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Falling into Poverty Other Side of Poverty Reduction

A survey of 12 villages in Rajasthan found that a number of households had climbed out of poverty in the past 25 years. Simultaneously, however, a large number of previously non-poor households had also fallen into poverty, resulting in a rather small net improvement in the poverty situation in this area. Since the reasons for people overcoming poverty are quite distinct from the reasons why they succumb to it, different policy instruments are required to promote escape from poverty and to prevent decline into it, in this region and in other parts of the country.

ANIRUDH KRISHNA

I Introduction

The net change in poverty over any period of time is a resultant 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. Different reasons can account, respectively, for people escaping from poverty and people falling into poverty, and different strategies will be required to deal with these two separate movements. Relatively little is known, however, about why some non-poor people fall into poverty, and hardly anything is done to fight poverty on this front. Relatively little is known also about why some poor people (and not others) are able to make their escape from poverty.¹ Numerous programmes are mounted nevertheless to assist poor individuals and households. These programmes are designed based on theoretical premises and sophisticated models, which is good. But they start with little knowledge of what these individuals and households are doing by themselves to cope with poverty – which is not so good. At best, these programmes fall on infertile ground. At worst, they end up displacing the efforts that people make of

their own to deal with poverty in their midst.²

Considerably more knowledge is required about causes of household mobility in both directions and about household strategies associated with these movements. This paper presents a methodology developed for this purpose that was piloted over two periods of fieldwork in villages of Rajasthan. Results from investigations conducted in 12 villages of two districts are also presented.

Some poor people (but hardly all) have escaped from poverty, these results show; but many non-poor people have become poor at the same time; and different factors account for households' movements in either direction. These factors are not likely to be the same all over India. More localised investigations will be required to identify better what factors account for movement in either direction in any particular region. And different policies will be required to promote escape and to arrest decline in each region.

Section II discusses in greater detail why our current, almost exclusive, focus on growth might be detrimental to the objective of poverty reduction. Section III summarises the main results and presents the methodology of this study. Sections IV and V present these results in greater detail. Section VI closes with a discussion of policy recommendations and future steps.

II Whatever Happened to 'Trickle Down'?

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 best reasoning in support of the growth-is-good-for-the-poor view is backed, however, by the rather insipid finding that when one considers a lot of different countries over a number of different time periods one "cannot reject the null hypothesis that the income share of the poor does not vary systematically with average incomes" [Dollar and Kraay

2000: 196]. Sometimes – in some countries and at some times, this finding suggests – the income share of the poor goes up with growth, sometimes it goes down with growth, and sometimes it goes neither up nor down.³

We do not know much about the conditions when growth will and when it won't trickle down to benefit poor people. Yet we must rely on growth as the engine of all poverty reduction, and going further down this track, we must rely on open-market economics as the engine of all growth [Dollar and Kraay 2002].⁴ What else we might do is not even equally clear, that is, the rate of success of other types of poverty reduction policies cannot be foretold with even 50 per cent probability. It is, indeed, a rather strange and unknown beast that we are trying to destroy in the next 13 years.⁵

The problem with analyses of this kind, however, is that they look to find a global remedy to a global problem. The solutions should work well every time they are implemented. But what causes poverty in one part of the world may be very different from what causes poverty in another part. The pathways that lead out of poverty may look quite different in different parts of the world, and it is important in any given locale to look for these pathways.

'Poverty' does not get reduced *because* growth occurs, or the climate changes, or some structural factor ebbs or grows in some way. Poverty gets reduced when more households and individuals do the things and take the pathways that lead out of poverty, and fewer individuals take the other pathways that lead into poverty. Focusing on what these individuals and households do is important for finding what these different pathways look like in any given situation. It should help us to know better why growth has higher poverty reduction associations in some circumstances and not in others.

Once we know what these two sets of pathways look like, we can set about improving these associations. We can go about broadening and strengthening the first set of pathways while restricting and closing off the second set. We can do whatever is necessary to promote growth, but we can also do a lot of other things to help transform a given rate of growth into a higher rate of poverty reduction.

What these other things are, however, will most likely vary from location to location. They will need to be identified

carefully through observations conducted locally in different parts of the world.

III Pathways Into and Out of Poverty

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

(1) Enormous variations in poverty are apparent even within this small group of villages located at the most a 100 km or so from each other. The percentage of households in poverty varies from a low of 4.1 per cent (in Phiyawari village Rajsamand) to a high of 47.3 per cent (in Barda village, Udaipur).

(2) A large number of households have overcome poverty in the past 25 years. But simultaneously a very large number of households have also fallen into poverty. The net decline in poverty – numbers escaping from poverty minus numbers falling into poverty – is quite small as a result.

(3) Among all poor households in these villages, 31 per cent have experienced poverty for the first time in 25 years, that is, about one-third of all currently poor people *became* poor at a time when the national economy was growing and when these districts' economies were also growing.⁶ The remaining 69 per cent (of all currently poor households) have remained poor continuously for more than 25 years.

(4) Several households have escaped from poverty at the same time; 33 per cent of households that were poor 25 years ago have managed to find their way out of poverty.

(5) Escape and decline are *not* symmetrical with each other. Reasons for escape are varied and multiple, as are reasons for decline, and these two sets of reasons differ significantly from each other. Different policy instruments are required thus to promote escape and to prevent decline.

The separate reasons for escaping poverty and falling into poverty are discussed in the next section. It is useful to underline that while these reasons may be similar in other parts of the country and this state,⁷ it would be important, nevertheless, to conduct similar field-based inquiries in these other parts.⁸

I opted to work first in Rajasthan because I know this state better than any other. I have lived and worked in Rajasthan form ore than a decade. In addition to

servng for 13 years in the state government, I have also previously undertaken detailed field investigations dealing with different aspects of village economy and politics. For all of these studies including the present one, I worked together with a group of field investigators, men and women in equal numbers and themselves village residents of the area.

Together we devised protocols that were piloted first in a small group of villages. After significant modifications and another two weeks of training, these field investigation protocols were applied in 12 selected villages that represent a varied group. Small villages were studied together with larger ones; villages closer to market towns and major roads were selected along with others that are more remotely situated; and mixed-caste villages were selected along with others where a single caste group is more dominant.⁹

We tried to utilise the existing NSS schedules to assess households in poverty at the present time. However, it proved to be hard, if not impossible to fill out these schedules in practice.

The NSS schedule includes over 380 disparate items of consumption. Each succeeding question is framed exactly like the previous one – "How much rice did you consume over the last 30 days? In kilograms? In rupees?" – and this list of 380 items includes, inter alia, 33 kinds of vegetables and 18 types of fruit, along with toddy, country liquor, beer, foreign liquor, marijuana (item 330) and airfare (item 500). Two of the five village households that I interviewed using this schedule threw me out when I was only a quarter of the way through the list, having already spent two hours with them, and the other three refused to respond after a mere 30 minutes. My co-workers in the field had no better luck with this questionnaire, and frankly, I cannot imagine anyone responding patiently (and at all accurately) to 380 monotonously repeated items – "How many eggs did your household consume in the past 30 days? In kilograms? In rupees? How much fish/prawn? How much goat meat/mutton? How much beef/buffalo meat? How much pork? How much chicken? Others (birds, crabs, oyster, tortoise, etc)?"

Intrigued to discover the methods that NSS staff actually utilised to fill out these schedules – a task that seemed to me to be well nigh impossible in practice – I interviewed two experienced field investigators, one from the Ajmer office and

another from the Udaipur office. "We are enjoined to use our 'common sense'", the Udaipur investigator told me, after I had assured him repeatedly of strict confidentiality. "We know that it is impossible to fill out these schedules item-by-item, so we observe how the household lives, the conditions inside its dwelling unit...and we gain a pretty good idea of its consumption pattern." The Ajmer person added, "Our supervisors check at most whether we have, in fact, gone to the particular village...Overfilling the schedule gives grounds for suspicion, so you have to leave a certain number of items blank... Experience is a very important guide."

I should like to ask the reader to pick up one of these schedules and attempt to fill it out for their own household. A lot of guesswork was involved when my wife and I tried to fill out one such schedule for our household. I am keen to learn how NSS investigators in other parts of the country cope with an instrument that we found exceedingly hard, if not impossible, to administer in practice.¹⁰

We had to devise our own more workable methods for assessing households in poverty at the present time. We would, in any event, have had to rely on such methods for assessing households in poverty 25 years ago. We started by undertaking carefully structured community interviews in each village.

Knowledge about changes in a particular household's situation is widely shared among members of close-knit communities. People who have lived together over long periods of time tend to know who among them has progressed and who has declined. They also tend to know broadly what events were associated with different households' rise and decline: someone got a job in the city, while someone else succumbed to an expensive and ultimately untreatable illness; someone benefited from an irrigation scheme and now grows two crops instead of one, but at the same time another person lost her land to erosion or in a lawsuit. Eliciting this information carefully from community members – and complementing and verifying it with information gained independently from individual households – can go quite a long way toward reconstructing the sequence of events associated with mobility or stasis in each particular case. It does not yield the types of numerical estimates that statisticians more commonly utilise for their analyses. But measuring poverty more precisely (against some common

global standard) and dealing with poverty more effectively (in some particular local setting) are not necessarily always the same objective.

The following steps guided our work in each selected village:

(i) *Assembling a diverse and representative community group*: It was important in each village to speak collectively with members representing different segments of that community. It was particularly important to have in attendance older members from each community segment, who could speak knowledgeably about households' situations 25 years ago and in the intervening period. It took some time before such a group could be assembled in any village. But we conducted this work in the months of May and June, the leanest part of the agricultural cycle in this region, and villagers were mostly free and available to speak with us.

(ii) *Presenting clearly the objectives of the exercise*: Communities in most parts of the developing world are familiar with visitors who dispense programme benefits to particular categories of residents. And if they sense that you are there to kick-start some new programme – which is why most investigative visitors have come their way previously – then there might be some incentive for deliberate misrepresentation. It was very important to clarify at the outset that there were no benefits to be had (or any losses to be incurred) from speaking freely and frankly before the assembled gathering. And it was important to re-emphasise this aspect repeatedly during these interviews.

(iii) *Defining collectively what it means for a household to be regarded as poor*:¹¹ Poverty means many different things to different people, and indeed, people within any given community may have different words for different levels and categories of poverty. So it is critically important to arrive at a common understanding of poverty and to define clearly what it means for some households in the community to be regarded as poor.

The 'stages-of-progress' approach was developed for this purpose. Community groups delineated the culturally relevant stages of progress that poor households typically followed on their ways out of poverty, and they designated the particular stage at which households are no longer poor as locally understood.

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 first ones to be made? Which ones follow immediately after? As more money flows in, what does this household do in the second stage, in the third stage, and so on?

I had thought initially that there would 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, buying food to eat, sending children to school, possessing clothes to wear outside the house, and retiring debt – were common not just to different villages. They were also commonly reported by the men and women's groups that we organised and consulted separately in each particular village. And there was common agreement in both sets of groups in all 12 villages that households progress out of poverty through pathways that go successively through these four consecutive stages.¹² It is likely that different stages of progress have been socially constructed in other parts of the developing world, and it would be important while conducting inquiries in these parts to ascertain the milestones that constitute these stages.¹³

Villagers' strategies for overcoming poverty are closely related to the achievement of these milestones. They deem themselves poor when their households' members do not have enough to eat or decent clothes to wear, when they accumulate more debt without being able to repay instalments due on past debt, and, most interestingly, when they cannot afford to send their children to school.¹⁴ And they work hard to achieve at least this bare minimum stage of existence for their households.

Well-defined and clearly understood criteria for classifying households as poor or non-poor were derived in this manner, and these criteria are related directly with the strategies that households pursue to deal with poverty in their midst. Separately in each village we arrived at the same understanding of what constitutes poverty for the residents. Based on these well-understood criteria, we could begin to classify which households were poor at the present time and which households were poor 25 years ago.

(iv) *Referring to a well known signifying event to demarcate the first period:* We selected a period of 25 years for this study because it corresponds roughly to one generation in time. Periods of time much shorter than this are not very reliable for examining trends in mobility [Walker and Ryan 1990: 99].¹⁵ However, merely saying "25 years ago" is not clear enough in community interviews, and it is possible that people might refer back to different times while speaking of households' situations in the earlier period. In order to fix clearly the earlier period, we needed to refer to some commonly known landmark event. The national emergency of 1975-77 is one such event that all older villagers remember vividly and about which there is no confusion in people's minds.¹⁶

(v) *Treating households of today as the unit of analysis, classifying households' poverty status today and in the earlier period:* We listed all currently existing households in the village, and referring continuously to the shared understanding of poverty developed in step (iii) above, we asked the assembled community group to describe each household's status both today and for the earlier period.¹⁷ Ranking each household's progress in terms of the successive stages of progress helped verify who was indeed poor in each period. Crossing over the first four stages of progress served to verify that a household was not poor.¹⁸

(vi) *Categorising households:* Some households were poor in the earlier period but they are not poor now. Others were not poor then but they have become poor since.¹⁹ Some households that exist today did not exist 25 years ago. In their case, we inquired about the parents' households.²⁰

Four categories of households were defined as follows:

Category A – Poor then and poor now: (Remained poor);

Category B – Poor then and not poor now: (Escaped poverty);

Category C – Not poor then and poor now: (Became poor);

Category D – Not poor then and not poor now: (Remained not poor).

Men's and women's groups worked separately and they produced two separate sets of household classifications. These separate classifications, which did not in most cases differ too much in the first instance, were harmonised after discussion and debate to produce the final classification. A residual category, E, was also

formed, which included all households that proved hard to classify, but hardly any households, less than 1 per cent overall, were required to be consigned to this residual category.

(vii) *Ascertaining reasons for change (or stability) for a random sample of households:* We then selected a random sample of households from each of the four categories, and queried the assembled community groups about the circumstances within which these households had moved or stayed the same. "What were the major factors behind household A's shift from non-poor to poor?" Probing further, we asked the assembled groups to identify the four most important causes in each case. These exercises were conducted in each village with men's groups and women's groups meeting separately. Differences were harmonised through follow-up discussions, and these results were further cross-checked with the help of household interviews.

(viii) *Following up with households:* Additional information for all households within the random sample was obtained by interviewing individual members of that household. The goal here was to delve into the reasons behind this household's movement or stability and to cross-check the information provided by the community groups. More than one member from each such household was interviewed. Women investigators interviewed women members and male investigators on our team interviewed male members of households.

Groups of 6-7 persons worked together to conduct these investigations in any village. Depending on its size, it took typically 2-4 days' work to complete this work in any village.

IV Trends in Household Poverty

Trends observed in the 12 villages differ quite considerably from each other. Table 1 provides these figures.

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 percentage of households falling into poverty over this period also varies quite widely, from 2.4 per cent to 11.8 per cent.

The seemingly precise nature of these data is likely to mislead.²¹ More valuably, one should interpret them to indicate trends and directions of change. One can examine these trends for reasons related to change in either direction. And one can formulate policies that address these reasons more effectively.

Large numbers of households have fallen into poverty overall, but it is found that these numbers vary considerably from village to village. Can these differences be explained with respect to any particular village characteristics? Does it matter, in particular, how any particular village is located in relation to the national and regional economy? Table 2 helps examine some of these factors.

Using distance from the market as a proxy variable for market integration, it is found that neither escape nor decline nor even the net change in poverty is significantly associated with this variable. Amoli village and Dooliyana villages are both situated at the same distance, about 10 km

Table 1: Trends in Poverty in 12 Villages

Village	Number of Households	Percentage of Households that Over the Past 25 Years			
		Remained Poor (A)	Escaped Poverty (B)	Became Poor (C)	Remained Non-Poor (D)
Rajsamand district					
Amoli	197	32.0	8.1	3.6	56.3
Dooliyana	129	2.3	3.1	7.8	86.8
Ghati	170	2.9	1.8	11.8	83.5
Moorda	263	6.1	2.7	4.2	87.1
Roopakhera	135	3.	3.7	7.4	85.2
Ulpura	169	3.6	1.8	2.4	92.3
Udaipur district					
Barda	146	42.5	12.3	4.8	40.4
Dhamaniya	298	10.1	3.7	6.0	80.2
Gowla	111	6.3	13.5	3.6	76.6
Phainiyonkagudha	151	2.6	9.9	6.6	80.8
Seloo	199	24.6	7.0	5.5	62.8
Vishanpura	163	14.7	6.7	3.7	74.8

away, from the nearest market town, but while in the first village households in poverty declined by 4.6 per cent, in the second, households in poverty *rose* by the same percentage amount. Similarly, Ghati and Barda villages are both located about 15 km away from the nearest market town, but percentage of households in poverty fell in Barda while it rose in Ghati over the past 25 years. Other surrogate variables for market integration were also similarly insignificant for explaining these differences in relative performance.²²

Village infrastructure has been found important, however, in other studies [Gaiha 1989], and social capital has also been found important for the overall development performance of a village [Krishna 2002b, Krishna and Uphoff 2002]. But in terms of poverty movements in either direction, village-level characteristics examined here were not found particularly valuable for explanation. Future investigations will help identify other village characteristics that matter for poverty reduction in any given context.

Caste composition is not very useful for explaining inter-village differences in poverty, it was revealed in this study. It is true that poverty is more enduring among households belonging to scheduled castes (SCs) and scheduled tribes (STs).²³ 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. Amoli village, with almost 50 per cent SCs and STs within its population, had a net positive improvement in terms of poverty reduction. But Dhamaniya, with a much smaller proportion of SCs and STs, had a net negative result at the same time.

Table 3 presents the overall performance of different caste groups in these villages.

It is clear that proportionately more SC and ST households are poor. Currently poor households include all those that have continued to remain poor over the past 25 years (category A) and also all those who have become poor over the past 25 years (category C). 34 per cent of all ST households and 29 per cent of all SC households belong within these categories, but comparatively fewer households of the other three caste categories – 20 per cent of OBC (O), 7 per cent of OBC (N), and 12 per cent of other castes – are poor at the present time.

However, proportionately at least as many 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.

If only these numbers could have been controlled – if only the rise out of poverty of some households had been unaccompanied by the simultaneous decline of large numbers of households *into* poverty – the overall achievement could have been much more encouraging – even with the same overall rate of growth in the economy. As it is, however, the rise of some households has gone together with the decline of others, and the net improvement has been quite low overall.

V Overcoming Poverty and Falling into Poverty

Why have some households escaped from poverty at the same time that other households have become poor? I will look in this section at the random sample of households in whose case information was obtained separately from community groups and also from household members.

Cross-checking results from these four separate sources – men's community group, women's community group, and at least two household members – helped triangulate this information in each particular case.

A clear pattern began to form itself once we had investigated the first few villages. Experiences of overcoming poverty are associated in this region with one set of factors, and experiences of becoming poor are associated with another set of factors. These two sets of factors are quite different from each other, but they are fairly similar across villages in this region.

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.

It is not true that those who rely only on agricultural incomes are all invariably poor. It is true, however, that among poor households who have successfully escaped from poverty, more than four-fifths have

Table 2: Villages and Poverty Reduction

Village	No of Households	Became Poor (Category-C) (Per Cent)	Escaped Poverty (Category-B) (Per Cent)	Net Reduction in Poverty (Per Cent)	Distance to Market (km)	Distance to High School (km)	Scheduled Caste (Per Cent)	Scheduled Tribe (Per Cent)
Rajsamand district								
Amoli	197	8.1	3.6	4.5	10	2	4	45
Dooliyana	129	3.1	7.8	-4.7	10	10	6	23
Ghati	170	1.8	11.8	-10.0	14	5	40	19
Moorda	263	2.7	4.2	-1.5	40	10	23	9
Roopakhera	135	3.7	7.4	-3.7	14	4	2	34
Ulpura	169	1.8	2.4	-0.6	25	25	32	7
Udaipur district								
Barda	146	12.3	4.8	7.5	15	5	6	43
Dhamaniya	298	3.7	6.0	-2.3	20	5	4	8
Gowla	111	13.5	3.6	9.9	2	12	0	0
Phainiyon-ka-guda	151	9.9	6.6	3.3	12	7	0	28
Seloo	199	7.0	5.5	1.5	32	5	0	44
Vishanpura	163	6.7	3.7	3.1	10	3	16	22

Table 3. Caste and Household Mobility (Per Cent)

Caste Group	Households that Remained Poor (A)	Households that Escaped Poverty (B)	Households that Became Poor (C)	Households that Remained Non-Poor (D)
SC	22	9	7	52
ST	29	7	5	59
OBC (O)	14	7	6	73
OBC (N)	3	5	4	88
Others	7	7	5	81

Note: * The category OBC (O) includes all other backward castes except Jats and Dangis, who are included within the category OBC (N).

done so through developing an additional, non-agricultural, source of income.

79 households in villages of Udaipur district and 53 households in villages of Rajsamand district were sampled from among all Category B households, and detailed investigations of antecedents and associations were conducted in their cases. In Rajsamand 45 of 53 households (81 per cent), and Udaipur 59 of 79 households (75 per cent), have overcome poverty through developing an additional income source.

Employment in the formal sector has not constituted the principal (or even a very important) source of successful diversification. Only three out of 53 Rajsamand households (6 per cent) and six of 79 Udaipur households (8 per cent) found their ways out of poverty as a result of one of their members getting a job in the government or in the private sector. Growth has not translated into poverty reduction in this region through any significant expansion of formal sector employment.

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. People have gone as far as afield as Chennai and Pune to work as ice-cream vendors, truck drivers, cooks and masons. And it is these new income streams that have been associated in most cases with households' successful escape from poverty.

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. Help from a friend or more often, a relative, in the city is associated critically with most cases of successful diversification. And those who do not have such connections are not able as often to diversify with success. Many talented and hardworking village youth have had perforce to remain behind, deprived of any real opportunity to connect with processes of growth.

Poverty reduction has surely suffered on this account. But growth has also suffered. Connections to new opportunities were available to only a small number of relatively favoured households. And much

available talent has remained disconnected from growth.

After 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 (Category C).

Information is a key resource, as I will discuss later.²⁴ Providing regular and reliable information about new opportunities, about water tables and extraction rates, and about 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. In no more than seven of 79 escaping households in Udaipur (9 per cent) and 4 of 53 such households in Rajsamand (8 per cent) did external assistance of any kind figure anywhere among the principal reasons for successful escape. People in this region have overcome poverty mostly as a result of their own initiatives and with the help of their relatives and friends. Government assistance – or even assistance from any other external parties, including NGOs, business houses, and political parties – has very little to do with these results. Government expenditures on poverty reduction schemes may have had other positive effects, including making poverty more tolerable,²⁵ and other government schemes, such as affirmative action and public distribution, may also have made a considerable difference.²⁶ But programmes of direct assistance account collectively for a relatively small fraction

of households escaping poverty in these villages.

It is not that all direct government assistance to the poor is a bad idea and should be withdrawn. My point is more about the kinds of assistance that are now on offer. These types of assistance 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 programmes of direct and indirect assistance.

Programmes of information provision – including, perhaps, supporting employment exchanges in rural areas – can be quite helpful for making diversification an option available to a larger number of willing persons. At the same time, however, a different set of programmes will be required for controlling other households' simultaneous decline into poverty.

Escaping poverty and becoming poor reflect, respectively, quite different trajectories. Factors associated with becoming poor are quite different from factors associated with escaping poverty, and different policies will be required to deal with these different dynamics.

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 even any one of these links will have a very significant effect.

Reasons for falling into poverty were inquired into extensively for a total of 109 households, including 61 households in villages of Rajsamand district and 48 households in villages of Udaipur district. These are the households sampled from Category C. In 65 of these 109 cases (55 per cent), poor health and high healthcare-related expenditures formed the principal association with falling into poverty. "When a poor family decides to give medical care to a woman or child, it often means losing a day's wages...in addition to which it costs a minimum of a day's wage in bus fares, doctor's fees, and medicines. It easily takes a week or more for a family to recoup its losses" from one

day's medical attention [Wadley 1994: 136]. And it takes substantially longer to recover when medical treatment is spread out over a longer period.

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. Not all well to do households that faced ill-health and medical expenses fell into poverty, but those that did faced these factors in a majority of cases. And households that lived closer to the margin (which they had barely crossed over the first few stages in the earlier period) were even more vulnerable to decline on account of these factors.

High expenses on death feasts and marriages constituted the second principal reason for the decline into poverty. Expenditures on death feasts were associated with 52 of 109 cases of decline (47 per cent) that we studied intensively, and marriage expenses were associated significantly with 45 cases (41 per cent).²⁷ There are no significant differences when these numbers are looked at separately for different caste groups in these villages. Scheduled castes and tribes along with middle and upper castes are similarly prone to decline on this account.

The third principal reason of decline—high-interest private debt—helps to pave the way for the other two reasons. Loans taken out from private (and officially unrecognised) sources is involved in 97 of the 109 cases (89 per cent). Households take out loans to pay for healthcare expenses and for social ceremonies, and the high interest rate usually charged on these loans helps plunge a household ever quicker into poverty. The base interest rate—which is available only to wealthier and relatively debt-free households—starts at 2 per cent per month. This rate climbs upward rapidly for households that are less well-off and more indebted. Many ST households are paying rates as high as 8 per cent per month, and rates even higher are not entirely unknown.

Households do the best they can to have their ailing members provided with medical attention—even if it means accumulating debt at very high interest rates. Particularly when locally available remedies are no longer effective, they take the patients to the city hospital, which is quite often a considerable distance away. They wait a long time to be treated, and they pay quite large amounts, which are often

ruinous over the longer term. But it does no good to let one's father or mother die without at least trying to give them the most modern medical care within one's reach.

The difference between then (25 years ago) and now is that then the patient used to die quietly in the village, but now they die in hospital. Then there was no big expense. Now the family remaining behind is ruined because of the high expenses. The new 'dava-darou' (medicine) is both helpful and (it is) a curse.²⁸

Expenses on death feasts and marriages are also an important source of impoverishment in these villages. And it remains unclear to me why despite poverty and despite debt people continue to spend heavily on these ceremonies. Even quite poor households have spent amounts as large as Rs 25,000 on death feasts, and it is quite common to spend a similar amount on the marriage of a daughter.

We have had 'akaal' (drought) now for four years running. If there is akaal for one more year, it will break our backs. We will be forced to think harder about these expenditures, particularly death feasts... We are talking already in my caste council about doing away with death feast expenses.²⁹

Some caste groups in the adjoining districts of Dungarpur and Bhilwara have already determined to abjure death feasts, and it is possible that continuing hardship will force other caste groups to rethink the social necessity of these ceremonies. The government can do relatively little by itself to assist with these developments. But it can do considerably more to address the other two causes of impoverishment: high medical expenses and high-interest debt. In the concluding section of this paper, I will discuss some possible courses of action that can help prevent people falling into poverty in this region.

VI Concluding Thoughts

Transforming a given rate of economic growth into a higher rate of poverty reduction will require more careful investigation of factors that act variously as incentives and obstacles. And the nature of these incentives and obstacles is likely to change in relation to the local political economy. 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.³⁰ 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. Since we have not trusted poor people to partner with us for these analyses, we have learned nothing at all about what *they* are doing to deal with poverty by themselves. And the policies we have devised have tended by and large to mesh poorly if at all with these bottom-up efforts.

A personal anecdote helped illustrate for me the enormous waste of talent that we are currently letting occur. Sanwarmal is 19 years old, a 'teli' (oil extractor and retailer) by caste, and educated up to the first year of college. In the summer between his first and second years of college, Sanwarmal joined the group of field investigators who helped conduct these inquiries in different villages. I was working on my field notes one night after dinner, and Sanwarmal was peering constantly over my shoulder. Out of irritation with him as much as out of curiosity about the outcome, I asked him to translate into Hindi the four pages of notes that I had just finished typing in English. Two hours later, he had finished the task. His handwritten notes contained a near-perfect translation. The next day, I reversed this experiment. I wrote up my field notes by hand in Hindi. Asked him to transcribe these notes from Hindi into English. His translation was not so good this time around, and there were numerous errors of grammar, spelling and syntax, but Sanwarmal learned his English in a government school in a village, and for him it was still quite a remarkable achievement. Over the next few weeks, I learned how good he was at mathematics and at interacting with and persuading people. I also learned how good were the other people in this group.

What do you expect these people will achieve, however, and what do they set their sights to become? Ponder this question carefully, and you will not fail to see the vast human tragedy that engulfs these people and our country. Sanwarmal dreams at best of becoming a messenger in some government office; that is all he thinks is possible for him, given the way things work. Madhu, an equally competent youngster, hopes to become one day a constable in the district police force. If only they knew someone somewhere, if only they

had some real opportunity, their talents could contribute so much more to national growth. It is not my point that messengers and constables do not contribute to national growth; they certainly do contribute quite a lot. But talented people should also have other opportunities, producing more wealth for themselves and for their country. When most of them cannot even become messengers and constables – and only a few of them can become even ill-paid ice-cream vendors (that is, if they have the right contacts) – then we have a very real human problem on our hands.

Diversification of income sources is the most important factor associated with households escaping poverty in these villages. Yet the route to successful diversification is not open equally to all talented and hardworking persons. Despite more than 50 years of political equality, despite over a decade of market opening, opportunities with the state and with markets are not equally open to all. To get somewhere, one must still know someone. Villagers who do not know anyone helpful will quite likely remain poor, even if they have talent.

Or they might become poorer yet on account of healthcare costs, social expenses, and high-interest private debt. These three factors are primarily responsible for households falling into poverty in villages of this region.

Helping households obtain reliable healthcare affordably has very high priority, in my view, among all development interventions for this region. It matters little whether government agencies or NGOs are made responsible for these services. Accountability to the user is more critical than the nature of the provisioning agency. Market competition and market information are likely to work best for this purpose. So it should be ideal to not restrict this market to any particular type of agency, government or NGO or private for profit. But it would be important at the same time to have institutions functioning that can supply villagers (and city folk) regularly with high-quality *information* about symptoms and disease prevention, about diseases and their diagnosis and treatment, about fair market prices for treatments of various kinds, and about the reputation and records of different providers in their region.

Dealing effectively with healthcare as a cause of impoverishment will go a long way toward arresting people's decline into poverty in this region. If they are provided with affordable sources of credit for this

purpose, then even more significant progress can be made. Private moneylenders hardly ever become bankrupt in any village, yet institutional lenders are averse to granting consumption credit to poor people. There is high demand for consumption loans in these villages, but the supply is artificially restricted, so poor people end up paying very high rates of interest. If institutional restrictions against the supply of consumption credit cannot be removed, it makes sense to expand more microcredit operations into these rural areas.

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 of India.

Similar local-level investigations will be required to ascertain the reasons for escape and reasons for decline in other parts of the country. Why people fall into poverty needs to be known much better, and why only some people (and not others) are able to benefit from growth will also need to be investigated more closely.

Inter-temporal comparisons are very important for this purpose. One cannot really know what factors matter for poverty unless one is able to trace their interactions with households' strategies over time. Cross-sectional data tell us about who is situated where at any given point of time, but they reveal little about *how* people got where they are.³¹ They can tell us what factors associate significantly with poverty today, but they say relatively little about why someone *becomes* poor or non-poor.

Particularly in situations characterised by asymmetry – where factors associated with escape are different from factors associated with decline – cross-sectional analysis is not a very powerful tool of analysis. Comparisons over time are required to discern whether this is, in fact, the case in other parts of India and the developing world. 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.³² Some other easier methods will be required to study trends over time more efficaciously in different regions.

The field investigation methods presented here or some improved versions might be utilised for this task. Or some

different and better methods could be developed for this purpose. In order to help poor people better, however, we will need to learn much more about the obstacles that they face and the strategies that they mount in order to deal with poverty in any given context. [27]

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Notes

- 1 A few studies are available that consider panel data for the same set of households over multiple periods [Attwood 1979, Gaiha and Kulkarni 1998, Jodha 1988, and Walker and Ryan 1990]. However, very few such studies are available globally, and while they are very helpful for identifying which households rose and which fell over the period of study they do not identify the factors responsible for mobility in any given case. Households' rise and decline are explained with reference to factors belonging to the larger environment – which is shared by all of these households. But why a shared set of factors should be distributed differently among households in the sample is never completely clear. For instance, Dercon (2001) finds that all poor households (even those that fell into poverty) benefited from relative price changes. However, those that escaped from poverty benefited most from this factor. Why households should sort themselves in this manner is not clear. What aspects of agency create an elective affinity between a given household and a particular subset of factors?
- 2 "The development landscape is littered", state Morss and Gow (1985: 207), "with the remains of projects that died [after] providing little more than a temporary infusion of assets, personnel and services". Other, more recent, commentaries largely concur with this evaluation of development interventions. See, for example, Chambers (1997), Collier and Gunning (1999), UNDP (2000), and Yugandhar and Raju (1992).
- 3 On average, however, the income share of the poor does not change when growth occurs. See also Chen and Ravallion (2001), and Ravallion (2001).
- 4 A comprehensive critique of this argument and of the statistics that help support such arguments is presented by Wade (2002).
- 5 The Millennium Declaration of the UN has set the goal of eradicating extreme poverty by 2015.
- 6 The growth rate of per capita income in the undivided Udaipur district, which includes present-day Udaipur and Rajsamand districts, was 10.53 per cent per annum between 1980-81 and 1991-92 [GOR 2002: 164]. This document does not indicate whether these figures are in current or in constant prices, but even if we adjust for inflation the adjusted growth rate is still positive and significant, which should not be surprising. Rajasthan was the fastest growing state in all of India in the 1980s, and its growth rate in the 1990s was only marginally lower, 6.54 per cent per annum [Ahluwalia 2000]. For another comparative perspective across states in India, see Mehta and Shah (nd).
- 7 Quite similar reasons for different parts of the

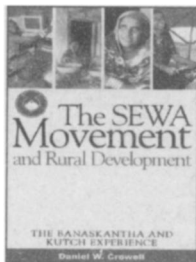
- country are presented by Chelliah and Sudarshan (2001: 182-92) and by Wadley (1994:117-44), which indicates that there might perhaps be some more general dynamics at work.
- 8 A useful review of village studies is presented by Jayaraman and Lanjouw (1999). Hardly any of these studies provide trends in poverty over time, however.
 - 9 We did not work in the native village of any investigator, nor did we work in any area where I have served before and might be recognised as a government official.
 - 10 Altering the recall period from 30 days to seven days results in yielding very different information and very different estimates of poverty overall [Visaria 2000].
 - 11 Households were treated as the unit of analysis for this exercise. Inequality within households, particularly on gender lines, is also important to assess. The methodology will need to be refined for later investigations to take better account of these differences.
 - 12 Housing did not form part of the first four stages probably because no one in these villages is entirely homeless. Improving the quality of one's housing is an important individual aspiration but it occupies a later stage among these stages of progress and it does not form an essential part of the poverty criteria defined by these villagers. Other late-stage milestones include improving agricultural land, purchasing jewellery for future weddings, buying a tape recorder or a TV, buying a motorcycle, and buying a refrigerator (the height of luxury and wealth in these villages). People disagreed about whether a TV comes before a refrigerator or a motorcycle. For most present, however, such items were the stuff of daydreams more than actively contemplated consumption decisions.
 - 13 Colleagues with whom I have started conducting a similar exercise in western Kenya report some similarities and some differences in these stages of progress. Housing and small animals (chickens, goats and sheep) figure within the first few stages (before the poverty cut-off) in Kenya, while debt and debt retirement are not so important there as in rural Rajasthan.
 - 14 This last aspect related to children's education was very pleasing to observe. Only the very poorest households in these villages do not send their children to school – and everyone else does. I have noted elsewhere how the level of educational achievement has gone up steadily in these villages [Krishna 2002b, 2003]. No more than 15 per cent of villagers aged 60 and above have school education of five or more years, but almost 70 per cent of 18 to 25-year-old villagers have achieved this level of education. Educational achievement has increased dramatically in the last 20 years, and I found it interesting to observe that villagers stigmatise not sending one's children to school as a clear symptom of dire poverty. A number of other indications also point to the emergence of a widely shared norm that children should and must go to school and that everyone should support this effort. Conductors of public buses in this region do not charge school-going children any fares. A song popular among villagers laments the fate of a girl whose parents arranged her marriage to an illiterate boy.
 - 15 Walker and Ryan (1990: 99) are unable to draw any conclusions from their 9-year panel data for households. "Nine years is too short a time to analyse issues that pertain to income mobility, which ultimately can only be addressed with intergenerational data", they claim.
 - 16 I should like to thank Ravi Srivastava for suggesting this methodological refinement.
 - 17 Households that had migrated out of the village in the past 25 years were also included within this list. However, the total numbers of such households was extremely small. Entire households have rarely migrated out of these villages. More usually, the male earning members have migrated, and other household members remain behind in the village.
 - 18 Education was neither as easily available nor as socially desired in the earlier period, so we looked only at the first three stages – food, clothing and reducing debt – as the criteria for poverty in the earlier period.
 - 19 Analysts distinguish between chronic and transitory poverty [Gaiha 1989]. We were concerned in this exercise mostly with the former kind, that is, chronic or stable poverty that abides for a fairly long period of time.
 - 20 Households of today are not strictly comparable with households of 25 years ago. Some households that existed 25 years ago do not exist today, and some households that exist today did not exist 25 years ago. By treating households of today as the unit of analysis, we were inquiring, in fact, about inherited versus acquired status. Did members of a household that is poor today also live within poor households 25 years ago? If they were not alive at that time, did their parents belong within poor households? In which households did poverty continue to persist? Which other households were able to overcome poverty and why?
 - 21 Poverty is not like height or atmospheric pressure that can be scaled more accurately with instruments of greater precision. More 'objective' measures of poverty, which utilise income or expenditure measurements, are also dependent upon recall data, and they are also susceptible to errors of recording and aggregation. At the hands of agencies with political interests, it is feared, these statistics are also susceptible to errors of interpretation and reporting. In the international context, see in this regard, Deaton (2000), Reddy and Pogge (2002), and Wade (2002). In the context of India, see Datt and Ravallion (2002) and Lal et al (2001).
 - 22 Alternatively, I looked at fare to market as another surrogate for market integration, but once again there was no clear association between poverty trends and this variable. Interestingly, distance to the high school is also not significant.
 - 23 See also Ray (2000).
 - 24 Information also makes the key difference, together with education upon how extensively a person participates in democracy; wealth and caste status matter much less in comparison (Krishna 2002a).
 - 25 Forty-five per cent of all households in this region are dependent on working for at least one month every year on construction works financed by government schemes such as JRY. Wages provided by such casual employment are important year after year to help with these households' basic survival [Krishna 2001]. Ahuja and Bhargava (1989) and Bhargava (1997) examine the effects of loan and subsidy providing programmes in Rajasthan.
 - 26 But see, for example, Swaminathan (2000).
 - 27 These separate factors are not mutually exclusive, since more than one factor was involved in most cases of decline.
 - 28 Interview with Gopal Singh, village elder and former sarpanch, village Barda, district Udaipur, June 2, 2002.
 - 29 Interview with Prabhulal Dangi, shopkeeper, village Phainiyon-ka-Guda, June 6, 2002.
 - 30 Poverty analysis has tended "to focus heavily, if not exclusively, on the definition of the poverty line and estimating poverty incidence and its trends. Factors underlying regional and temporal variations in these respects...have also been explored but not to the extent one would expect" [Vaidyanathan 2001].
 - 31 For instance, it is claimed on the basis of cross-sectional studies that "the probability of experiencing poverty is more in bigger households...[and so] effective population control in rural areas (is necessary) to eradicate rural poverty in India" [Thakur et al 2000]. But if poorer households are also larger in size at any given moment of time, it does not necessarily follow that large size is a *cause* of poverty. The causation might run the other way around: poorer households need more earning members and so might prefer to have more children. Or there might be a third factor, such as, high infant mortality, that affects both poverty and household size and causes increases in both. Without examining these connections over time – do larger households tend to do worse over time compared with smaller households? – it is not possible to weigh in conclusively on these issues. For households in the 12 villages examined above, large family size was, in fact, associated more often with poorly performing households than with better performing ones, but this difference in numbers on each side was quite marginal. Many large-sized households have, in fact, escaped from poverty, and many small-sized ones have fallen into poverty. The relation between household size and poverty is quite complex when viewed in dynamic perspective. In the aggregate it makes sense, of course, to limit population for any given level of resources, but at the micro level, where these decisions are made in practice, the nature of this relationship is harder to discern.
 - 32 Panel-data studies are discussed also in Note 1 above.

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