



# Escaping Poverty and Becoming Poor: Who Gains, Who Loses, and Why?

ANIRUDH KRISHNA \*

*Duke University, Durham, NC, USA*

**Summary.** — Different households have followed very different economic trajectories, this study of 35 north Indian villages shows. Members of 11.1% of 6,376 households in these villages have overcome poverty in the last 25 years, while members of another 7.9% have fallen into poverty. Households' escape from poverty is assisted by one set of factors, but an entirely different set of factors is associated with households' decline. Two distinct sets of policies are required thus, one set to promote escape from poverty and another set to arrest decline into poverty. Poverty has some distinctly local antecedents. A methodology for tracking changes in poverty at the local level is developed that community groups and others can use to assess change and examine causes.  
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## 1. INTRODUCTION

Economic growth is regarded most often as the pathway toward poverty reduction, but while in general and in the aggregate, growth goes together with poverty reduction, it is not possible to say how this relationship works out in practice for any particular country, region or community.<sup>1</sup> Even as growth is positive overall, “one could find that many people have escaped from poverty while many others have fallen into poverty” (Ravallion, 2001, p. 1811).

Relatively little knowledge is available that can help to explain why some communities and households benefit more from national economic growth—and even less is known about why some others fall into poverty at the same time.<sup>2</sup> Controlling households' decline into poverty is as important as promoting other households' escape from poverty. But why some households fall into poverty while others rise out of it is relatively poorly understood. Studies that consider data collected over multiple periods for the same set of households are more helpful for these purposes. But, few studies are available that employ such panel data<sup>3</sup>—they are quite expensive to carry out and one must wait quite a long time before these data are assembled. While these studies are helpful for identifying which households rose and which others fell over the period of

study, they pay relatively little attention to what households are doing by themselves to deal with poverty in their midst.<sup>4</sup>

Households in poverty do not usually sit idle, waiting for growth (or program benefits) to come their way. Rather, they adopt numerous strategies to cope with and tide over their difficult situations (Narayan, Patel, Schafft, Rademacher, & Koch-Schulte, 2000a; Uphoff, 1986). These household strategies interact with national policies and economic growth to produce results in terms of poverty reduction. “The consequences of national policy cannot be traced without a more accurate picture of how people respond and adapt to national

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policies. . . [But] there is woeful ignorance about processes and strategies" (Ellis, 2000, p. 184). To bridge these gaps in knowledge and to formulate policies that can be more effective, "it is important to learn more about processes that drive mobility at the community and household levels" (Baulch & Hoddinott, 2000, p. 18). Participatory key informant surveys conducted at the village or community level are advocated for this purpose.

This paper reports on the development of a methodology that can assist with such analytical participatory inquiries. It draws substantially upon participatory poverty assessment methods developed in the past, including Chambers (1997), Narayan *et al.* (2000a), Narayan, Chambers, Shah, and Petesh (2000b), and Salmen (1987). Results are presented from field research conducted in 35 villages in the state of Rajasthan, India between May and August 2002.

Poverty has some distinctly local antecedents, these data reveal. In each village a large number of households have escaped from poverty in the last 25 years; but a very large number of households have also fallen into poverty during the same time, and these numbers vary considerably from village to village. One set of factors is associated with escape from poverty, while a different set of factors is associated with decline.

Two different sets of policies are required thus: one set to prevent households' decline into poverty and another set to promote escape from poverty. While poor health, high health-care expenses, high-interest private debt, and large social and customary expenses constitute major reasons for households declining into poverty; diversification of income sources is the most important reason for households' escape from poverty in this region. However, not all educated and hardworking persons are able to diversify their income sources successfully. Information matters critically for successful diversification, institutional sources of information are weak, and only those households have diversified successfully in this region as have privileged information about new opportunities.

Section 2 of this paper describes the location of the study and the methodology that was developed for helping with these investigations. Section 3 through 5 present the results in greater detail. Conclusions and policy recommendations are drawn together in Section 6.

## 2. LOCATION AND METHODOLOGY

This study was conducted in 35 villages belonging to five districts of Rajasthan state in north-central India.<sup>5</sup> Poverty in Rajasthan has declined from 46% in 1973 to 27% in 1993, according to official statistics, which makes it one of the top five states in India in this regard.<sup>6</sup> State GDP in Rajasthan has grown much faster than the national average during 1980–98 (Ahluwalia, 2000). Education has also expanded rapidly in villages of this state, and 70% of villagers less than 25 years of age have five or more years of school education (Krishna, 2002b).

Villages in the selected districts have an average population of 1,100 persons. More than 90% of village residents have agriculture as their principal occupation. Landholdings are however, quite small, less than half of one acre per capita on average; the land yields almost nothing in three years out of five because of scanty rainfall; and drought is a frequent visitor to this region.

Village selection was purposive, including large as well as small villages, those located close to major roads and others more remotely situated. Villages where a single caste group is dominant were included along with others that have more diverse populations, including scheduled tribes and Muslims. A team of 16 field investigators, men and women in equal numbers and mostly themselves village residents of this area, trained together for three weeks at the start, and together we developed a preliminary methodology, which was pilot-tested in nine villages and later refined and implemented in the 35 selected villages.

A community group of elders belonging to the different caste and religious groupings was assembled first in each village. It helped that this exercise was conducted during May and June, the leanest period in the agricultural calendar, and people were relatively free to take part in these inquiries.

It was made clear at the outset that no economic benefits were involved—that people had nothing tangible to gain nor did they have anything to lose by taking part in this exercise. An ever-increasing load of program benefits is earmarked for people who are poor, but these noble intentions are very often frustrated in public by the efforts of nonpoor people and their supporters to tamper with the scheme of classification. Making it clear that no benefits are attached to the particular scheme one is

implementing helps reduce the motivations that result in such misclassification.

Establishing a shared understanding of what constitutes poverty was the next important step in this task. We started the inquiry not by asking villagers to identify who is poor; instead, we asked them to determine collectively what constitutes a state of poverty.<sup>7</sup> A useful device for this process was the *Stages-of-Progress exercise*. What does a household usually do, we asked the assembled villagers led by elders from different caste and religious groups, when it climbs upward gradually from a stage of acute poverty? Which expenditures are the very first ones to be made? As more money flows in, what does this household do in the second stage, in the third stage, and so on?

I had thought that there might be considerable differences in these stages from village to village, and indeed some differences in activities and expenditures were recorded for higher-level stages. At the lowest stages, however, when households are still desperately poor or just about coming out of dire poverty, there were absolutely no differences in the sequence narrated in different villages. The first four stages, in particular, were common to different villages, and they were commonly reported by the men and women's groups that were organized and consulted separately in each village.

These four stages of progress are, in order:

- buying food to eat,
- sending children to school,
- possessing clothes to wear outside the house, and
- retiring debt in regular installments.

Poverty is *defined* in all these villages in terms of these first four stages of progress. Villagers in this region, men as well as women, deem themselves (and others) poor when their households do not have enough to eat or decent clothes to wear, when they accumulate more debt without being able to repay installments due on past debt, and when they cannot afford to send their children to school. They work hard to achieve at least this bare minimum for their households.

Disagreements did exist about the stages of progress after the first four. These higher-level stages included: improving agricultural land, making improvements to one's dwelling unit, purchasing jewelry (important for children's weddings in future), buying a tape recorder and/or a television set, buying a motorcycle, and buying a refrigerator (at which stage one belonged among the most prosperous persons

in the wider region). There were disagreements about whether economically growing households would purchase a motorcycle ahead of a TV or *vice versa*, or whether purchasing jewelry takes precedence over improving agricultural land. In some cases, these differences were related to gender. Everyone agreed, however, about the nature and sequence of the first four stages, i.e., buying food to eat, sending children to school, possessing clothes to wear outside the house, and retiring debt. It was commonly agreed that households which could not afford to accomplish any one or more of these four things were clearly and unambiguously poor and commonly regarded as such.<sup>8</sup>

Well-defined and clearly understood criteria for classifying households as poor or nonpoor were derived in this manner.<sup>9</sup> The next step in this exercise consisted of verifying each households' status today and 25 years ago in terms of this understanding of poverty shared by villagers in this region.<sup>10</sup>

A defining event was required in order to agree commonly on a single referent for "25 years ago." The national emergency, imposed in 1975, was selected for this purpose, which proved to be quite clearly remembered particularly by older villagers.

All village households were listed before commencing the classification exercise. Relatively few households have migrated into or out of any of these villages,<sup>11</sup> so household composition is relatively stable, and it did not take very long—no more than 2 hours in any village—to draw up a complete and accurate list of village households.

Each household's position today and 25 years ago was confirmed with reference to the stages of growth. Before any particular household could be regarded as poor today inquiry was made about its command over food, clothing, resources for repaying debt regularly, and education for children. Before it was regarded as poor 25 years ago, its situation was ascertained in terms of the first three among these criteria.<sup>12</sup>

Men and women's groups worked apart from each other to compile the list of households and to classify households within this four-category schema. Lists and classifications prepared by men and women villagers separately were tallied, and all differences were submitted to both groups for discussion. These differences were few to begin with, and most of them could be harmonized relatively quickly through discussion. But some differences remained,

nevertheless, and we had to resolve these differences while conducting household interviews (discussed below).

Today's households served as the unit of analysis throughout this exercise. When we asked about poverty today, we spoke in terms of households that exist today. When we asked about poverty 25 years ago, we asked in reference to members of the same households and how they had fared 25 years ago in terms of the stages of progress. Some of these households, particularly those headed by older villagers, existed even 25 years ago. But presently younger households did not exist at that time; such villagers lived in their parents' (or guardians') households 25 years ago; and in their cases we asked about poverty in relation to these parents' or guardians' households: Households today and households 25 years ago are not strictly comparable thus, nor can they ever be strictly compared in this type of exercise. Some households that exist today did not exist 25 years ago, and some households that existed 25 years ago do not exist today. By regarding households of today as the unit of analysis, what we are, in fact, comparing, particularly in the case of younger households, is inherited versus acquired status.<sup>13</sup> Did a person who was born to poverty remain poor, or did s/he manage to escape from poverty in the past 25 years? Is another person who was part of a nonpoor household 25 years ago still nonpoor, or has her household embraced poverty anew during this time? Compiling these trajectories—of stability and change—helped us to assess the overall situation of poverty over time. More important, learning about the reasons for change in each individual case helped to identify chains of events that were associated, respectively, with escaping poverty and falling into poverty on an abiding basis.

Analysts make a distinction between chronic poverty (situations where people persist for long periods of time in a state of poverty) and transitory poverty (where there are frequent oscillations into and out of poverty).<sup>14</sup> Here, we were concerned primarily with the former definition, identifying households that have

made an abiding transition in either direction. Some households were not easy to classify in these terms, either because they had a borderline position between two categories or because they were not resident in the village 25 years ago. Such households were placed within a residual category, E.<sup>15</sup> All other households were classified into four separate categories, A through D (see Table 1).

The next step was to inquire about the reasons for particular households' trajectories. First, the assembled community groups were asked about these reasons for a sample of households within each category. Next, individual interviews were conducted with members of the same households.

Households in each category were selected for interview following a process of stratified random sampling. Within each category, households were divided into subgroups representing different caste and religious group in the village, and a random sample of all households was selected from each subgroup. Members of at least two-thirds of all households belonging to the transitional categories, B and C, were interviewed in each village. Members of category A and category D households were also interviewed, though not in the same numbers.

At least two persons were interviewed from each selected household, and each person was requested to narrate the story of their household for the past 25 years. What was the change, if any, that they had experienced, and what were some significant factors responsible in their view for change (or stability)?

This is all, no doubt, recall data. However, triangulating views expressed by different household members helped to develop a clearer picture of events associated with change or stability in each case. In each case, these accounts were submitted for further verification to the assembled community groups, both men and women. Households' accounts verified in this manner were coded for principal reasons. Usually no more than four to five key reasons were involved in any particular case, though sometimes as many as seven key factors were

Table 1. *Four categories of households*

(A) Poor 25 years ago and poor today	(Remained Poor)
(B) Poor 25 years ago and not poor today	(Escaped Poverty)
(C) Not poor 25 years ago and poor today	(Became Poor)
(D) Not poor 25 years ago and not poor today	(Remained Not-Poor)

identified.<sup>16</sup> Members of more than 1,500 households were interviewed in all, and some fairly clear indications emerge from these recorded experiences.

3. RESULTS FROM 35 VILLAGES: THE LOCAL ELEMENT IN POVERTY REDUCTION

Figure 1 reports on the total number of households living at present in these 35 villages. While members of 11% of these households have broken out of poverty over the last 25 years, members of another 8% of households have simultaneously become poor. About 18% of all households in these 35 villages have remained poor through this period, while another 63% have remained nonpoor. The same patterns of national economic growth and the same state policies have affected different households very differently in these villages.<sup>17</sup>

Table 2 breaks these figures down by district. Since households today are not always the same as households 25 years ago, the numbers in Figure 1 and Table 2 should be interpreted with some care. Taking the first percentage figure (for category A) reported for Ajmer district, for

instance, it is accurate to say that 20% of households studied in this district are poor today and their members who lived 25 years ago also lived within poor households. Such households' members have not been able to break out of poverty. On the other hand—taking the figure for category B households in Dungarpur district—18% of households in villages studied in Dungarpur district have successfully escaped from poverty as understood in this region. Their members lived in poverty 25 years ago, but they are no longer deprived of food, clothing and education, and they are able to repay their debts regularly.

There are significant differences in these figures among the five different districts. In villages of one district, Rajsamand, the percentage of households that became poor (category C) is 6%, which is higher than the percentage of households that escaped poverty in this district (category B, 4%). In villages of Dungarpur district, however, these two figures are quite similar, respectively 18% for category B and 17% for category C. In villages of the other three districts the percentage of households escaping poverty is higher than the percentage falling into poverty, with the largest spread, 6%, being observed in villages of Ajmer district.

		25 Years Ago	
		Poor	Not Poor
At Present	Poor	17.8% (A) Remained Poor	7.9% (C) Became Poor
	Not Poor	11.1% (B) Escaped Poverty	63.2% (D) Remained Non-Poor

Figure 1. Trends in household poverty in 35 villages (poor households, %).

Table 2. Household poverty over 25 years

Districts	Villages	Households	(A) Households that remained poor	(B) Households that escaped poverty	(C) Households that embraced poverty	(D) Households that remained non-poor
Ajmer	12	2,273	449 (20%)	344 (15%)	202 (9%)	1,276 (56%)
Bhilwara	7	1,180	214 (18%)	117 (10%)	75 (6%)	774 (66%)
Rajsamand	7	1,230	100 (8%)	51 (4%)	67 (6%)	1,012 (82%)
Udaipur	6	1,068	176 (17%)	84 (8%)	56 (5%)	752 (70%)
Dungarpur	3	625	195 (31%)	111 (18%)	106 (17%)	213 (34%)
Total	35	6,374	1,134 (18%)	706 (11%)	506 (8%)	4,027 (63%)

Households whose members are poor today (A + C) = 26%.

Households today whose members were poor 25 years ago (A + B) = 29%.

Categories A (remained poor) and C (became poor) together constitute households that live in poverty today. Almost half of all households—48%—live in poverty in villages studied in Dungarpur district. The comparative figure for Udaipur district, located just to its north, is 22% and that for Rajsamand, another hundred kilometers north, is even smaller, 14%. Further north, however, this figure rises again, and it is 29% for villages in Ajmer district.

Poverty has a distinctly local flavor. Not only districts but also villages within districts—often located no more than 20 km from each other—vary substantially in terms of their pattern of poverty. Table 3 gives these figures for six villages in Udaipur district, all located no more than 20 km from Udaipur city and between 10 and 30 km from each other.

Households that are poor today—category A plus category C—constitute 9.3% of all households in village Phainiyon-ka-Guda, but they form nearly half of all households, 47.3%, in village Barda. A village where half the households are poor sits next to another village, where less than 10% of households are poor; and both villages are located at nearly the same distance from Udaipur city, the center of growth in this region.<sup>18</sup>

What happens to poverty in a region is an aggregate of what happens in different villages and diverse households. Quite different things are happening in different villages and also in different households, as we shall see below. Lumping together these data to conduct regional- or national-level analyses has the effect of obscuring several important factors that can help in formulating appropriate policies and better-targeted programs of assistance.

In the context of India, it is often claimed, for instance, that more poor people belong to lower compared to upper castes and that poverty is disproportionately concentrated among scheduled castes (the former untouchables) and scheduled tribes. Indeed, such a picture emerges when we look at all 35 villages taken together. Table 4 gives these figures.

Compared to the average figure for the entire population a much higher proportion of Scheduled Castes (SCs) and Scheduled Tribes (STs) are poor in all 35 villages. Thirty-three percent of SCs and 41% of STs have either remained poor or they have fallen into poverty over the last 25 years (category A plus category C). The corresponding figure for Upper Castes and Backward Castes is comparatively lower—respectively, 17% and 24%.

Table 3. *Trends in six villages of Udaipur district*

Village	Households	Percentage of village households that				Distance to Udaipur city (km)
		Remained poor through the past 25 years (A)	Became poor within the past 25 years (C)	Are poor today (A + C)	Were poor 25 years ago but are not poor today (B)	
Barda	146	42.5	4.8	47.3	12.3	15
Dhamaniya	298	10.1	6.0	16.1	3.7	20
Gowla	111	6.3	3.6	9.9	13.5	2
Phainiyon-ka-Guda	151	2.6	6.6	9.2	9.9	12
Seloo	199	24.6	5.5	30.1	7.0	32
Vishanpura	163	14.7	3.7	18.4	6.7	10

Table 4. *Poverty in different caste groups (35 villages)*

Caste group	Households	Households that remained poor (A)	Households that escaped poverty (B)	Households that became poor (C)	Households that remained non-poor (D)
Scheduled castes	945	24%	12%	9%	56%
Scheduled tribes	1,336	34%	15%	7%	44%
Backward castes	1,013	15%	11%	9%	66%
Upper castes	2,311	11%	9%	6%	74%
Total	6,376	18%	11%	8%	63%

Percentage of households escaping from poverty is also higher among the groups where poverty is higher. Proportionately more SC and ST households have escaped from poverty over the past 25 years (category B), and proportionately fewer upper caste and backward caste households have been able to make this transition. Members of caste groups that have historically been the poorest in village society are also making the most rapid strides in finding their way out of poverty. This achievement is tarnished somewhat because other members of the same caste groups have embraced poverty anew at the same time: SC and ST households in category C are quite large in number.

Once again, however, there are significant differences in terms of how well and how poorly SCs and STs have fared in different villages. Not one among the 35 ST households of village Khajooriya (Bhilwara district) is poor; but of the nine ST households that live in village Sarana (of the same district) every single one is poor. Similarly, while only 25% of SC households are poor in village Jhadol (Ajmer district), 65% of SC households are poor in Cheetawas village of the same district.

Numbers of households that have escaped poverty and that have become poor vary considerably from village to village, and factors such as relative commercialization and population composition are not very helpful for explaining these differences. Poverty has grown considerably in some villages that are located quite close to major growth centers, while in other villages located at greater distances from markets and roads, poverty has fallen quite sharply. There is no clear trend in this regard.

Nor is there any clear trend in terms of a village's caste composition. People belonging to the lowest caste and income categories have fared comparatively well in some villages, escaping poverty in large numbers, while in other villages the same groups have fared much worse, remaining poor or falling into poverty.

Gross comparisons—by village, by caste categories, etc.—do not go very far toward explaining why some households have escaped from poverty while other households have become poor at the same time. To understand these reasons better we will need to look at reasons for change at the household level. Even quite well-to-do households have become desperately poor over the past 25 years. If only these numbers had been smaller, assisted perhaps by appropriate public policy interventions, the net reduction in poverty would have

been much better overall. Unfortunately, however, relatively little is being done to affect factors that are associated with decline into poverty.

#### 4. FALLING INTO POVERTY: REASONS FOR DECLINE

This section and the next one analyzes experiences of the random sample of households that were selected for personal interviews. Multiple sources of information were consulted in their cases, as discussed above, and such verified and triangulated information was obtained for a total of 364 category C households—those that have become poor within the past 25 years. Their experiences are examined below in comparison with the experiences of the other three categories of households.

No single factor is associated with a household's decline into poverty. Most often, a combination of factors is at work, pushing a household downward from nonpoverty into poverty. "A single blow can be endured, but when several blows fall upon us one after the other, it becomes hard to cope... and the result [quite often] is poverty endured by generations to come."<sup>19</sup> The ability of any household to suffer successive blows is related clearly to its income category, and households that live closer to the margin of poverty (and whose kinsmen are also relatively poorer) can withstand fewer blows. But, relatively richer and relatively poorer households have been felled alike by a similar combination of factors. A typical example from this region helps illustrate these effects.

We were quite well-to-do at that time [25 years ago]. My father had a reasonable amount of land, and we three brothers helped with the farming tasks. But then my father fell ill. No one knows quite what it was [that afflicted him]. But the local remedies did not help. He became more and more ill. Finally, we took him to the district hospital. We borrowed 20,000 rupees [approximately \$800 at that time, equivalent to about two years' minimum wage] to spend on doctors and medicines, but it did no good. My father died. Then our kinsmen told us that we had to perform a death feast, inviting the extended clan from the adjoining eight villages. So we borrowed and spent another 15,000 rupees... The rate of interest was going up all this while... And then my brother fell ill... the same story was repeated... and we came under [accumulated] a debt of more than 50,000 rupees... Soon after that, I had my two daughters married. We must have spent about 10,000 rupees on each wedding [resulting

in]. . . more debt. . . We were paying [at the rate of] three percent a month as interest, and our land was pledged as security. There seemed to be only one way to start repaying this debt. We borrowed more money to sink a well on our land. For two years, it worked. There was water in the well, and we had a good crop. But then [as quite often happens in this area] the rains failed for four years in a row. Our well went dry. . . and the debt only kept growing. We had to sell our land. We are poor now, my brothers' families and mine. We work hard, wherever and whenever we can find work. . . just to repay our debt.<sup>20</sup>

This account, like all others considered here, was verified independently by at least one other member of this household and also by the village community. It corresponds closely in its details to the life histories that many other category C households related, and together these histories help identify the factors of different types that perpetuate and propel poverty in this region.

In more than 85% of all cases of decline into poverty, three principal factors are at work. A combination of health and health-related expenses, high-interest private debt, and social and customary expenses constitutes the major reasons for decline in the vast majority of cases.

*Health* problems and heavy expenses on healthcare (usually of poor quality and quite often with disastrous results) were included within the principal reasons for decline by a majority of households. Between one-half to two-thirds of category C households in every single village mentioned illnesses, accidents, and health-related expenditures among the four principal reasons contributing to their downfall. Distance from healthcare facilities does not count for this purpose. No matter if a village is very remotely situated or if it is located close to a big city (and a major hospital), health and expenses on healthcare figure prominently in more than half of all cases of households' decline into poverty.<sup>21</sup>

*Debt* is incurred when households in these villages need to make large and unexpected expenditures, especially on healthcare. Private moneylenders, and less often, relatives and friends, constitute the only available source of consumption credit. Private lenders' rates of interest vary according to the economic condition of the borrower but they are almost invariably high, and they impose a severe burden, particularly upon poorer villagers. These rates of interest cannot be compared directly with rates charged by institutional sources; informal village transactions are often quite

complex. So far as we could make out, however, rates paid by villagers start usually at 2% *per month*, and they rise higher for poorer borrowers and those with larger outstanding debts. For more than 70% of category C households considered here, high-interest debt was a prominent reason for decline.

Debt of this nature is incurred, however, not only to meet health-related expenses. Loans at high interest rates are also taken out to meet expenditures on social functions, most notably, *death feasts and marriages*.

People of our caste group told us: "Your father's soul will wait helplessly before the gates of heaven, unable to enter inside. Unless you do the right thing by your father [i.e., arrange an elaborate death feast], you are condemning his soul to eternal punishment." We were already poor at that time, but it is impossible to live with this kind of opprobrium, so we did what we had to do, and we are still repaying that loan [15 years later].<sup>22</sup>

Death feasts constitute the principal item of social expenditure in most villages of this region. Marriages also involve quite heavy expenditures, particularly for the bride's family, and in about one-third of all these category C households, heavy expenditure on marriages constituted a principal reason for decline.

A combination of these three principal reasons—health, debt and social expenses—is prominent in more than 85% of all these cases of decline. Elements of this combination do not figure so prominently for the nondeclining households whom we interviewed in these villages.

All caste groups are equally vulnerable to decline on account of these three principal reasons. The only exception is provided by Scheduled Tribes (STs) of Dungarpur district, among whom there is not a single case in which death feasts or marriage expenses played any significant part. There is no other caste group in any of the other four districts for whom these social expenses are not important reasons of decline—including, surprisingly, STs of the adjoining Udaipur district. STs of Dungarpur are alone in this respect that they abjure death feasts and they spend relatively small amounts on marriage parties. They have been assisted in this respect by a powerful social reform movement, the Bhagat movement, which became widespread in this district about 20 years ago.<sup>23</sup> This fact is important for policy purposes, and I will return to it in the concluding section.



Some other reasons for decline were also reported in a significant number of cases. Failed irrigation ventures—borrowing to pay for a well or tube well that failed to provide water continuously—figured prominently in 46 of the 364 cases of decline that we studied. This proportion is much higher however in Bhilwara district compared to the other four districts. In 20 out of 55 cases of decline that we studied in villages of Bhilwara district, failed irrigation projects constituted a principal cause.

For some households that have come out of poverty in the last 25 years, investment in irrigation has proved to be a boon, as we shall see in the next section. But for other families, including some quite desperate ones in the same village, irrigation has proved to be a disastrous investment. A factor of growth for some households has become simultaneously a reason of decline for others.

Nonavailability of high-quality information limits the amount by which households in this region can control for risk. As we shall see in the next section, information has also played a critically important role in determining who breaks out of poverty and who does not in these villages.

Two other factors—laziness and drunkenness—are sometimes mentioned, particularly by urban elites, as a likely cause of poverty among Indian villagers. These results provide hardly any support for this supposition. In no more than 14 out of 364 cases (4%) was laziness mentioned even as a contributing cause for decline, and in no more than 23 cases (6%) was drunkenness associated with decline into poverty. These numbers are fairly similar even among category A households (those that have remained poor over the past 25 years). Among more than 400 households of this category that were interviewed, in only 35 households was laziness a contributing cause and in only 29 households did drunkenness figure as a contributing factor. There might have been a few more households that hid this information successfully from us, but I doubt that there are very many households of this type.<sup>24</sup>

One image of the poor that is held out sometimes by some urban elites—as a slothful lot, waiting for handouts—finds hardly any support in these data. In this region, at least, poor people have become poor or remained poor in spite of their best efforts at self-improvement.

Health and healthcare expenses, social and customary expenses, particularly on death

feasts and marriages, and high-interest private debt constitute the principal reasons for decline into poverty in this region, and no other reasons are equally important. Some other factors—a bad marriage, a spendthrift son, a poor business deal, etc.—also figured in the accounts provided by (and for) some category C households. But, these factors figured collectively within no more than 2–3% of all cases of decline in any village. The three principal reasons accounted collectively for more than 85% of these cases.

Does a similar set of factors help to account as well for households that have moved out of poverty? Examining reasons for escape in the next section, we find that escape and decline are hardly symmetrical. Different sets of factors are associated, respectively, with escape from poverty and decline into poverty, and policy planners would do well to pay attention separately to both sets of factors.

## 5. ESCAPING POVERTY: WHO GAINS AND HOW?

Of the total number of households that inhabit these 35 villages, a little more than 11% are composed of members who were poor 25 years ago but who are not poor today. These households, belonging to category B, have managed successfully to escape from poverty. Ascertaining reasons for success in their case—and comparing these experiences with those of households of the other three categories—helps to illustrate the pathways by which poverty has been overcome successfully in this region.

*Diversification of income sources* is the single most important reason associated with households' escape from poverty in these villages. Of the 499 households of category B considered for this part of the analysis, diversification of income sources is a principal factor in 349 cases (70%).

Diversification requires taking up some other activity or activities in addition to agriculture, and successful diversification has in most cases required building a bridge to a city. Some villagers have taken up a trade or a job in a city, while others remain in the village and produce goods for sale in cities. But comparatively few households escaping poverty have done so relying on resources and markets contained entirely within their rural area.<sup>25</sup>

Personal capability and enterprise have counted much more in these cases of successful

escape, and relatives' help is also significant in many cases; however, direct assistance from government departments, non-governmental organizations (NGOs), political parties and other outside agencies is comparatively much less important. Personal capability and enterprise figure prominently in 271 of 499 cases (54%). Help from relatives or friends is a principal reason in 208 cases (42%). But, assistance from government or other sources (including NGOs and political parties) figures as a contributing cause in only 38 of the 499 cases of successful escape (7.5%).<sup>26</sup> Despite the operation of various anti-poverty schemes almost continuously for the past 25 years, less than 10% of successful escapes from poverty in this region can be attributed even in part to assistance programs operated in this region over the past two decades.<sup>27</sup> These assistance programs may have helped make poverty more tolerable for some poor households, but the *kinds* of assistance that are presently offered have not been notably associated with cases of households successfully escaping from poverty. Other reasons have been more important, and understanding these reasons can help give shape to different and more effective programs of assistance.

Diversification of income sources is the most important reason in these villages, and it has involved villagers in taking up a range of different activities. Some villagers have taken up additional activities within their village, including dairying, rearing goats, making charcoal, and hiring out for labor in mining, transportation and agricultural activities. But many more have sought new sources of livelihood in cities, and they have gone as far a field as Mumbai, Bangalore, Chennai and Pune, several hundred kilometers away, to work as carpenters, cooks, ice cream vendors, laborers, masons, plumbers, sign-painters, tea stall assistants, truck drivers, and waiters.

Mostly younger males move to the city for this purpose, and in nearly all of these cases they travel by themselves, leaving their families behind in the village. The positions they occupy in the city are hardly very secure, as we shall see below, and it is both more reliable and cheaper to have one's family remain stable in the village.

Contacts providing *information* are critical for most cases of successful diversification. In 198 of 309 cases of successful diversification (64%), the availability of an external contact, a friend or more often a relative already estab-

lished in the city, was critical for a household's successful break from poverty.

Households that have had such *contacts* available to them have been able to tap into economic growth and to make use of the opportunities for self-advancement that growth undoubtedly provides. But other households, equally well qualified in most other respects, have not been equally able to take advantage of these opportunities.

I am educated [to high school level] and eager to get a job in the city, but I have no way of knowing what jobs exist. I have no one in the city who can find out and tell me. It is very expensive for me to live there waiting for a job, and my family cannot afford these expenses. Some day, I hope, I will get a job and help my family. I wish I had an uncle or a cousin in Bhilwara [the nearest city], who could help me, just as Gopi Singh's brother-in-law helped him to find a job.<sup>28</sup>

People need to be connected to economic growth, they need to have information and contacts, and households that have lacked information and contacts have been less able to use diversification as a pathway out of poverty. It is a sorry fact that even as the government in India (and in other developing countries) has pledged itself increasingly to supporting market-led economic growth, it has not at the same time made market-based information easier to access by ordinary citizens. Instead, citizens rely mostly on kinship-based channels; those who are lucky enough to have relations in cities are the ones who are most able to diversify and break out of poverty.

It is also noteworthy that an increase in full-time employment is *not* the main channel through which economic growth has translated into poverty reduction in these contexts. Obtaining a regular job in the private sector is important for only 34 of these 499 households, and finding a regular job with the government is important for another 34 households. Opportunities in the informal sector—for irregular and part-time work, often in unsafe or unsanitary conditions—have provided, instead, the major avenue of escape from poverty in this region. Even such opportunities have not been available to all willing and capable households, but only to those for whom some friend or relative has served as a point of contact and a source of information.

Lack of reliable information also has other life-threatening consequences in these villages. Many households become poor, we have seen, on account of huge expenses associated with

poor-quality healthcare. Much of this expenditure can be reduced if households have more information at hand about common diseases, about their symptoms and early-stage remedies, about sound hygiene practices, and about the reputations of healthcare providers in their vicinity.

*Irrigation* projects provide yet another example of the role that information plays in these contexts. Constructing a new well or tube well or deepening or mechanizing an old one was an important reason for escaping poverty in 136 out of 499 cases (27%). But as we have seen before, expenditures on irrigation can go both ways. Some households' investments in irrigation projects have failed miserably, pushing these families onto a downward slope, and quite often resulting in enduring poverty. Before any household invests in these projects, however, there is very little information at hand that helps to reduce the risks involved. Poorer households are relatively less able to cope with risk (Bowles & Gintis, 2002), and investing in irrigation projects is pretty much a gamble for these villagers. But it is exceedingly hard for them to gain access to technical surveys and to other reliable information that can help reduce risks.

Family size is another factor that can influence households' upward or downward mobility, and different views have been expressed in the literature, with some analysts emphasizing the handicaps imposed by large family size and others stressing the benefits to rural household of having a larger number of sturdy workers (Iliffe, 1987). The evidence that emerges from this study of rural households in India is somewhat mixed in this respect. Small family size was an important factor for 16% of households that successfully escaped from poverty (category B), but for another 8% of these households large family size was an important factor of success. If we also look at category C households, large family size was an important reason for decline in 13% of these cases, but in only a slightly smaller number of households, 11.7%, *small* family size was an important reason for decline. When one looks at the aggregate picture thus, large family size goes together more often with downward rather than with upward mobility, and small family size is associated more often with movements in the reverse directions. But considering only the aggregate picture tends to obscure the multiple and complex realities that are hidden beneath. Small and large family sizes are associated

variously with escape and with decline; and it is impossible to say without more detailed knowledge how this factor might work out in any given case. Micro-level motives are complex and varied, and connecting micro-level strategies with macro-level outcomes is hardly as simple as is sometimes assumed.

## 6. WHAT SHOULD BE DONE?

A number of different factors have been identified from time to time that can help reduce or alleviate poverty—including affirmative action (Jayaraman & Lanjouw, 1999); community organization (Esman & Uphoff, 1984); credit and insurance (Jalan & Ravallion, 1999); education (Dreze & Sen, 1995); health (Strauss & Thomas, 1998); information (Rodrik, 2002); land reform (Herring, 2002); managerial ability (Heckman, 2000); market linkages (Bauer, 1984); inflation (Gaiha, 1989b); property rights (de Soto, 2000); social capital (Hirschmann, 1984; Krishna, 2001); technological improvements (Conway, 1997; Schumacher, 1973); etc.

Which factors or which combinations of factors might work best in what circumstances is not at all well known. "It is one thing to say that development strategies should have a poverty focus, yet another to decipher what the relevant policies should be" in any particular case (Rodrik, 2002).

Without first knowing what poor people are doing by themselves to overcome poverty or to cope with it, programs of assistance can be hardly well designed. What is it, in fact, that one is trying to assist? Quite often it is some chimerical vision that guides program strategies—the latest trend, the newest model, the theory that happens to be in the ascendant at that time. But such programs tend quite often to fall on infertile ground. Instead of assisting people's pursuits, the promise of program benefits tends to send them off in other directions, replacing and displacing the local effort.

It is important, therefore, to know more about poor peoples' strategies and to inquire more closely into the correlates of poverty and its opposite in particular parts of the world. Conducting such an inquiry in villages of Rajasthan, India, it was found that almost as many people have sunk into poverty over the past 25 years as have emerged from it. Reasons associated with households' emergence from poverty are very different from reasons associated with other households' decline.

Three elements—high healthcare costs, high-interest consumption debt from private sources, and social expenses on deaths and marriages—together form a chain that leads many households into abiding poverty. Breaking the chain at any one of these three links can help rescue many thousands of households from falling into poverty each year.

Villagers in the five districts studied here are all served by government-funded clinics and hospitals, but several reasons limit villagers' use of these subsidized facilities.<sup>29</sup> Reforming social practices and making reliable and affordable healthcare available will go a long way toward reducing the risk of households falling into poverty. In addition, and even separately by itself, making consumption loans available at a reasonable rate of interest will also help.

Arresting decline will be assisted by these measures, while promoting escape from poverty will require a different set of policy instruments. Diversification of income sources is critical in this respect, and information and contacts matter critically for a household diversifying successfully. It is through arranging for the provision of high-quality information that government agencies and NGOs can play the most effective roles in this region. Money currently spent to subsidize asset purchase by poor farmers is much better spent, in my view, by supplying information about disease control, about water tables, about opportunities in the city, about the means to hold state officials accountable, and about the methods that villagers can use to obtain gainful access to markets.

Information is a key resource in many other respects as well. Better-informed villagers are not only able to escape from poverty more successfully. They are also able to participate more effectively in democracy and in governance, and they are able to hold state officials more effectively to account (Krishna, 2002a; Sen, 1999).

Because poverty has very important local origins, as these data show, more contextualized and more fine-grained knowledge will be required for better understanding the nature of poverty in any particular region. History and statistical analyses show that over the longer term, growth is the only abiding antidote to poverty. But the long-term may often be too long in coming, and to paraphrase while slightly distorting Keynes, many of the poor may be needlessly dead by that time. What we need to know better in the meanwhile is the nature of mechanisms that enable growth at the

national level to translate into poverty reduction at the household and individual level. We need also to know a great deal more about nongrowth-related aspects of poverty. These mechanisms and these aspects are likely to be highly context-specific. It becomes important, therefore, to invest in gaining the kinds of knowledge that helps with more rapid poverty reduction in specific contexts.

Poverty needs to be understood in a dynamic context because it is here that successful and not-so-successful strategies can be identified. It is important to understand why some previously poor households are no longer poor and why some previously nonpoor households have fallen into poverty in any particular setting. Unfortunately, however, these dynamic-context data are the hardest to find. One does not usually have data for 25 years ago, and one cannot wait for 25 years (or even 10 years) to generate new data.

The Stages-of-Progress methodology developed in Rajasthan helps recreate an account of poverty in dynamic context, and while this method has some obvious limitations, it has also provided useful and policy-relevant results. The methodology is cost-effective: teams of six to eight persons took between two and four days to complete the process in most village communities incurring on average costs of about Rupees 25,000 (about \$500) per community studied. The methodology relies on recall data—as do most investigations of poverty in the developing world—however, every item of data is verified and crosschecked from multiple independent sources, including men and women community groups meeting separately and at least two members of the household consulted independently of each other.

These data may not be amenable to precise calculations of a statistical type, but they provide a means of ascertaining what works and what does not in a particular context. The conclusions they help to derive in terms of factors associated with upward and downward mobility can help to customize more appropriate policy responses. Community groups can utilize these simple diagnostic tools to assess and monitor progress and to design better schemes that help with poverty reduction locally. And governments, NGOs, and donor agencies can top up these local initiatives and target funds for poverty reduction more precisely and effectively. Linked with other research approaches, such as detailed household-level surveys, and addressing additional aspects, including intra-

household differences, this method can help generate additional facts about poverty and its causes in diverse local contexts. Plans are underway for just such a wider study in Kenya

and Uganda in partnership with policy makers at several levels, and additional implementation is being considered for two other Indian states, Gujarat and Andhra Pradesh.

## NOTES

1. "Usually but hardly always, economic growth reduces absolute poverty," asserts Fields (2001, p. 104), and the aggregate relationship between growth and poverty reduction at the national level can hide several discrepancies that appear when lower-level results are examined.
2. Considerably more detailed work on household mobility is available for industrialized countries. In the context of the United States, for example, see Bane and Ellwood (1986) and Corcoran (1995).
3. Notable examples include Baulch and McCulloch (2002); Christiaensen, Demery, and Paternostro (2002); Deininger and Okidi (2002); Dercon (2001); Gaiha and Kulkarni (1998); Glewwe and Hall (1998); Haddad and Ahmed (2003); and Sen (2003).
4. Household's rise and decline are mostly explained in these studies with reference to factors from the larger environment. Not many panel-data studies address aspects of agency. Attwood (1979) and Jodha (1988) are notable exceptions.
5. These districts are: from north to south, Ajmer, Bhilwara, Rajsamand, Udaipur and Dungarpur.
6. The other high-performing states are Punjab, Andhra Pradesh, Gujarat and Kerala (Mehta & Shah, n.d.).
7. We did try initially to utilize the household consumption expenditure schedule utilized by the Government of India's National Sample Survey (NSS). But we gave up this exercise rather quickly because we found it impossible to get *any* households to devote the amount of time and patience required to fill out this schedule completely, with its 380-plus separate questions, each related to some item of household expenditure.
8. Housing is a notable omission from this list. Hardly anyone in these villages is entirely homeless, however, and though improving the condition of one's home is important for people, it comes at a later point in the stages of progress. In some other contexts, however, not having a house might very well constitute a defining aspect of what it means to be poor.
9. A similar stages-of-progress exercise conducted among high school students in Udaipur city resulted in reproducing the same four initial stages and the same poverty cutoff. It is also interesting that in the city as well as in the villages, a household that was poor in terms of these criteria was commonly referred to as being "Down" (on its luck and in its situation). The use of this English-language term to refer to poverty is quite widespread in these Indian villages, where very few people speak any English at all. It should also be pointed out that progress is not all that happens in these villages. Many households also experience decline, as we shall see below, and charting their "stages-of-progress" quite often amounts to tracing movements in a downward direction.
10. A period of 25 years was selected for this exercise because it corresponds roughly to one generation in time, which is appropriate, according to Walker and Ryan (1990, p. 99) for examining household mobility. "Nine years," the period of time that they considered, "is too short" they conclude, for analyzing "issues that pertain to income mobility, which ultimately can only be addressed with intergenerational data."
11. No more than 2% of all households in these villages have either moved in or moved out entirely over the past 25 years. More usually, one member of a household leaves his village to find work elsewhere, while other household members remain behind in the village. While such households and individuals were adequately captured by this method, it is possible that some others, e.g., itinerant beggars were not.
12. Educational facilities were not so widespread and easy to access 25 years ago, nor were villagers so normatively driven at that time to send their children to school. Consequently, educating children does not form a constituent element of household poverty as understood by villagers for 25 years ago. The other three elements remain the same then as now.
13. This analysis is quite similar to what Uphoff (2003) proposes when he refers to the need for assessing individuals' life chances.
14. See, for instance, Gaiha (1989a) and Hulme and Shepherd (2003).

15. No more than 38 of the total of 6,376 households (<1%) found their way into this category. It is quite possible, however, that some households moved in and out of poverty multiple times within the intervening period, and although the assembled groups were asked about continuity and stability in terms of each household's path, it would have helped to inquire additionally about some intermediate time period, say 10 or 15 years ago. I am grateful to an anonymous reviewer for suggesting this methodological refinement, which will help with later applications of this approach.
16. An advantage of this open-ended exercise is that more reasons can be explored with households than are listed in some previously formatted questionnaire. A disadvantage, though, is that since reasons for decline (or escape) are not clearly known or fully listed at the start of the inquiry in any region, one cannot independently check with nondeclining (or nonescaping) households whether and how they were affected by the same sets of factors. Some of these crosschecks were conducted but only later on, after reasons for change had been learned in the first few villages visited.
17. Similar mixed trends are reported by Gaiha and Kulkarni (1998) for villages in the state of Maharashtra.
18. Udaipur city, now home to about one million people, is an important center of commerce in Rajasthan, and villages in this district were selected deliberately close to this city (although at varying distances) in order to assess the relative impacts of economic modernization using distance to market as a proxy variable.
19. Interview with Prabhu Khoral, member of a category C household in village Badla, district Ajmer (June 15, 2002).
20. Interview with Kishan Gadari, village Muraliya, district Bhilwara (May 20, 2002).
21. Wadley (1994) reports a similar close linkage between ill-health and poverty in rural Uttar Pradesh. Deininger and Okidi (2002) and Christiaensen *et al.* (2002) present a similar relationship, respectively, for Uganda and for a group of countries in Sub-Saharan Africa.
22. Interview with Ramji Lal, village Goverdhanpura, district Ajmer, May 10, 2002.
23. Despite the lower significance of these social expenditures, however, category C households still constitute a larger proportion of households in Dungarpur compared to the other four districts. More than 85% of all village households in Dungarpur belong to Scheduled Tribes, a historically marginalized and impoverished group, and their healthcare status gives considerable cause for concern. (Interview with Devilal Vyas, Director, People's Education and Development Organization, Mada, Dungarpur.)
24. In community groups especially, villagers were hardly shy in talking about another person's slothfulness or penchant for drink, and gently probed, household members also came forth to speak frankly about these aspects (they knew they had nothing to gain from us anyway).
25. The critical importance of diversification for rural households moving out of poverty is reported for Sub-Saharan Africa by Ellis (1998, 2000) and for the Philippines by Eder (1999).
26. These three reasons—personal enterprise, relatives' help, and government assistance—are not mutually exclusive, so more than one of them can figure in any particular case.
27. It is possible that people are more willing to speak glowingly of the roles they have themselves played in their household's success, and they will downplay the role of outside assistance, but most of the successful households have received no direct government assistance to speak of; and indirect assistance—electricity, water supply, roads, schools, etc.—have been available as well to members of category A and category C households, who have not fared so well. Besides, household members were hardly reluctant to speak of the help they had received from relatives and friends.
28. Interview with Pratap Singh, village Khatikhera, district Bhilwara, May 16, 2002.
29. Two different explanations were provided, depending on whom I consulted. Doctors in government hospitals referred to shortage of stores and equipment (including fuel and stoves for sterilizing surgical instruments) and of the need, therefore, for the patient's family to purchase privately what should have been available for free; and they referred also to the large numbers of attendants who accompanied each patient from the village, for whose upkeep the patient's family has to pay. Villagers on their part spoke more often of the "fees" that they had paid to doctors, to nurses, and to other staffs in government-run hospitals. In a few villages surveyed toward the end of this exercise my colleagues and I kept detailed notes about cases where family

members could recall symptoms clearly, and we asked some physician friends to calculate for us the amounts that city dwellers would pay to have such illnesses treated.

In general, we found, villagers had paid considerably larger amounts. More research is required to establish the relative worth of these different explanations.

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