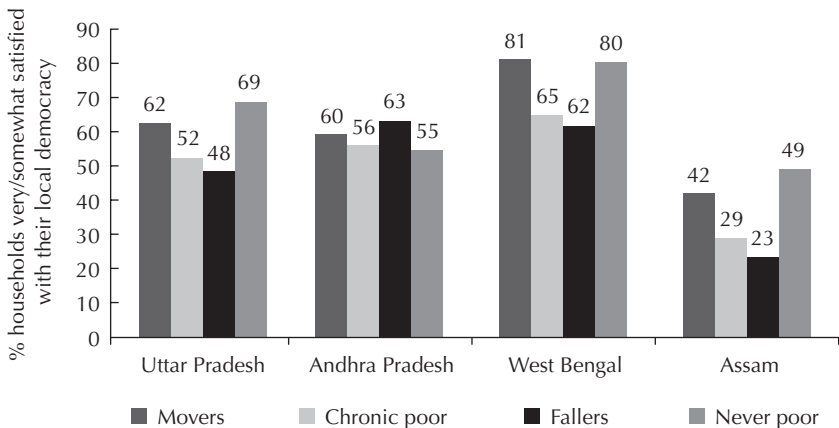


TABLE 1.10
Correlates of escape from poverty: Summary results from state-level household regressions for movers

| <i>Correlates of moving out of poverty</i> | <i>Uttar Pradesh</i> | <i>Andhra Pradesh</i> | <i>West Bengal</i> | <i>Assam</i> |
|--|----------------------|-----------------------|--------------------|--------------|
| Responsiveness of local democracy | +*** | + | +* | +** |
| LOM of responsiveness of local democracy | – | + | –*** | –** |
| Corruption | – | + | +* | + |
| Fairness index | +** | + | + | +* |
| Empowerment (initial) | +*** | n.a. | +*** | + |
| LOM of empowerment (initial) | –** | n.a. | –*** | +** |
| Control over everyday decisions | .. | – | +*** | +*** |
| LOM of control over everyday decisions | – | –* | –* | – |
| Household aspirations | +*** | + | +*** | +*** |
| LOM of household aspirations | –*** | – | –*** | – |
| Index of collective action | –** | –* | + | + |
| Violence against women | + | +* | – | +*** |
| LOM of violence against women | – | n.a. | + | –*** |
| Health shocks | – | –** | – | –* |
| Initial assets (land/asset index) | – | +* | +*** | + |
| Education of household head | +*** | + | + | +*** |
| <i>State-level context</i> | | | | |
| Scheduled caste dummy (Uttar Pradesh) | –*** | n.a. | n.a. | n.a. |
| Membership in groups (Andhra Pradesh) | n.a. | +** | n.a. | n.a. |
| Diversification dummy (West Bengal) | n.a. | n.a. | +*** | n.a. |
| Conflict trajectory (Assam) | n.a. | n.a. | n.a. | +* |
| Observations | 969 | 531 | 648 | 452 |
| R^2 | 0.32 | 0.18 | 0.47 | 0.31 |

Note: For illustrative purposes, only the signs and the level of significance of the partial correlates of upward mobility are reported. The actual regression results underlying this table are provided in annex 1.1 along with a brief discussion of regression analysis in the state chapters.

*** statistical significance at 1% level

** statistical significance at 5% level

* statistical significance at 10% level

.. zero coefficient

n.a. not applicable (variables not included in model)

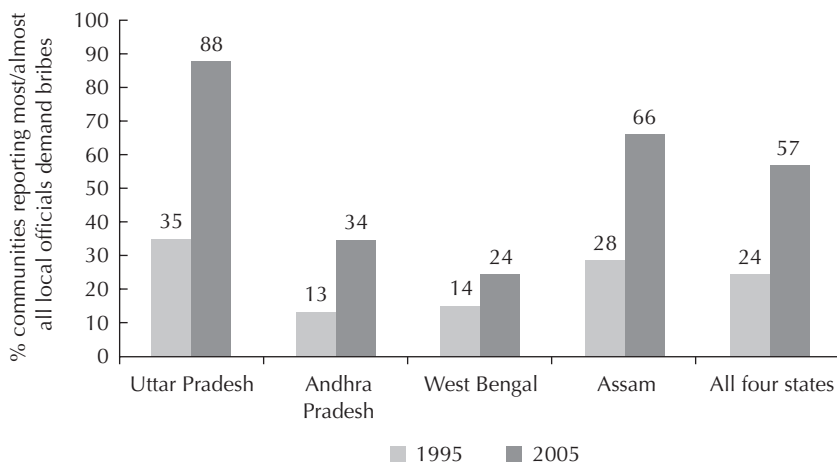
chronic poor—emphasize the unequal advantages provided by public institutions. Who benefits and who loses depends largely on the local context. As we will see in the state chapters, supporters of the ruling coalition have tended to enjoy privileged access in Assam and West Bengal, while other backward castes (OBCs) have often gained an advantage over scheduled castes (SCs) in Uttar Pradesh.

But whatever the precise configuration of benefits, the chronic poor everywhere describe a similar phenomenon: a local institutional structure that works to the advantage of the few rather than the many. In Bidrohipar and Gobhali, the two Assamese communities featured at the beginning of this chapter, villagers allude to deep corruption in the distribution of government resources and in the administration of justice. According to men in Raja Pukhuri, Assam, “Democracy is like a pond. The pond has not only fish but also other animals like frogs and snakes. The snakes catch the frogs while the big fish eat the small fish. Democracy too is a pond where man eats man.” Women in Kantipur, West Bengal, testified that “the easiest way to be powerful is to grasp the hand of the party. Only then will you have many privileges.” And members of a female youth group from Sheopura in Uttar Pradesh noted that the village leaders can only be reached by those “who are of the same caste or flatter them a lot.”

Movers and the never poor often corroborate these observations, noting that access to employment, business licenses, or support during emergencies stems from having privileged access to local government. Sukatan, a 30-year-old male mover from Nanagar, West Bengal, stated, “Since 1996 I am attached with the party and the involvement with the party brought me the peace of mind. At the initiative or effort of the party I was allotted a space in the market wherein I could give an opening of my business.”

The notion that local democracy helps some but not others is also reflected in the quantitative data. As shown in table 1.9, the never poor are twice as likely as the chronic poor to say that public institutions helped them accumulate assets. Data on corruption also indicate that local government is more open to those with financial means. Bribe taking is perceived to have increased everywhere, more than doubling (from 24 to 57 percent) over the 10-year period across all communities. The starkest rise is in Uttar Pradesh, where the percentage of local village officials perceived as corrupt has risen from 35 percent in 1995 to 88 percent in 2005 (figure 1.6). So pervasive is the culture of bribery that a youth in a discussion group exclaimed, “I think even God would ask for a bribe to come and help us.”

FIGURE 1.6
Bribe taking more than doubled across communities during the decade



Regression analysis reinforces these findings (table 1.10 and annex 1.3). We employed leave-out means to gauge the unevenness of households' experiences of local democracy. This technique averages all households' perceptions of the responsiveness of local government in a community, excluding an individual household ("Household A"). The LOM for Household A is the average of all household responses less A's own response. The technique enables us to discern the extent to which A benefited from local democracy by excluding or "crowding out" others. A negative coefficient in the states of Uttar Pradesh, West Bengal, and Assam (statistically significant in West Bengal and Assam) is indicative of considerable crowding out among households in their fight over the very limited goods distributed by their local governments. Statistically, it suggests that distribution of benefits through the channel of local democracy benefits movers at the expense of the rest of the community.

In Andhra Pradesh, however, the correlation between the LOM of government responsiveness and moving out of poverty is positive, though statistically not significant. Qualitative evidence suggests that self-help groups may perhaps have been instrumental in causing some positive spillovers for the rest of the community. Local people cite greater accountability of local government as one of the collective benefits accruing to communities as a result of self-help groups (see chapter 5). In Korrapadu village, for instance, a confederation of self-help groups now works alongside the panchayat to

solve problems related to water supply and agriculture. Male discussants commented, “The representatives are [now] working in fear of the people. They realized that the people respond to their mistakes.” These communities in Andhra Pradesh are an exception to the broader observation that for many people in the study, local democracy remains a zero-sum game in which some win and others lose.

Given the spread of conflict in poor communities across India, it is important to explore the nature of the positive association between local democracy and movement out of poverty in Assam. Counterintuitively, we find a positive association between conflict in many communities and movement out of poverty. This appears to be linked to larger development transfers to Assam from the central government; these transfers are channeled directly to or supervised by local governments. Thus, despite suspicion of the state, and despite the fact that not all poor people benefit from these transfers, people do see positive associations between local democracy and mobility. These findings suggest a two-pronged approach to conflict-affected communities, comprising, one on hand, steps to strengthen law and order, and on the other hand, investment of resources to improve infrastructure (particularly roads), support people’s livelihoods, and increase economic opportunity, particularly for young men and women.

Finally, responsive local democracy not only helps poor people move up, it also can help keep the well-off from descending into poverty. The quantitative results suggest a considerable role for responsive social and political institutions in reducing the chances of slippage into poverty. Communities that are rated as highly corrupt have less capability to reduce the chances of downfall; the coefficient is statistically highly significant and positive. In contrast, in communities with more responsive local government structures, the likelihood of falling into poverty is much less. Again, the matched coefficient on the index of local democracy is statistically highly significant with a positive sign (table 1.10).

Nine: The private sector and civil society are undertapped resources

I was running madly looking for a job.

—Gonesh, a 30-year-old man, Raipur, West Bengal

People have developed well with the help of women’s groups. They have more knowledge. They are becoming partners in politics. They want to know about government programs and form good, bad opinions on parties.

—Discussion with men, Bestharapalle, Andhra Pradesh

Although they are potentially highly effective pathways out of poverty, the private sector and civil society rarely featured in people's accounts of economic mobility in their households and communities. Jobs, where they exist, are greatly valued and feature centrally in people's accounts of mobility. Gonesh, a 30-year-old man from Raipur, West Bengal, saw his life turn around when he finally found work in the nearby industrial town of Durgapur, two years after graduating from college. "I was running madly looking for a job. I used to send applications to different places but did not get any job. In the year 1997 my luck struck me. I got a job in Tara private company. All wants of my life were settled." But more often than not, poor people lament the lack of private sector opportunities in their villages. We are prompted to remember the fate of the villagers in Gobhali, the low-mobility village described at the beginning of this chapter, where the closure of a power house and mill left a vacuum in economic opportunity.

Overall, among the thousands of interviews conducted, we find little evidence that the formal private sector has contributed to movement out of poverty. As shown in table 1.9, movers cite the private sector only 3 percent of the time as a trigger for their asset accumulation. Moreover, those private sector opportunities that exist are not equally accessible to all. Nepotism and corruption place poor people, who lack the appropriate social networks or financial capital, at a distinct disadvantage. In the words of female youth group members in Langpuria, Assam, "To get a job, money is necessary. Nowadays one has to give bribe to get a job . . . It is even necessary for the highly educated guys to give bribe."

The wealthy also dominate access to loans for businesses. Male focus group discussants in Lakshmanpalle, Andhra Pradesh, commented that "it is difficult to do business by taking individual loans—those who don't have contacts and land holdings [cannot access them]." Gourikanta, a chronically poor construction worker in Raipara, Assam, related how his efforts to pull his family out of poverty were thwarted. "In 2002, thinking about doing business, I had applied in the Block Office for a loan of 10,000 rupees. But the people in the Block Office had not given any importance to my application. Actually they want bribes." Gourikanta was not able to pay the bribe. He continued to eke out a living through underpaid construction work, and his family remained trapped in poverty.

Denied access to more competitive sources of credit, poor people like Guru, from Ant Sant, Uttar Pradesh, often turn to informal moneylenders. Guru used an initial loan to buy two oxen. Two years later the oxen died in an epidemic and he was left with a huge debt. "I found it impossible to do

farming when there were no oxen. The interest on the loan that I had taken from the moneylender kept on increasing. After this I leased out all my land and started working as a laborer," he said.

These experiences from life stories are backed up by other quantitative data from the household questionnaires. Table 1.11 indicates that better-off people have been able to capture many of the more competitive sources of credit for business. Among those who obtained credit, government banks were the source in 67 percent of cases for the never poor compared to only 23 percent of cases for the chronic poor. Meanwhile, the chronic poor and fallers are much more dependent on moneylenders (who provided credit in 23 and 20 percent of cases, respectively) than either movers or the never poor. It is telling that commercial banks are mentioned as a source of business loans across all mobility groups in only 5 percent of cases.

Civil society, comprising NGOs, self-help groups, community-based organizations, and youth groups, among others, seems largely absent from people's explanations of the most important factors that helped them move out of poverty. As demonstrated in table 1.9, civil society is deemed instrumental in only 5 percent of asset accumulation events. And, as shown in

TABLE 1.11
Well-off people get business loans from government banks, while poor people rely on moneylenders

| <i>Credit source</i> | <i>% of households that received a loan</i> | | | | <i>Total</i> |
|----------------------------|---|---------------------|----------------|-------------------|--------------|
| | <i>Movers</i> | <i>Chronic poor</i> | <i>Fallers</i> | <i>Never poor</i> | |
| Government bank | 46 | 23 | 50 | 67 | 51 |
| Moneylender | 9 | 23 | 20 | 5 | 10 |
| Friend | 10 | 14 | 10 | 7 | 10 |
| Relative | 11 | 13 | 0 | 7 | 9 |
| Community credit group/NGO | 10 | 7 | 0 | 1 | 6 |
| Commercial bank | 4 | 2 | 5 | 7 | 5 |
| Trader/store | 1 | 11 | 5 | 4 | 4 |
| Landlord | 4 | 5 | 5 | 1 | 3 |
| Other | 4 | 0 | 5 | 1 | 2 |
| Employer | 0 | 2 | 0 | 0 | 0 |

Source: Household survey data; *N* = 354 households.

table 1.11, community credit groups and NGOs are relatively unimportant sources of credit for business, used in only 6 percent of cases across mobility groups.

When it comes to credit for consumption purposes, however, civil society organizations play a more important role across the mobility groups (table 1.12). In Korrapadu, Andhra Pradesh, discussants described the situation before and after the Velugu program, which federates various self-help groups, came to the village. Before Velugu, villagers faced a number of problems, including land scarcity and drought, and “the landlords and the loan sharks took it as an advantage and gave loans to us. As people were in desperate situations they took loans at any interest that was quoted. . . . Those who could not pay had even worse situations to face. . . . They sold their cattle and sheep, they sold gold articles too. People were worried about loss of the land, property, money, and houses. . . . At that juncture Velugu scheme came as a blessing.” Saraswathi, a local woman, added that thanks to Velugu they are able to “seek loans for weddings, constructing houses, treatment. . . . [I]t is saving us from the difficult situations.”

Since civil society is concentrated in highly deprived areas, such as Korrapadu, it should be no surprise that its primary role has been to provide coping mechanisms to smooth consumption and meet emergency expenditures in times of crisis. Loans from civil society thus help prevent slippage into

TABLE 1.12
Civil society organizations are among the sources of credit for consumption

| <i>Credit source</i> | <i>% of households that received a loan</i> | | | |
|----------------------------|---|---------------------|----------------|-------------------|
| | <i>Movers</i> | <i>Chronic poor</i> | <i>Fallers</i> | <i>Never poor</i> |
| Relative | 27 | 22 | 21 | 17 |
| Friend | 16 | 17 | 16 | 12 |
| Moneylender | 19 | 26 | 31 | 22 |
| Trader/store | 10 | 10 | 14 | 16 |
| Employer | 0 | 4 | 0 | 0 |
| Landlord | 6 | 6 | 7 | 14 |
| Community credit group/NGO | 13 | 12 | 9 | 16 |
| Government bank | 8 | 2 | 2 | 3 |
| Other | 1 | 1 | 0 | 1 |

poverty. But these loans have been less useful for building assets and moving up, in part because they are typically small and have short repayment periods. Unfortunately, since poor people have limited access to larger government and commercial loans, they have few options for embarking on profitable off-farm activities and commercially oriented agriculture. The frustration of male discussants from Vellamaddi in Andhra Pradesh echoes throughout our sample villages: "Somebody has to help us with money. When we go to banks, the banks refuse to give big loans. The banks answer us by saying that big loans are not given by the bank. . . . New businesses are not possible for us."

Ten: Caste barriers are falling, but not everywhere

There is a lot of feeling of untouchability in this village. If you are a rich person, then everyone will pamper you. They try to crush us poor people under their feet.

—Rani, a poor, low-caste woman, Gautamman Khera,
Uttar Pradesh

One of the most heartening findings of the Moving Out of Poverty study is that caste has become less of an issue in the surveyed communities of Andhra Pradesh, a state that has historically been associated with rigid caste hierarchies. This is not to imply that caste has disappeared from the equation. Indeed, as we see in the ladder of life for Kamalapur (table 1.1), and as discussed in greater detail in chapter 5, caste remains a powerful influence on perceptions of status. But villagers in the sampled communities generally point to a significant easing of social divides. For instance, male discussants in Malkapur reported, "In the past 10 years, inequality on the basis of caste has decreased to a great extent. Ten years back inequalities of caste and religion were predominant in our society. Due to these differences, people belonging to scheduled caste and scheduled tribe communities were not allowed to enter the temple. Now there are no such differences, and even SC and ST people are coming to the temple along with us. They are coming to our houses and sitting beside us."

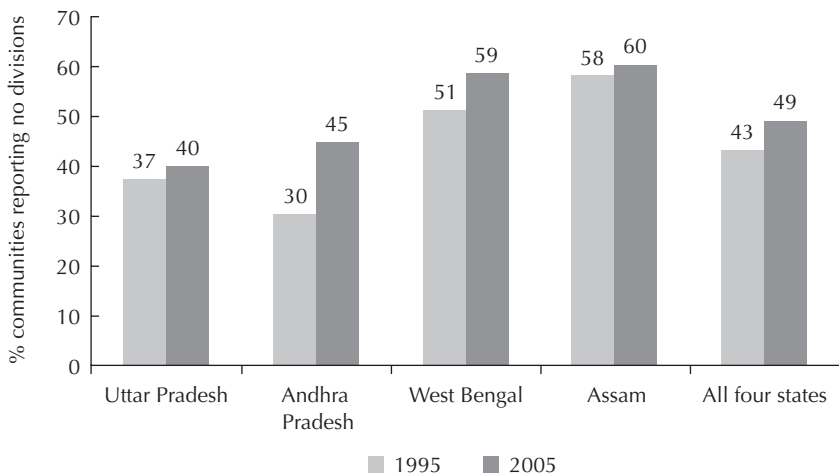
Self-help groups have been instrumental in the process of breaking down age-old caste barriers. Across the statewide sample, villages where self-help groups have had a prominent role report more rapid decline in inequalities than villages where such groups have been marginal. In Govindapalle, Andhra Pradesh, a member of a self-help group observed, "There are no concessions, and there are no considerations to the issues of people's richness or high caste

in our group. We are all equal. Though our members are of different occupations, it makes no difference. The members of our group do not belong to the same income group. There are people who are more financially backward than us, and there are those who are better off than us financially.”

In Uttar Pradesh, conversely, while there has been some narrowing of the gap for other backward castes, caste remains a major barrier to mobility for members of scheduled castes. More than any other group, SC people remained trapped in chronic poverty. While they do not lack aspirations, their limited initial assets along with discriminatory local institutions and customs conspire to hold them back. In Imiliya, Uttar Pradesh, discussants acknowledge that theoretically, access to water should not be a problem—there are both wells and hand pumps in the village. But as one villager noted, “People of high castes like Brahmin and Thakurs didn’t allow us to collect water from public pumps. Then we have to bring it from other villages.”

Turning to the quantitative data on social stratification, we see that the number of communities reporting “no divisions” based on ethnicity, caste, or other social distinctions has increased across the entire sample over the course of the decade (figure 1.7). Assam, which has not historically faced significant caste divides, and West Bengal, which may have benefited from

FIGURE 1.7
Across states, number of communities reporting no social divisions increased between 1995 and 2005



the caste-equalizing effects of decades of Left Front rule, report the lowest levels of division in 1995, with 58 and 51 percent of communities respectively described as division-free. Communities in Assam have seen little change in levels of social stratification over the course of the decade, while those in West Bengal have experienced further easing of divisions. In contrast, villages in both Andhra Pradesh and Uttar Pradesh reported a high level of division in 1995, with only 30 percent and 37 percent of communities respectively describing themselves as free of divisions in that period. While villages in Uttar Pradesh have experienced only marginal improvements over the decade, those in Andhra Pradesh have made great strides: an additional 15 percent of communities describe themselves as having no divisions in 2005.

The regression data corroborate these findings. Across the four states, caste has a strong and significant negative association with movement out of poverty only in Uttar Pradesh. In West Bengal, an insignificant caste association shows that a strong ideology of equality can play a significant role in changing social norms, while in Andhra Pradesh an insignificant correlation suggests that self-help groups have indeed played an important role in weakening the impact of caste on mobility prospects. In Assam, the caste factor has historically been unimportant in shaping social divides.

Conclusion: Some Policy Insights

The government gave me some bighas of land under land redistribution but the big farmers in the village took away that land forcibly and started tilling that land while the title deed was in my name. Till today I have not got the possession of the land. This is the main reason for my poverty.

—A chronic poor man, Teriya, Uttar Pradesh

The main purpose of the Moving Out of Poverty study in India is to generate insights with policy implications that can help expand movement out of poverty and prevent slippage into it. It is important to understand the local contexts in order to generate fine-tuned responses to the specific challenges that individual villages are facing. But the key findings across communities also help us draw some broader implications for the antipoverty agenda in India and even beyond.

First and foremost, the study underscores the importance of bottom-up approaches in which we listen to poor people and put them at the center of development policy. The life experiences related by 30,000 people across four

states of India show that poor people take innumerable initiatives to move out of poverty. This finding refutes widespread stereotypes about poor people as unmotivated. It also validates the importance of maintaining, expanding, and scaling up support to poor people's initiatives. Support can take various forms (education, credit, migration, help coping with crisis) and come from various sources (state, private sector, NGO, local community, family).

Second, people in villages often see poverty as more pervasive than official data would indicate. When there are big differences between official poverty counts and people's own poverty counts, discontent with government policies will be high. This can result in electoral losses, even when programs have been expanded for the poor.

Third, the findings confirm the importance of looking beyond net poverty reduction to examine the dynamics of poverty. Reasons for moving up and for falling down are different, and to achieve the highest possible poverty reduction rates, policies must be designed to both expand upward mobility and contain falling.

To expand upward mobility, policy makers must focus on the quality of available economic opportunities as much as on the quantity. Since hard work alone is not enough to promote economic mobility, the challenge is to link poor people to markets, improve their market know-how, and provide access to sufficient credit that goes beyond immediate consumption needs. It is important to foster community-driven development programs that provide credit and skills training to members of people's organizations and federations and connect them to markets. The *organized* private sector—at present virtually absent from rural areas—can also play an important role in expanding economic opportunities and skills along with government and nongovernment actors.

Private philanthropy must refocus its attention on the inclusion of poor people in business processes. This can be done along several lines, for example, through employees sharing in equity or through creation of poor people's corporations as part of the supply chains of large enterprises. Rather than remaining at the bottom of the supply chain, poor producers need help in moving up the value chain to capture higher returns to their labor. Poor people also need access to the same financial instruments available to the well-off, including larger loans and ownership of large assets; this is essential to eliminate poverty in market-based economies. In essence, business models and practices have to change to emphasize greater profit sharing with poor people.

To prevent falling, health systems that are affordable and function well must be available to poor people. Health shocks are the single most common factor leading to the downward slide into poverty. Health insurance and other safety net schemes, as well as favorable terms of credit, can help interrupt downward spirals of asset depletion, debt, and loss of dignity and hope.

Fourth, the study demonstrates the importance of psychological factors such as aspirations, belief in self, personal agency, and empowerment, both for understanding movement out of poverty and for explaining why so many people remain trapped in poverty. While a driving sense of “I can do it” enables some poor people to move out of poverty, the chronic poor are often profoundly disheartened by the realization that the “system”—whether job opportunities, credit facilities, public goods, or social interactions—is rigged against them. Civil society, and in particular local collective organizations, can help empower poor people to connect to markets and hold corrupt local institutions to account.

Fifth, our research shows that local democracy, with all its imperfections, is already beginning to play positive roles in at least some poor people’s lives. But two changes will be required if many more are to benefit. First, greater civil society presence in local communities is needed to improve the responsiveness and accountability of local democracy. Strategies include supporting organizations of poor people and increasing access to information about government activities at the local level. For example, schoolchildren can become involved in monitoring whether teachers and health care workers are present at their posts; this will prepare children for citizenship and problem solving and also help address a countrywide problem in which government programs targeted to poor people perform poorly. Second, with greater institutional accountability and increased political competition, it may become possible to change the mindsets of local politicians so that they shift from acting primarily as redistributors of state and central government subsidy programs and become facilitators of inclusive local economic development and markets.

Finally, the study highlights the importance of asset accumulation in escaping poverty. The initial level of assets, in multiple dimensions, matters: higher aggregate asset scores of households in West Bengal and Andhra Pradesh, and access to housing in Uttar Pradesh, are statistically significant correlates of subsequent escape from poverty. Qualitative datasets also confirm the importance of initial assets. Life stories collected for the study

illustrate the critical importance of addressing the initial asset gap and the role a responsive local democracy can play in this. For the very poor, such asset transfer is often cited as the prime trigger for upward mobility, acting something like the “big push” in aid theory. This is true for access to land and also for access to permanent housing across all four states (not only in West Bengal, with its history of land reform). There are many ways of transferring assets to poor people. The broad policy point is that the question of poor people’s access to assets—above and beyond the issue of improving the quality of their labor power—cannot be ignored if we are serious about poverty reduction.

Minimum access to assets such as housing is not just important for moving out of poverty. It also provides entry to community and citizenship. Having decent shelter, while clearly important to raising living standards, is also a bottom-line requirement for earning “citizenship in the village,” living with dignity, and accessing all other benefits.

Annex 1.1 Correlates of Moving Out of Poverty

The regressions were conducted on the subsample of those who escaped poverty and rose above the community poverty line (called movers in the study). The reference category is the initial poor set, made up of movers plus the chronic poor. Overall assessment of the directionality of partial correlates of upward mobility, as presented here, is based on the results of the particular model specification and other considerations in the case of each state, as narrated in each state chapter. The chapters on West Bengal, Assam, and Uttar Pradesh present both unweighted and weighted regressions with broadly similar results; in the case of Andhra Pradesh, only weighted regression results are reported. The robustness of the results was checked under different statistical methods of estimation: ordinary least squares (OLS) versus probit in the case of West Bengal, Uttar Pradesh, and Assam, and OLS versus logit in the case of Andhra Pradesh. Those findings also suggest qualitatively similar results for the key variables of empowerment, aspirations, and democracy.

| <i>Correlates of moving out of poverty</i> | <i>Uttar Pradesh</i> | <i>Andhra Pradesh</i> | <i>West Bengal</i> | <i>Assam</i> |
|--|----------------------|-----------------------|---------------------|--------------------|
| Responsiveness of local democracy | 0.043 [3.87]*** | 0.021 [1.28] | 0.023 [1.68]* | 0.036 [2.02]** |
| LOM of responsiveness of local democracy | -0.033 [1.57] | 0.031 [0.89] | -0.097 [2.68]*** | -0.088 [2.09]** |
| Corruption | -0.024 [1.64] | 0.022 [0.86] | 0.013 [1.77]* | 0.042 [1.62] |
| Fairness index | 0.027 [2.17]** | 0.037 [0.84] | 0.007 [0.39] | 0.036 [1.97]* |
| Empowerment (initial) | 0.046 [3.52]*** | — | 0.074 [4.73]*** | 0.016 [0.77] |
| LOM of empowerment (initial) | -0.069 [2.43]** | — | -0.081 [4.08]*** | 0.126 [2.08]** |
| Control over everyday decisions | 0 [0.01] | -0.037 [1.60] | 0.171 [5.37]*** | 0.137 [3.48]*** |
| LOM of control over everyday decisions | -0.023 [0.29] | -0.12 [1.78]* | -0.124 [1.88]* | -0.138 [0.91] |

continued

| <i>Correlates of moving out of poverty</i> | <i>Uttar Pradesh</i> | <i>Andhra Pradesh</i> | <i>West Bengal</i> | <i>Assam</i> |
|--|----------------------|-----------------------|---------------------|---------------------|
| Household aspirations | 0.14 [11.29]*** | 0.013 [1.11] | 0.202 [9.53]*** | 0.088 [5.10]*** |
| LOM of household aspirations | -0.173 [5.75]*** | -0.03 [0.93] | -0.175 [5.43]*** | -0.079 [1.34] |
| Index of collective action | -0.029 [2.18]** | -0.079 [1.98]* | 0.039 [1.35] | 0.009 [0.43] |
| Violence against women | 0.029 [1.28] | 0.046 [1.89]* | -0.028 [0.67] | 0.093 [3.45]*** |
| LOM of violence against women | -0.065 [1.32] | — | 0.074 [1.48] | -0.156 [3.07]*** |
| Health shocks | -0.015 [0.44] | -0.088 [2.97]** | -0.019 [0.45] | -0.079 [1.75]* |
| Initial assets (land/asset index) | -0.018 [0.52] | 0.061 [1.98]* | 0.038 [2.76]*** | 0.056 [1.19] |
| Education of household head | 0.032 [5.11]*** | 0.024 [0.86] | 0.004 [0.58] | 0.043 [3.16]*** |
| <i>State-level context</i> | | | | |
| Scheduled caste dummy (Uttar Pradesh) | -0.102 [2.94]*** | — | — | — |
| Membership in groups (Andhra Pradesh) | — | 0.068 [2.02]** | — | — |
| Diversification dummy (West Bengal) | — | — | 0.146 [3.11]*** | — |
| Conflict trajectory (Assam) | — | — | — | 0.035 [1.67]* |
| Observations | 969 | 531 | 648 | 452 |
| R ² | 0.32 | 0.18 | 0.47 | 0.31 |

Note: Cluster-robust *t*-statistics in brackets.

p* < .10 *p* < .05 ****p* < .01

Annex 1.2 Correlates of Falling into Poverty for the Initially Nonpoor

The regressions were conducted on the subsample of those who have fallen into poverty, that is, who fell below the community poverty line (called fallers in the study). The reference category is the initial nonpoor set, made up of fallers plus the never poor.

| <i>Correlates of falling into poverty for the initially nonpoor</i> | |
|---|---------------------|
| <i>Structural</i> | |
| Unable to find work (yes=1, no=0) | 0.046 [1.72]* |
| Easier or harder to find work (easier=1, harder=0) | 0.066 [3.15]*** |
| Source of income, regular employment | -0.089 [3.00]*** |
| Source of income, temporary employment | 0.171 [5.10]*** |
| Initial assets | -0.048 [4.76]*** |
| <i>Life cycle</i> | |
| Dependency | 0.062 [3.29]*** |
| <i>Shocks</i> | |
| Borrow credit for major household event | 0.143 [4.88]*** |
| Dependency | 0.062 [3.29]*** |
| Health condition (deteriorated=3, improved=1) | 0.023 [1.21] |
| Difficulty in getting treatment | 0.157 [4.86]*** |
| Flood | -0.005 [0.15] |
| Drought | 0.034 [1.12] |

continued

Correlates of falling into poverty for the initially nonpoor

Institutional

| | |
|--|---------------------|
| Household trust: most people willing to help (no=0, yes=1) | 0.036 [1.93]* |
| Responsiveness of local democracy | -0.024 [2.36]** |
| Local government run by a few | -0.005 [0.18] |
| Corruption (high=5, none=1) | 0.066 [3.99]*** |
| Social divisiveness | -0.008 [0.69] |
| Inequality (3) | -0.004 [0.39] |
| Constant | -0.303 [2.85]*** |
| Observations | 953 |
| R^2 | 0.27 |

Note: Cluster-robust t -statistics in brackets.

* $p < .10$ ** $p < .05$ *** $p < .01$

Annex 1.3 OLS Regression Results with Responsiveness of Local Democracy as Dependent Variable

The regressions were conducted on the subsample of those who escaped poverty, that is, who rose above the community poverty line (called movers in the study). The reference category is the initial poor set, made up of movers plus the chronic poor. The results indicate that there is a significant positive association between responsiveness of local democracy on the one hand and access to information and individual empowerment on the other hand. This finding is strongly significant in all four Indian states.

| <i>Variable</i> | <i>Uttar Pradesh</i> | <i>Andhra Pradesh</i> | <i>West Bengal</i> | <i>Assam</i> |
|--|----------------------|-----------------------|--------------------|--------------------|
| Voting in elections (rh508) | 0.094 [3.56]** | 0.019 [0.33] | 0.174 [3.16]** | 0.043 [1.42] |
| Distance to main center (c202bi) | 0.001 [0.16] | -0.001 [0.28] | -0.004 [0.56] | 0.005 [1.01] |
| Household newspaper readership (h518) | 0.012 [3.45]** | 0.008 [0.87] | 0.009 [2.06]* | 0.009 [2.42]* |
| Access to information about local government (rh515b) | 1.08 [20.47]** | 0.567 [5.08]** | 1.098 [7.62]** | 0.823 [12.85]** |
| Participation in community decision making (rc916) | 0.057 [0.90] | 0.006 [0.04] | 0.046 [0.45] | 0.106 [1.75] |
| Collective action (PCA rc412b, rc413b, with current weights) | 0.009 [0.18] | 0.011 [0.11] | 0.007 [0.11] | 0.108 [2.91]** |
| Social capital (h406Tb) | 0.025 [0.44] | 0.001 [0.03] | 0.081 [1.52] | 0.01 [0.24] |
| Individual empowerment (PCA rh501b, h708) | 0.156 [4.81]** | 0.18 2.87]** | -0.234 5.75]** | 0.294 [5.98]** |
| Violence against women in community (LOM h609b) | -0.407 [3.30]** | -0.303 [0.96] | -0.084 [0.35] | -0.184 [1.45] |
| Education of household head (h106) | 0.002 [0.45] | -0.015 [0.54] | 0.022 [1.18] | -0.006 [1.30] |
| Extent of social divisions (c414b) | 0.007 [0.17] | 0.15 [1.44] | -0.004 [0.04] | 0.01 [0.17] |
| Constant | -2.286 [7.26]** | -1.268 [3.28]** | -2.496 [5.40]** | -1.689 [5.99]** |
| Observations | 1,635 | 839 | 1,192 | 746 |
| R^2 | 0.32 | 0.15 | 0.34 | 0.37 |

Note: Cluster-robust *t*-statistics in brackets.

p* < .10 *p* < .05 ****p* < .01

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Notes

1. For a brief review of the vast literature on subjective methods, see volume 1 in the Moving Out of Poverty series, *Cross-Disciplinary Perspectives on Mobility* (Narayan and Petesch 2007) and chapter 1 in volume 2, *Success from the Bottom Up* (Narayan, Pritchett, and Kapoor 2009).
2. To protect the privacy of participants, all villages in the study are identified by pseudonyms in this book. Higher-level entities (blocks, districts, states) are identified by their real names. Individual participants are identified only by their first (given) names.
3. The land units *bigha* and *katha* can have slightly different meanings in the different states of India and in different parts of a state. In this volume we assume that 1 bigha equals roughly one-third of an acre, the standard used in West Bengal (Bardhan and Mookherjee 2006). A katha is a fraction of a bigha. In some places 20 kathas equal 1 bigha, while in others 16 kathas make a bigha.
4. The framework is reflected in work by, among others, Rao and Walton (2004), World Bank (2005), Petesch, Smulovitz, and Walton (2007), Alsop, Bertelsen, and Holland (2006), and Narayan and Petesch (2007).
5. Separate focus groups were usually held for men and women.
6. If the village was too large, information was completed for at least 100 to 150 randomly selected households in that community.
7. In each village, household questionnaires were conducted with 15 individuals, 10 of whom were also interviewed for an open-ended life story. The respondents for these interviews were selected from the mobility matrix in a predefined proportion of 4:3:2:1 favoring movers, followed by never poor, chronic poor, and fallers respectively.
8. Some communities had as many as 10 steps on their ladder of life—by virtue of the diligent categorization work of the focus group—while others had fewer than five. We expected that villages with more steps might present a picture of greater economic mobility, as even small movements up or down would take a household from one step to the next. In villages with fewer steps, corresponding to broader well-being categories, we expected to see less movement from step to step. However, this does not appear to be the case when we compare summary statistics for mobility across villages. Specifically, churning (combined upward and downward movement) of households does not seem to be systematically higher in villages with 10 steps than in villages with five. Further details of the findings regarding the impact of number of ladder steps on measured indexes can be found in Narayan, Kapoor, and Pritchett (2008, 23, table 6).
9. This is in spite of a heavy bias toward poor communities in the sampled districts of Andhra Pradesh.

10. The only significant difference emerges among fallers, but even in their case, initiative is cited in 46 percent of all instances of asset accumulation.
11. According to the coding of individual life stories, family support contributes to businesses in 9 percent of cases for movers, 13 percent of cases for the never poor, 4 percent of cases for the chronic poor, and 11 percent of cases for fallers.
12. These factors can be broadly divided into four groups: structural (lack of growth and employment; level of initial assets); life-cycle factors (increase in dependency, property division among members of the same family); shocks (expenses associated with ill health, natural disaster, social obligations surrounding family weddings and funerals); and institutional (quality of local government, social capital, etc.). Information on a limited number of these indicators is available from the survey data, which has conditioned the choice of precise variables. On these aspects see Dercon and Shapiro (2007), Krishna (2004), and Sen (2003).
13. It is interesting to note that propensity to collective action—the indicator of “willingness to help each other in crisis”—is associated with higher chances of falling. This apparently perverse finding actually shows the possibility of reverse causality: falling households aspire to get together to collectively cope with their crises, but in most cases such initiatives meet with failure. Collective social action can partially mitigate but cannot prevent falling in the presence of credit market failures and in the absence of other risk-mitigating institutional interventions that remain outside poor people’s control.
14. Expectations about one’s future (and about children’s futures) were considered as a close proxy for aspiration in the framing of the questionnaire. These measures were subsequently found to be positively correlated with the likelihood of movement out of poverty (table 1.10). More needs to be done methodologically to operationalize the concept of aspiration in the context of household surveys—a subject matter for future research.
15. Our findings further shatter the notion of a “culture of poverty” (Lewis 1959), in which children of the poor are socialized into believing that they deserve to be poor.
16. The movers’ sense of empowerment does not appear to be the result of a pure “halo effect,” whereby movers would retrospectively attribute a higher level of power to themselves because of their economic mobility, since we run the regressions on community-assigned rather than self-designated measures of mobility (table 1.10). In other words, our results for West Bengal and Uttar Pradesh demonstrate a strong positive correlation between those who self-identify as having been higher on the ladder of power and rights 10 years ago and movement out of poverty since then. Alternative indicators of empowerment also tell the same story.
17. Bandura (1995) demonstrated experimentally that when beliefs about self-efficacy are manipulated *independent* of performance or external conditions, they affect future performance.
18. While the life story evidence assembled here shows a cohesive and supportive family to be an important institutional correlate of upward mobility, we do not claim a causative “strong family leads to better upward mobility” nexus. This is because family cohesiveness is also influenced by the prior experience of enrich-

- ment or impoverishment and should not be treated as a given, unchanging institution or essence. This is also an issue for further empirical research.
19. See annex 1.2 for correlates of democracy in the four Indian states studied in this volume. For the correlates of local democracy for all other MOP study regions, see chapter 6 in volume 2 of the Moving Out of Poverty series (Narayan, Pritchett, and Kapoor 2009).
 20. The basic specification includes variables on economic opportunity, local democracy, collective action, agency, aspirations, violence against women, and social inequality/divisions. Also included are household characteristics (assets, livestock, house ownership, education level, health shocks), with some minor variation across the four state chapters. All regressions are OLS cluster-corrected and tested for robustness under different estimation methods. Note that the regression framework for “movers” in the Andhra Pradesh state chapter is based on different specification, given the nonrandom nature of sampling and the data.
 21. The Indian debate has fluctuated between pessimism and optimism regarding the degree to which local democracy can play a positive role in helping poor people move out of poverty. Among more skeptical analysts, Kohli (1990) asserts that after independence, politicians ignore “mobilized but unorganized” groups that have served their political purpose and now add considerable volatility to the polity. By implication, the introduction of a three-tier local government system in the 1990s would only lead to further factionalization and social unrest. Among the optimists, Besley, Pande, and Rao (2005) show that where local village heads are from lower castes, allocations are more favorable to the poor, while Foster and Rosenzweig (2004) find that villages with democratic governance are more likely than those with nondemocratic governance to invest public resources in public infrastructure that benefits all community members.