

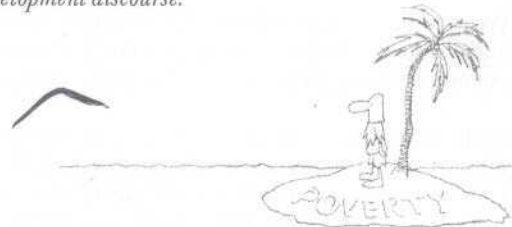
## The See-saw Struggle against Poverty


"People don't just come out of poverty. People are continuously falling into poverty too. And the reasons they do so are worth finding out! They probably differ from place to place."

*This is the centrepiece of this article by Anirudh Krishna based on a study of 12 villages in Rajasthan.*

*There is another message in the article. Quite often, we confuse the structural aspects of the persistence of poverty with the ground-level tasks of alleviating poverty. And most of us have tended to take sides in these matters, as if we had solved the puzzle of the chicken- and- the- egg. And further, if one side has taken a holier-than-thou attitude with pride in being holistic and even idealistic, the other side prides itself on being the more pragmatic, down-to-earth, and connected.*

*The greater temptation is to look at macro-level issues, and on that basis develop poverty alleviation or development programmes. This is not the failing only of governments and political parties. It is a common failing of bilateral and independent agencies too. And this is becoming more pronounced. It is a dangerous aspect of the structural adjustment era that well-meaning resource agencies are unwittingly falling prey to this approach. One does not realise that programmes conceived in rarefied resource-rich ambiances reinforce the top-down, trickle-down approach. Anirudh Krishna wonders at the disappearance of 'trickle-down' from development discourse.*



**Falling into Poverty: Other Side of Poverty Reduction** by Anirudh Krishna.   
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## Falling into Poverty: Other Side of Poverty Reduction

Anirudh Krishna

The net change in poverty over any period of time is a result of two separate trends: some previously poor people escape from poverty, and some non-poor people become poor at the same time. The larger the number of people in the first set, the more pronounced is the reduction in poverty overall, but the larger the number of people in the second set, the lower is the overall achievement.

One local inquiry, undertaken in 12 Rajasthan villages in the districts of Rajsamand and Udaipur, helped produce the following findings:

Enormous variations in poverty are apparent even within this small group of villages located at the most 100 km or so from each other.

- In each village some households have escaped from poverty over the past 25 years and other households have fallen into poverty at the same time. These numbers vary quite significantly, however, from one village to the next.
- The percentage of households escaping poverty over the past 25 years varies from a low of 1.8 per cent to a high of 13.5 per cent, and the percentage of households falling into poverty over this period also varies - quite widely, from 2.4 per cent to 11.8 per cent.

*The net decline in poverty numbers escaping from poverty minus numbers falling into poverty - is quite small as a result.*

### Overcoming Poverty and Falling into Poverty

We used distance from the market as a proxy variable for market integration, and found that neither escape from nor decline nor even the net change in poverty is significantly associated with this variable.

Caste composition is also not very useful for explaining inter-village differences in poverty, as revealed in this study. It is true that poverty is more enduring among households belonging to scheduled castes (SCs) and scheduled tribes (STs). And indeed, overall, more SCs and STs are poor

compared with other caste groups. But poverty reduction over time has relatively little to do with the weight of SCs and STs in the village population.

SC and ST households have emerged out of poverty over the past 25 years, and, in fact, a slightly higher proportion of SCs have escaped from poverty, compared with all other caste groups. On the opposite side, however, a somewhat larger proportion of SCs have also fallen into poverty at the same time.

### Escaping Poverty

*Diversification of income sources is the single most important reason for escaping poverty in this region.* More than 80 per cent of households that have escaped from poverty in the past 25 years have successfully diversified their income streams, and they are no longer reliant on agricultural incomes alone.

Employment in the formal sector has not constituted the principal (or even a very important) source of successful diversification. Rather, diversification has involved one or more household members taking up an additional occupation within the informal sector. Connections with a city have been important in a majority of these cases. Not all willing and able persons have been able, however, to gain even these quite pitiful income-earning opportunities. Contacts with a person in the city have been more critical for successful diversification. And no matter how educated or how hardworking a person, opportunities for developing such new income streams have not been available unless they have also at the same time possessed access to a connection in the city.

*Next to diversification through a city-based connection, irrigation has proved to be the pathway most often taken out of poverty.* Digging or energising a groundwater source successfully is associated with 18 per cent of all cases of households escaping poverty. In the absence of reliable technical information, however, investing in irrigation is a gamble for households in these rural regions, and many households have sunk further into poverty after undertaking similar investments. Unfruitful investment in irrigation facilities counts as a principal reason for nearly 10 per cent of households that have fallen into poverty.

Information is a key resource. Providing regular and reliable information about new opportunities, about water tables and extraction rates, and about

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health and healthcare facilities, as we shall see presently, can go a long way towards controlling and reducing poverty in this region.

*People need to be connected to growth, and it is in helping them make these connections that NGOs and government agencies can play a helpful role in this region.*

Rather than funding the programmes that they operate at present, government agencies and NGOs can make a much more notable contribution, in my view, through providing households in this region with information of various kinds.

Programmes of direct assistance for poverty reduction have had at best only marginal impacts on poverty in these villages.

### **Becoming Poor**

Falling into poverty in this region is associated not with any single cause but usually with a combination of causes, including poor health, large expenses on (poor quality) health care, social functions associated with deaths and with marriages, and high-interest loans taken out from private sources to meet these unaffordable and often crippling expenses. Dealing effectively with all three factors can make a considerable dent in poverty in this region. But even breaking the chain at any one of these links will have a very significant effect.

- ▶ Even households that were quite well to do 25 years ago, that is, which had achieved in the earlier period quite a high position on the stages of progress fell into dire poverty on account of healthcare-related expenses.
- ▶ High expenses on death feasts and marriages constituted the second principal reason for the decline into poverty.
- ▶ The third principal reason of decline - high-interest private - debt - helps to pave the way for the other two reasons.

### **Concluding Thoughts**

A combination of policy interventions, including better information about new income-earning opportunities, accessible and reliable health care facilities, and credit on affordable terms will certainly help to reduce poverty in this region.

But this advice cannot be generalised easily and applied equally to deal with poverty reduction in other parts.

We have assumed, as it were, that the relevant unit of analysis is the country (or at best, a state), and we have pitched our policies at the aggregation of what causes poverty in these large and disparate units.

Comparisons over time are required to discern whether this is, in fact, the case in other parts of India and the developing world. One cannot really know what factors matter for poverty unless one is able to trace their interactions with households' strategies over time.

However, relatively few comparisons across time are available, and it takes considerable expense and a lot of lead time before such data can be reasonably assembled.

Applying scarce development resources more effectively will require investigating more closely what factors are associated with decline and what factors are associated with escape in any particular local context.

Unfortunately, however, we have approached poverty mostly in a top-down mode of analysis.

It is strange that few analysts of global poverty speak any more of '**trickle-down.**' It used to be that trickle-down was a bad idea. Used in the context of the state-led development policies of the 1960s and 1970s, trickle-down was a pejorative term connoting lack of attention to intermediate causal links. Even if high growth rates were, in fact, achieved, it was argued, how would the benefits of growth reach the poor? What were the mechanisms that helped transform growth into poverty reduction in any particular case? In addition to all the other arguments mounted against state-led development strategies, trickle-down was an important part of the lexicon of failure.

But trickle-down is not mentioned much any longer. For some reason, growth has reasserted itself as the prime mover of poverty, and discussions of poverty reduction are subsumed mostly under discussions of strategies for faster growth. ▶

### The poor get richer?

Measuring poverty in India has always been a controversial task. The official estimates are based on a sample survey of household consumption expenditures. A large sample, which allows state-level estimates of poverty incidence, is carried out roughly once every five years. The last of these was done in 1999-2000. In the intervening years, a 'thin' sample survey, covering far fewer households is carried out.

The results of the 2000-01 thin sample have just been released. They indicate that poverty for the country as a whole has gone down from 26.2 per cent to 24.4 per cent in a year. The decline is not uniform, though. Rural poverty went down from 27.1 per cent to 24.4 per cent, while urban poverty went up from 23.6 per cent to 25.5 per cent.

Interpreting these changes can never sidestep the problems of sample size, methodology and other issues. Nevertheless, given the country's over-riding policy concern with poverty, it is neither possible nor advisable to ignore what may seem to be statistically insignificant changes. Even a single percentage point change amounts to 10 million people.

The report on the survey indicates that relative price changes largely account for the divergence between urban and rural patterns. Food prices went down in the villages, while they went up in the towns and cities. When viewed against the backdrop of the economy's performance in that year, however, this pattern seems counter-intuitive. In 2000-01, agricultural GDP declined by 0.2 per cent. Despite this, rural poverty went down. On the other hand, industrial GDP grew by a strong 6.3 per cent. Despite this, urban poverty increased. This second fact may partly be explained by services growth, which was uncharacteristically modest at 4 per cent. But even there, the reason services were sluggish was because of the performance of several large financial institutions. The services that typically employ lots of low-income people did reasonably well. If the macro aggregates don't gel with the poverty performance, it is probably because the story is in the regional variations, on which the thin sample does not provide much insight.

Agricultural decline may have hit the relatively more prosperous parts of the rural economy, limiting the number of people at the margin, who would be adversely affected. Similarly, the regional imbalance in industrial growth might not have created the number of jobs a more widespread process might have done. Within the limited scope of information provided by the survey, it is a matter of concern that flat prices of food commodities in the rural areas co-exist with rapidly rising prices in urban areas. Food logistics is an essential component of the anti-poverty programme. Surely the country should have got this right by now?

Finally, the inevitable question needs to be reiterated. Should the focus on nutrition as a measure of poverty not be displaced by broader measures of need fulfilment? By that token, most surveys, large or thin, will probably conclude that the poor are certainly not getting richer.

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<http://www.business-standard.com/articles/2003/Feb/50050203.85.asp>