

# Poverty Dynamics and Growth in South Asia

Some Preliminary Reflections on Country and Village Level  
Data

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# Outline of Presentation

- **Part-I:** Trends in Growth and Poverty Reduction in South Asia
  - Sets the context and motivation for micro-level research
- **Part-II:** Moving out of Poverty India Study: Study Design, Method, and Key Findings
  - Indicates the relevance of social and political institutions (“structure”) and individual (“agency”) Factors

# Part-I

- Part-I: Trends in Growth and Poverty Reduction in South Asia

(Sets the context and motivation for micro-level research)

# Growth Performance

**Table 1: Trends in growth in per capita GDP in South Asia: 1980-90 vs. 1990-2003**

	1980-90	1990-00	2000-03	1990-03	Growth Rank
India	3.6	3.6	4.3	3.8	1
Pakistan	3.5	1.4	1.3	1.4	5
Bangladesh	1.1	3.0	3.2	3.1	3
Sri Lanka	3.1	3.9	1.3	3.3	2
Nepal	2.4	2.6	0.3	2.5	4

Source: Sadiq Ahmed (2005), Explaining South Asia's Development Performance: A Puzzle or Good Policies?

# Poverty Reduction Performance

**Table 2: Trends in headcount poverty in South Asia, 1990-2005**

Country	Period	Interval (years)	Poverty Head-Count (%)		Changes in poverty (Percentage points per annum)	Changes in Poverty (per annum changes as % of base year)	Rank on poverty (Based on col. 5)
			Start	End			
India	1993/94-2004/05	11	36.02	28.27	-0.70	-1.96 (-3.71)*	3
Pakistan	1990/91-2004/05	14	34.0	29.2	-0.34	-1.01	5
Bangladesh	1991/92-2005	13.5	58.8	40.6	-1.35	-2.29	2
Sri Lanka	1990/91-2002	11.5	26.1	22.7	-0.30	-1.13	4
Nepal	1995/96-2003/04	8	41.8	30.9	-1.36	-3.26	1

- \*Figures in parentheses relate to estimates for 93/94 (29.2%) and 99/00 (22.7%) and are taken from Deaton and Dreze (2002) based on unit-record data.
- Source: India: Dev and Ravi (2007) based on published grouped distribution data. Himanshu (2007) shows similar trends; All other countries based on unit-record data, as in Pakistan: World Bank (2002) and World Bank (2007c); Sri Lanka: World Bank (2007a); Bangladesh: World Bank (2006); Nepal: World Bank (2007b).

# Summary of Aggregate Growth and Poverty Trends

- India grew faster than others since 1990, but its poverty reduction record is not necessarily the best among the SA countries.
- Bangladesh's record of consistent poverty reduction matches well with its overall growth (and consistent HD) performance since 1990
- Nepal's record of poverty reduction appears rather remarkable given its relatively less impressive growth performance, especially during the conflict years
- Sri Lanka and Pakistan showed weak poverty reduction performance
- Pakistan continues to seek stability, as poverty rates fluctuated sharply between survey-spells (1998/99 and 2001/02 sharp rise due to drought, and sharp fall between 2001/02 and 2004/05 due to agricultural recovery)
- ***In all countries, inequality rose, more sharply in the post-1990 poverty spells***

# In Search of Additional Drivers

- What explains the apparent disjuncture between improved growth performance and modest poverty reduction? Surely, the growth was important; but other non-growth factors mattered in explaining the poverty dynamics
- Some of the poor groups benefited more than other poor groups. Why?
- Besides, there were considerable fluctuations in and out of poverty that underlie the trends in net headcount reduction. Why?

# Stylized Factors Influencing Ascent and Descent: Two different Dynamics

- ***Ascent is not a mirror image of descent***
- Factors influencing ascent from poverty are mainly related to “structure” (level of affluence/ growth; inequality in access to opportunity) and “agency” (asset accumulation, including human and social development; empowerment/ aspiration)
- Factors influencing descent into poverty are mainly related to shocks (health, natural disaster, conflict) and lack of access to risk-insurance/ risk-mitigating mechanisms
- **Examples from Bangladesh and India**

# Part-II

- Part-II: Moving out of Poverty India Study: Study Design, Method, and Key Findings

-Indicates the relevance of social and political institutions (“structure”) and individual (“agency”) Factors

# In search of Additional Drivers: MOP India Study (1)

- Conventional panel data mainly provides ***livelihood assets based explanations*** and often does not capture the range of social and political institutional factors (***transformative structures***) that may matter in mediating asset-access
- This aspect has been probed further by the on-going Moving out of Poverty (MOP) study done by Deepa Narayan et al using a ***qualitative panel approach***
- Based on the ***community perception based rating*** through FGD of who's who in the village matrix of "ladder of life" the study identifies and surveys the set of ***movers*** (those who crossed community defined poverty cut-off) and contrasts with the circumstances that remain associated with ***non-movers within the initial poor group*** mapping the period 1995-2005

# In search of Additional Drivers: MOP India Study (2)

- It is a ***one-shot survey*** where ***initial household and community conditions*** (i.e. events/ states that prevailed 10 years ago) were captured through collective and individual memory recalls
- The case studies for India done for 4 states (UP, West Bengal, Assam and AP) show the importance of additional drivers of poverty dynamics, i.e., ***social inclusion, local democracy, personal empowerment and aspiration, and political connectivity*** controlling for the standard economic factors (local community prosperity, household asset acquisition, including human capital), and shocks
- In this presentation ***we focus on the general findings of the 3 states (UP, West Bengal and Assam)***

# Contextual Focus for each State

## Uttar Pradesh (UP)

- Does local democracy help in the mobility of the poor and lower castes (SC and OBC)?

## West Bengal (WB)

- Role of decentralization (including land reform) and political connection in influencing people's mobility over time

## Assam

- How and why do some people in a conflict environment move out and stay out of poverty while others remain trapped?

# Coverage of the Study

- 300 villages (80-WB, 50-Assam, 110-UP, and 60-AP)
- Community Profile: 300
- Household Questionnaires: 4420
- Life Stories: 2785
- Focus Group Discussions: 2260
- The emphasis is *not to draw state-wide representative sample*, but to generate large enough sample to study the factors that influence movers vs. non-movers

# Identifying Movers through “Ladder of Life”: Centrality of Focus Group Discussion

- Step 1: Building Ladder of Life: Understanding Household Mobility
  - Determine steps/categories of the Ladder of life
  - Probe reasons for movement, resilience at each step
- Step 2: Individual Household Sorting Activity (Mobility Matrix)
  - Identification of individual household’s current well being status and the status 10 years ago.

# Community Mobility Matrix: Tikrikhurd Village, Uttar Pradesh (India)

**CPL**

10 ye ar s be fo re	Now →	1	2	3	4	5	6	Total
	1	1,3,4,5,6,7,8,10,11,12,13,15,19,21,22,24,25,26,27,28,29,30,32,46,47,48,49,51,53,56,57,83,84,85,110,112,113,114,116,117,118,123,124,125,126,128,133,134,135, 139, 149,150	14,23,33,50,59,64,108,109,119,120,122,129,130,131,132,137,138,	107	20,76,82,86,87,136	93	34	78
2	42,44,45,67,95,111,140,141,145,145,147,148	9,16,17,38,39,40,41,43,54,58,65,66,68,69,70,71,72,73,80,89,94,127,142,143,144	36,37,52,55,60,61,62,63,75,103,104,115	81,88	78	79	53	
3			35				1	
4	2,106,121	74		91	92		6	
5	18,31	Fallers				77	Chronic Rich	3
6						90,96,97,98,99,100,101,102,105	9	
Total	69	43	14	9	4	11	150	

Chronic Poor

Movers

Fallers

Chronic Rich

# Summary Statistics from Ladder of Life

- 1) **Prosperity Index:**  $\longrightarrow$  Movers/Total HHs
- 2) **Falling Index:**  $\longrightarrow$  Fallers/Total HHs
- 3) **Net Prosperity Index:**  $\longrightarrow$  (Movers - Fallers)/Total HHs  
(*Growth*)
- 4) **Churning Index:**  $\longrightarrow$  (Movers + Fallers)/Total HHs  
(*Churning*)
- 5) **Moving out of Poverty Index:**  $\longrightarrow$   $\frac{\text{Movers crossing CPL}}{\text{HHs Poor 10 years ago}}$   
(**MOP:** *Poverty Reduction*)
- 6) **Mobility of the Poor Index:**  $\longrightarrow$   $\frac{\text{Movers of the Poor}}{\text{HHs Poor 10 years ago}}$   
(**MPI**)
- 7) **Mobility of the Rich Index:**  $\longrightarrow$   $\frac{\text{Movers from the Rich}}{\text{HHs Rich 10 years ago}}$   
(**MRI**)
- 8) **Shared Prosperity Index:**  $\frac{\text{Mobile Poor}}{\text{HHs Poor 10 years ago}} - \frac{\text{Mobile Rich}}{\text{HHs Rich 10 years ago}}$   
(*Pro-Poor Growth*)

# Summary Statistics on Movers

Case Study States	<b>MOP (Movers i.e. who escaped poverty, as % of total households)</b>	<b>MPI (“Small Movers”): i.e. who showed upward mobility in general, as % of total households)</b>
Assam	0.106	0.200
Andhra Pradesh	0.215	0.368
Uttar Pradesh	0.213	0.317
West Bengal	0.308	0.445

# Approach to Analysis: Blending Quantitative and Qualitative Tools

- **Quantitative:** A linear probability model was used as estimation method to explore within a multivariate framework the central question as to who moves out (as per community definition and norms).
- Regressors include community and household level perception variables relating to *local-level* social and political *institutions* as well as individual *agency* (empowerment and aspiration) in addition to standard household level asset, human capital and social/ demographic factors.
- Regressors ***relate to the status prevailing 10 years ago*** to test statistical association with the chances of poverty-escape
- **Qualitative:** This component includes ***life-history analysis of movers and non-movers***; community reports to substantiate the relevance (or non-relevance) of the factors that appear important from the quantitative analysis plus shed lights on the underlying process/ long-term poverty dynamics
- ***How the variables were constructed?***

# Local Democracy

**Moving out of  
Poverty**

## **Local Democracy**

### PCA Index of responsiveness of local democracy

- Trust in local government officials
- Satisfaction with democracy in local govt.
- Extent to which local government takes into account concerns
- Ability to influence actions of local govt

### PCA Index of corruption

- Corruption in government officials at the country level
- Corruption in govt. officials in village
- Corruption in government officials in community

# Agency

**Moving out of  
Poverty**

**Agency**

**Individual**

Empowerment

- Position on ladder of power and rights
- Control over everyday decisions

PCA Index of individual aspirations

- Aspirations for self
- Aspirations for future generation

## Effect of Local Democracy: OLS Results (HH level)

	<b>Democracy</b>	<b>Corruption</b>
U.P.	+ sig	- sig
W.B.	+sig	+sig
Assam	+ sig	+

The basic specification includes variables on economic opportunity, local democracy, collective action, agency, aspirations, violence against women and social inequality/divisions. Also included are household characteristics (assets, livestock, house ownership, education level, health shocks). All regressions are OLS cluster corrected, and tested for robustness.

## Crowd out effects of Local Democracy (HH level)

	<b>Democracy</b>	<b>LOM of Local Democracy</b>
U.P.	+ sig	-
W.B.	+sig	- sig
Assam	+ sig	- sig

The basic specification includes variables on economic opportunity, local democracy, collective action, agency, aspirations, violence against women and social inequality/divisions. Also included are household characteristics (assets, livestock, house ownership, education level, health shocks). All regressions are OLS cluster corrected, and tested for robustness.

## Movers score higher on Empowerment and Aspirations

<b>Communities</b>	<b>Power &amp; Rights</b>	<b>Control over decisions</b>	<b>Aspirations</b>
U.P.	+ sig	-	+ sig
W.B.	+ sig	+ sig	+ sig
Assam	+	+ sig	+ sig

The basic specification includes variables on economic opportunity, local democracy, collective action, agency, aspirations, violence against women and social inequality/divisions. Also included are household characteristics (assets, livestock, house ownership, education level, health shocks). All regressions are OLS cluster corrected, and tested for robustness.

# Implicit Role of Political Connection: West Bengal Data

Differential Rating of Political Trends by Movers vs. Non-Movers

HH-Data	Initial Poor Set	
	Mover	Non-Mover
<b>Trust in Local Govt.</b>		
High Trust	40	27
Low Trust	38	47
<b>Local govt. run by:</b>		
in the interest of all people	48	35
in the interest of few	52	65
<b>Satisfaction in Local Govt.</b>		
High	80	65
Very Low	2	8
<b>Ability to Influence Local Govt.</b>		
Increased	23	18
Decreased	9	17
<b>Corruption in Local Govt.</b>		
Negligible	27	16
High	17	29

## Other correlates (HH level)

	<b>SC Dummy</b>	<b>Asset Index</b>	<b>Education</b>	<b>Health Shocks</b>
U.P.	- sig	+	+ sig	-
W.B.	-	+ sig	+	-
Assam	n/a	+	+ sig	- sig

The basic specification includes variables on economic opportunity, local democracy, collective action, agency, aspirations, violence against women and social inequality/divisions. Also included are household characteristics (assets, livestock, house ownership, education level, health shocks). All regressions are OLS cluster corrected, and tested for robustness.

# Issues for Policy

- **Can one policy-influence access to local democracy, greater personal empowerment and aspiration even at a low level of income? The answer is--yes. *How?***
- **Movers seem to be a select category; they benefited from political connection, while non-movers lacked such connection. *Why?***
- **Such heterogeneity among the poor with respect to access to social and political institutions provides part of the explanations for slow progress on the aggregate poverty front with considerable region/ state-level differentials. *What is to be done?***