



# Pathways Out of and Into Poverty in 36 Villages of Andhra Pradesh, India

ANIRUDH KRISHNA \*

*Duke University, Durham, NC, USA*

**Summary.** — Fourteen percent of households in 36 villages of three districts in Andhra Pradesh, India, escaped from poverty over the past 25 years, but another 12% of these 5,536 households fell into poverty during the same time. Escaping poverty and falling into poverty are responsive, respectively, to different sets of factors. Two different sets of poverty policies will be required in future: one set to assist escape, and another set to prevent descent. While ill health and high healthcare costs, social and customary expenses, high-interest private debt, and drought are associated most often with falling into poverty, diversification of income sources and land improvement are most closely related with escape. Some other factors, including industrial growth and education, have had only very slight and indirect effects on poverty in these villages.

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## 1. INTRODUCTION

Economic growth has been suggested by cross-national analyses as a factor closely associated with poverty reduction (Bhalla, 2002; Chen & Ravallion, 2001; Dollar & Kraay, 2002). However, the nature of macro–micro links that enable growth at the national level to translate into poverty reduction at the household and individual levels is not well specified (Timmer, 1997; Wade, 2004). Investigating the pathways through which national economic currents pass before they affect particular regions, communities, households, and individuals is an essential first step; who gains, who loses, and how, needs to be ascertained more clearly with closer attention to the pathways available.

Data gaps have provided a major obstacle so far to studies attempting to delve beneath the national level. It is particularly important to examine causes in association with households' trajectories over time, but inter-temporal and household-level data are also the hardest to obtain. The few studies that are available have mostly used panel data sets, assessing the conditions of households at two separate points of time (e.g., Baulch & McCulloch, 2002; Carter & May, 2001; Christiaensen, Demery,

& Paternostro, 2002; Deininger & Okidi, 2003; Dercon, 2001; Devereaux & Sharp, 2003; Gaiha & Kulkarni, 1998; Grootaert & Kanbur, 1995; Haddad & Ahmed, 2003; Sen, 2003; Walker & Ryan, 1990). These studies have helped generate new and important knowledge about intermediate links and micro-level associations.

However, relying on panel data sets alone can also limit what can be learned about poverty and its effects. Panel data sets are expensive to put together, and unless data are already available for an earlier period, a fairly long wait will be required before comparisons can be generated and results obtained.<sup>1</sup> Some other

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methods need to be developed as well that can complement panel studies and add to current knowledge about pathways leading into and out of poverty in particular contexts.

Community-based methods can be quite helpful in this regard (Attwood, 1979; Jodha, 1988; Narayan, Patel, Schafft, Rademacher, & Koch-Schulte, 2000; Van Schendel, 1981; Wadley, 1994). Knowledge about changes in the situation of particular households is widely shared among members of communities who have lived together over reasonably long periods of time. Community members tend to know what events were associated with the pathways followed by different households. Was it through wage employment, for instance, or through technological improvements or investment in a retail business, that some particular household worked its way out of poverty?

It is also important to note that households do not only come *out* of poverty. In any particular region or country, households can also simultaneously fall *into* poverty. Eliciting information about escape and descent carefully and systematically from community members and complementing and verifying it with information gained independently from individual households can assist in re-constructing the sequence of events associated with the pathways followed by different households. Reasons for escape can be determined in this manner together with the often separate reasons for descent into poverty.

A particular community-based methodology—the Stages-of-Progress method—was developed for this purpose. Some significant and noteworthy results were obtained when this methodology was applied earlier within two regions in India and one region of Kenya (Krishna, 2004; Krishna, Kristjanson, Radeny, & Nindo, 2004; Krishna, Kapila, Porwal, & Singh, 2005). With improvements and modifications this methodology was employed for investigations conducted in 36 Andhra Pradesh villages, reported below.

Field investigations in these Andhra Pradesh villages were conducted from December 2003 through February 2004. Three districts of the state of Andhra Pradesh—Nalgonda, Khammam, and East Godavari—were selected that represent different points on the scale of regional difference within this state. While the region of “North Telengana [which includes Khammam district] occupies among the lowest position among all regions, with income lower by

8.8% than the state average. . . South Telengana [including Nalgonda district] occupies the middle position, and North Coastal Andhra [with East Godavari district within it] occupies the second position from the top” (Subrahmanyam, 2003, p. 519).

We selected 12 villages within each district that represent a diverse mix of population categories and income sources. Because we were concerned with poverty and with movements into and out of poverty, we focused additionally on villages where poverty could be expected in larger numbers of households. Twenty-five of our 36 selected villages have majority populations belonging to the Scheduled Caste (SC), Scheduled Tribe (ST), and Other Backward Caste (OBC) groups, which are historically among the poorest groups in India.<sup>2</sup> In addition, we selected villages where significant industrial or agricultural activity has occurred in the past 25 years, so movements out of poverty in these villages should also be comparatively larger and more easily visible. Villages selected in Nalgonda district are clustered around a belt of cement plants that have come up in this sub-region over the last 25 years, and some though not all villages in each district have also benefited from major and minor irrigation projects over the past two decades.

The selected villages are not, therefore, representative of the entire state or even of the districts where they are located. Rather, they present a locus for studying movements into and out of poverty in places where such movements should be relatively frequent and visible in both directions.

Section 2 of this paper discusses the Stages-of-Progress methodology in more detail. Section 3 presents the overall results in terms of households escaping poverty and households falling into poverty. Sections 4–6 look more closely at reasons associated with falling into poverty and escaping poverty. Section 7 concludes by re-iterating some policy implications that emerge from this analysis. The need for separate poverty reduction and poverty avoidance policies is highlighted. Separate factors are identified that can help with each of these goals in this region.

## 2. METHODOLOGY

Which households emerge out of poverty and which others fall into poverty is a result jointly

of objective conditions, subjective understandings, and household strategies (Baulch & Hoddinott, 2002; Ellis, 2000). Households strive hard to combat poverty in their midst, but what they fight to overcome is not poverty as it is defined and measured by professional analysts (in global terms, such as dollars/day or calories/day). Rather, what households target through their strategies is poverty as this condition is understood and defined locally (Chambers, 1995; Moore, Choudhary, & Singh, n.d.). Unfortunately, however, most methods to study poverty examine “deprivation and poverty...not by the changing and varied wants and needs of poor [households themselves], but by the more static and standardized wants and needs of professionals” (Chambers, 1988, p. 6).<sup>3</sup>

In order to understand household strategies better it is necessary to start with people’s own understanding of poverty. Without knowing what it means for someone to be “poor” within a certain societal context, it becomes hard to understand what poor people do in order to cope with this state. And without understanding what poor people are doing by themselves, it becomes hard to provide them with any very meaningful assistance.

The Stages-of-Progress approach was developed in order to deal with these types of questions: How do people living within a community or region commonly define poverty in terms of visible and measurable manifestations? How are these local understandings of poverty expressed in terms of material possessions and social status markers? To what extent are these understandings shared among communities within a wider region? Which households escaped from poverty over the past one generation in terms of this local understanding, and which other households fell into poverty or remained poor during this time? What are some common reasons associated with movements out of and movements into poverty? What sets of policies can best support households’ strategies to promote escape and prevent descent within a particular region?

In order to implement the Stages-of-Progress method in the 36 selected villages of Andhra Pradesh state, three teams were formed consisting of 10 persons each. Each team was composed of two facilitators and eight investigators, four males and four females. These investigators and facilitators are all themselves village residents from this region. The facilitators are college graduates, while the investiga-

tors have usually between 8 and 10 years of school education. We trained together for 12 days, first discussing the methods in the classroom, and then conducting hands-on training in two villages per team. After completing training, the teams implemented the following steps separately in each selected village.

*Step 1. Assembling a diverse and representative community group:* In each village that we studied, a community group was assembled at the start, consisting of members belonging to different social groups in the village. It was particularly important to have in attendance older members who could speak knowledgeably about households’ situations 25 years ago and in the intervening period. Following the local cultural practice, male members of our team spoke with the men’s group, and female members of the team conferred with a separately convened women’s group.

*Step 2. Presenting clearly the objectives of the exercise:* We clarified at the outset to these community groups that there were no benefits to be had (nor any losses to be incurred) from speaking freely and frankly before the assembled gathering. We were not in the village to implement any development program or to pre-select beneficiaries for any handouts or subsidies. Nothing that they would say to us would in any way affect the material circumstances of any household now or in the future. We tried in this manner to remove any incentives people may have had for misrepresenting the status of any household in their village.

*Step 3. Defining collectively what it means for a household to be regarded as poor:* Households’ strategies to break out of poverty are related intimately to the socially constructed definitions of poverty with which they live. It is important to first come to grips with the local understanding of poverty, before asking about the household strategies that get forged around this definition.

The Stages-of-Progress approach was developed for this purpose, and it was followed in the exercises that we conducted in these Andhra Pradesh villages. Community groups in each village were asked to delineate the locally applicable stages of progress that poor households typically follow on their pathways out of poverty. What does a household usually do, we asked the assembled villagers, when it climbs out gradually from a state of acute poverty? Which expenditures are the very first ones to be made? “Food,” was the invariable answer. Which expenditures follow immediately after?

As more money flows in incrementally, what does this household do in the third stage, in the fourth stage, and so on?

Villagers discussed these stages among themselves in the different community groups that we assembled in each village. Lively debates occurred, particularly about some of the higher-level stages of progress. However, the answers provided for the first four stages of progress were commonly agreed and *identical* across all 36 villages.

*First four Stages of Progress (defined identically in all 36 villages) are*

- food,
- minor house repair, particularly patching leaky roofs,
- retiring accumulated debt in regular installments,
- some clothing to wear outside the house.

These four stages also constitute the local definition of poverty. It was commonly reported in each village that households which have crossed past these first four stages are no longer thought of as being poor, while households which have not moved past the fourth stage are commonly regarded as poor both by themselves and also by other villagers. Moving past the fourth stage is equivalent, therefore, to crossing over the poverty cut-off as socially constructed and commonly perceived in these villages.

Asked in terms of these stages of progress, there was no hesitation in any village about identifying which households are poor and which others are not. Community groups could easily identify which households were poor at an earlier time but have since moved past the poverty cutoff, and they could as easily identify other households that were not poor earlier but which have fallen below the poverty cutoff at present.

Later stages of progress, beyond the first four, include digging an irrigation well, constructing a *pakka* (brick) house, purchasing cattle, purchasing a bicycle, purchasing gold and ornaments, buying a scooter or motorcycle, purchasing land, obtaining a tractor, and obtaining a TV. It is interesting to note that the fifth, sixth, and seventh stages—irrigation well, *pakka* house, and one or two milch cattle—are also almost invariant across all 36 villages.<sup>4</sup> Higher-level stages, after Stage 7, vary somewhat more across villages, but these differences are also relatively minor, indicating broad cultural continuity in material aspirations and patterns of life.<sup>5</sup>

*Step 4. Treating households of today as the unit of analysis, inquiring about households' poverty status today and 25 years ago:* Next, we prepared a complete list of all households in each village, and referring to the shared understanding of poverty developed in the previous step, we asked the assembled community groups to describe each household's status at the present time, for 25 years ago, and also for the intervening period.

In order to fix a common point of reference for the earlier period, we referred to the national emergency, imposed during 1975–77, when democracy was suspended for the first and only time since India became an independent republic. This momentous event is clearly remembered by all villagers, particularly older ones, whom we were particularly interested to consult, and it helped fix for all concerned a shared reference point for recounting the past.

Households of today form the unit of analysis for this exercise. When asking about conditions at the present time we inquired about present-day households' members, and when asking about conditions in the previous time period we asked about conditions faced by these same members 25 years ago.<sup>6</sup> Household composition has been relatively stable. Against the total of 5,536 households presently resident in these 36 villages, only 97 households in all, that is, less than 2%, had either permanently migrated in or migrated out over the past 25 years. Seasonal migration is much larger, however, and it represents a fairly common response to poverty, as examined below.

*Step 5. Assigning households to particular categories:* After ascertaining their poverty status for the present time and for 25 years ago, each household was assigned to one of four separate categories:

- |             |                                |                               |
|-------------|--------------------------------|-------------------------------|
| Category A. | Poor then and poor now         | ( <i>Remained poor</i> );     |
| Category B. | Poor then and not poor now     | ( <i>Escaped poverty</i> );   |
| Category C. | Not poor then but poor now     | ( <i>Became poor</i> ); and   |
| Category D. | Not poor then and not poor now | ( <i>Remained not poor</i> ). |

Categories prepared by the men's group in each village were tallied against categories prepared separately by the women's group, and the few differences that were found were reconciled

through further group discussions. A residual category, E, was also defined, and households whose poverty status could not be clearly defined were assigned to this category. However, less than 20 households out of all 5,536 households resident in these villages were required to be assigned to this residual category. The conclusions reported below do not change in any significant way if this category is ignored.

*Step 6. Inquiring about reasons for escape and reasons for descent in respect of a random sample of households:* We selected a random sample of households within each of the four categories defined above. About 30% of households were selected within each category, and we inquired in detail about causes and contributory factors associated with each such household's trajectory over the past 25 years.<sup>7</sup> These reasons were checked separately for each selected household with the men's and women's groups that we convened separately in each village, and differences, if any, were harmonized by re-checking these accounts with both groups.

*Step 7. Following up by interviewing household members:* Reasons indicated by the community groups for each individual household were also cross-checked separately with individual members of the households concerned. We interviewed at least two members of each household separately in their homes. Women members of our team interviewed the women of these households, and male members interviewed the men. In addition to asking them about event histories associated with their trajectories over the past 25 years, we also asked household members a list of standardized questions related to landholding, education, asset ownership, and the like.<sup>8</sup>

This entire exercise took us between 2 and 4 days to complete in each village. With three teams working simultaneously, it took us in all almost 2 months after training to complete

this work in all 36 villages. Information obtained was triangulated and cross-verified from multiple independent sources, including the men's and women's community groups convened in each village and also from at least two members of the household concerned. A comparative perspective was adopted both in the interviews that we conducted and also at the time of analyzing these data.

### 3. INITIAL RESULTS

Overall, in all 36 villages, 65.5% of households were poor 25 years ago and 63.5% are poor at the present time, according to the notion of poverty described above (Table 1). A total of 14.1% of all households in these villages have escaped from poverty over the past 25 years. However, another 12.2% of all households have simultaneously fallen into poverty, and the decline in poverty is quite small overall.

Poverty figures vary considerably among different parts of Andhra Pradesh. Overall, poverty in Andhra Pradesh has been estimated officially to affect a total of 15.8% of the population in the year 2000 (GoAP, 2003, p. 49).<sup>9</sup> However, these figures vary considerably among different parts of the state. Considerably higher percentages are reported for specific regions, for example, 48% and 40%, respectively, for Anantapur and Srikakulam districts (CESS, 2002, p. 114), and higher percentages yet are reported for particular sub-regions, for instance, figures as high as 77% have been mentioned for some parts of this state (Bandhyopadhyaya, 2001). The numbers reported here do not, therefore, seem to be entirely outside this range.<sup>10</sup>

The selection of villages for this study—including a larger proportion of SC, ST, and

Table 1. Trends in household poverty in 36 Andhra Pradesh villages

	Poor households (%)	
	25 years ago	
At present	Poor	Not poor
Poor	51.4%	12.2%
	(A) Remained poor	(C) Became poor
Not poor	14.1%	22.3%
	(B) Escaped poverty	(D) Remained non-poor

Poor today (A + C) = 63.6%.

Poor 25 years ago (A + B) = 65.5%.

Table 2. *Variations across villages*

Village	District	Number of households	Percentage of households that over the past 25 years				Poor 25 years ago (%)	Poor today (%)	Change in poverty (%)
			Remained poor (A)	Escaped poverty (B)	Became poor (C)	Remained non-poor (D)			
<i>Largest positive change</i>									
Sultanpurthanda	Nalgonda	89	23.6	49.4	3.4	23.6	73.0	29.4	46.1
Vemulova	East Godavari	156	41.7	49.4	3.8	5.1	91.0	45.5	45.5
Average for 36 villages		154	51.4	14.1	12.2	22.3	65.5	63.6	1.9
<i>Largest negative change</i>									
Bhojathanda	Nalgonda	99	55.6	1.0	40.4	3.0	56.6	96.0	-39.4
Guroamboduthanda	Nalgonda	114	32.5	4.4	51.8	11.4	36.8	84.2	-47.4

OBC villages—may have something to do with the relatively higher figures reported here, and persistent drought over the past 3–4 years may also be a factor in some villages. However, correcting these figures for the incidence of drought does relatively little to reduce this gap, as discussed below.

It also seems important to recount that the definition of poverty considered here makes reference to only some very basic needs—food, basic clothing, rudimentary shelter, and repayment of overdue debt in installments—and it appears highly unlikely that people who were identified as poor by these communities, and who we found living in fairly stark conditions, lacking very basic necessities, could be regarded as non-poor in any other reckoning of this term.

Other indicators provide further support to these conclusions. For instance, 77% of households belonging to Category A (those who have remained poor) are agricultural laborers. Most of them are entirely landless, and average landholding for households of this category is just 0.45 acres. In contrast, average landholding for Category D households (remained non-poor) is 2.9 acres, that is, they have more than six times as much land, on average, as Category A households. Average landholding for Category B household (escaped poverty) and Category C households (became poor) is 1.67 acres and 1.18 acres, respectively.<sup>11</sup>

More than half of all Category A households (54%) live in *kaccha* (mud) houses, compared to less than 35% of all households in these villages. Livestock herd sizes also vary substantially between households identified as being poor and not poor. Category A households possess just 0.64 animals on average, while Category D households own double this number (1.28 animals), and Category B and Category C households own 1.1 and 0.84 animals, on average. Households identified as poor in the Stages-of-Progress exercise are equally poor, therefore, in terms of other indicators of relative wealth relevant to these agrarian economies.

Significant variation in conditions is apparent, however, across the different villages. While the overall change in poverty is quite small in the aggregate—14.1% of households escaped poverty in all 36 villages and 12.2% fell into poverty at the same time, leaving a net improvement of just 1.9% over the past 25 years—there is considerably more variation when one looks at these figures for individual villages. Table 2 provides some illustrative figures.

Quite substantial negative change—a large increase in households in poverty—was seen in some villages, but substantial and positive changes were observed in other villages. The largest positive changes over 25 years were 46.1% (in Sultanpurthanda village, Nalgonda district) and 45.5% (Vemulova village, East Godavari district), while the maximum negative changes were –47.4% (Guroamboduthanda village, Nalgonda district) and –39.4% (Bhojathanda village, Nalgonda district).

The percentage of households in poverty fell in 22 of 36 villages, but this percentage increased simultaneously in the remaining 14 villages. It is important to explain common reasons associated with escape and descent in all 36 villages and also to analyze why trends in particular villages vary so dramatically from the average for the group.

#### 4. REASONS ASSOCIATED WITH DESCENT

Different households have fared very differently over this 25-year period. While some households have risen by a fairly large number of stages, other households have taken steep falls from their status of 25 years ago. Table 3 indicates the numbers of stages by which different households rose or fell during this 25-year period.

About 22% of all households fell by only one or two stages, and it is likely that these households will find it relatively easier to restore their original positions.<sup>12</sup> Another 14% fell by three or more stages, however, and in their cases climbing back to their previous positions will be more precipitous and harder to achieve.

Similar causes are associated with the event histories of households that fell by different numbers of stages. What differentiates among households experiencing different extents of descent is not so much the nature of causes as the number of causes operating in any particular case.

In the analysis of this section, I will compare the experiences of Category C households (those which fell into poverty) with the experiences of Category D households (those who remained not poor). Other comparisons, including households of all four categories, will be undertaken in the following section.

In terms of the understanding of poverty commonly shared by villagers in this region,

Table 3. *Extent of descent and ascent in terms of Stages of Progress*

Stage at present minus Stage 25 years ago	Percentage of all households
<i>Households where circumstances have improved</i>	
7	0.9
6	1.6
5	1.8
4	3.1
3	6.9
2	10.5
1	11.3
<i>Households that experienced no change in circumstances</i>	
0	27.9
<i>Households that experienced decline</i>	
-1	13.5
-2	7.3
-3	9.3
-4	3.1
-5	1.3
-6	1.5
-7	0.2
Total	100

675 out of all 5,536 households in these villages (12.2%) fell into poverty over the past 25 years. Detailed facts and event histories were obtained for a random sample of 335 out of these 675 Category C households.

No single cause is implicated in the vast majority of cases of Category C; rather, a combination of causes is most often associated with descent. *Health and health-related expenses* constitute numerically the single largest factor associated with descent, but the effects of this factor upon descent into poverty are compounded by the presence simultaneously within the household of high-interest private *debt*. Households borrow money from private money-lenders at rates that are, on average, 3% per month, and which quite often rise higher, especially where the borrower concerned is poorer or deeper in debt, and they use these dearly bought amounts very often to pay for the treatment of household members who are sick or who get injured. Nearly three-quarters (74%) of all Category C households whom we interviewed mentioned health and health-related expenses among the four principal reasons contributing toward descent into poverty. High-interest private debt was mentioned in 60% of these cases as an important factor responsible for descent.

The case histories recorded for these households and also the results of regression analysis, provided below, show that it is not so much each of these factors operating separately. Rather, it is a combination of health and debt—the interactive effect of these causes operating together—that is most significantly and substantially related to households' descent into poverty (see Table 4).<sup>13</sup>

High *social expenses* on marriages and funerals constitute another important reason for households' descent into poverty. A total of 69% of households of Category C mentioned marriage expenses as an important factor associated with their descent into poverty, while 28% mentioned expenses on funerals as a contributing cause. High marriage expenses are associated, however, with the experiences narrated by all categories of households, that is, they are not unique to the experience of Category C households. Combined, however, with other causes, particularly healthcare costs and high-interest debt, they contributed in these cases toward descent into poverty. High marriage expenses were also mentioned by Category D households. In their cases, however, this reason for descent was compensated for by the simultaneous experience of some reasons for escape, as we will see below.

The results of logistic regression in Table 4 show how these causes operated separately among Category C and Category D households. The analysis here is restricted only to Category C and Category D households, that is, all those who were not poor in the previous period. The intent is to discern why some previously non-poor households fell into poverty, while other non-poor households continued to remain not poor.

These results show that it is not ill health or debt taken singly that is associated significantly with non-poor households' descent into poverty. Rather, it is the interaction between these two factors—indicating the simultaneous presence of both healthcare costs and debt—that is most significantly associated with a previously non-poor households' descent into poverty. Everything else being the same, the odds of a non-poor household falling into poverty increase by more than four times when households are faced simultaneously with both of these conditions.<sup>14</sup>

Marriage expenses do not emerge to be significant for this analysis, either by themselves or even in interaction with the variable for debt, but this is so because households of Category D are almost as likely to have high marriage ex-

Table 4. Results of binary logit regression for falling into poverty

	Model 1	Model 2
Intercept	-0.87* (0.18)	-0.68** (0.13)
Ill health	0.13 (0.25)	-0.27 (0.30)
Debt	0.19 (0.30)	-0.28 (0.38)
Funeral	1.40* (0.69)	1.61* (0.71)
Marriage expenses	0.36 (0.26)	0.35 (0.27)
Drought	2.50* (1.05)	2.81* (1.06)
Large family	1.06* (0.34)	1.27* (0.35)
SC	0.49 (0.34)	
OBC	0.20 (0.25)	
ST	0.86** (0.24)	0.66** (0.21)
Health * debt		1.69* (0.72)
Funeral * debt		1.53 (2.35)
Marriage * debt		0.56 (0.55)
-2 Log likelihood	683.21	745.17
Likelihood ratio Chi-square	61.96	68.91
Pr > Chi-square	<0.0001	<0.0001
N	719	
Odds ratio estimates		
Effect	Point estimate	95% Wald confidence limits
Health	0.765	0.422 1.388
Debt	0.756	0.361 1.585
Funeral*	5.004	1.252 20.005
Marriage	1.425	0.841 2.415
Drought*	16.544	2.051 133.435
Large family*	3.545	1.777 7.074
ST*	1.930	1.288 2.892
(Odds ratio for health * debt was calculated separately as 5.430, with 95% confidence limits between 1.314 and 22.447.)		

*Notes:*

—For both regression models the population considered is households of Category C and Category D (i.e., all those who were not poor in the earlier period). The dependent variable is defined as Falling into Poverty = 1.

—Standard errors are in parentheses.

\* Statistically significant at the 0.05 level.

\*\* Statistically significant at the 0.01 level or better.

penses paid for through debt as are households of Category C.<sup>15</sup> Expenses on funerals are, however, significantly differently distributed between Category C and Category D households, and they show up as significant in this analysis for falling into poverty. One reason for the difference between marriage and funeral expenses has to do with how these expenses are incurred by households belonging to different caste groups. While households of all caste groups in this region incur high expenses on marriage, high funeral expenses were associated with the event histories of households belonging to a relatively small number of caste groups.<sup>16</sup> High funeral expenses were rare or non-existent in

the event histories of households belonging to the other caste groups.

*Drought* was another important factor significantly associated with descent into poverty. All else being the same, the odds of a non-poor household falling into poverty increase more than 15 times when drought is a significant feature of its event history. However, the standard error of this variable is also quite large, indicating a considerable spread of effects.

Three other aspects need to be mentioned in regard to drought. First, the variable for “drought” relates both to irrigation failure and also to rainfall failure. Second, the operation of this variable tends to be specific to a

few but hardly all of the 36 villages. The largest effects of drought in terms of falling into poverty are felt in villages where irrigation failures have been most pronounced. Particularly over the past 3–4 years, irrigation failures have drawn considerable numbers of households into poverty in seven of 12 villages studied in Nalgonda district and in two of 12 villages studied in Khammam district. Drought did not have any very significant effects in the remaining 27 villages.

The impact of “drought” is significant, therefore, but it is also quite limited in terms of geographic spread. Further, even in villages where it had the most substantial effects, drought was an important contributing factor, but it was not the only factor, associated with descent.

A third aspect related to drought concerns the likely duration of its effects upon poverty. Examining how far different drought-suffering households fell into poverty is helpful in this regard. Among all households of Category C that cited drought as a contributing cause, 42% suffered a fall of just one or two stages, but 58% of these households fell by three stages or more. Climbing back up one or two stages should be comparatively easier. However, of all 5,536 households that reside in these 36 villages only 13% have experienced a rise of three or more stages over the past 25 years. It seems reasonable to assume that among the 58% of drought-affected households that fell by three or more stages most will remain in poverty for a fairly long time. Some among the remaining 42% of households (which fell by just one or two stages) may ascend and make their ways out of poverty fairly quickly. However, the overall poverty figures reported at the start change by very little even if we make the heroic assumption that *all* of these drought-affected households are only temporarily poor and will escape from poverty relatively soon.<sup>17</sup>

*Large family size* and *Scheduled Tribe* are the last two factors that are significantly associated with households’ descent into poverty. Large family size was mentioned in the case of 34% of all Category C households, and it emerges as a significant factor also in the regression results reported in Table 4. Households have begun to see for themselves the link between family size and economic fortunes, and efforts to limit family size are likely to be more fruitful in future in this region.

ST households represent a group that has seen the greatest variation in terms of both escape and descent. A total of 15.3% of all ST

households fell into poverty, which is higher than all other caste groups. Simultaneously, 17.5% of all ST households escaped from poverty—which is also higher than the comparative figure for all the other caste groups.

It is interesting to report, though also entirely unsurprising, that the odds of falling into poverty drop off sharply the higher a household climbs up the stages of progress. The odds of not falling into poverty for households that were, respectively, in Stages 6, 7, 8 and 9 in the previous period were 71%, 81%, 85%, and 95% better than for households in the comparison group, Stage 5. For households in Stages 10 and above during the earlier period, the likelihood of being poor at the current time is almost entirely non-existent.

One last observation before concluding this section: drunkenness and laziness are not significantly associated with households’ descent into poverty in these villages. Laziness was mentioned as a contributing factor in just 3.2% of all cases of descent into poverty, and drunkenness was mentioned in the case of another 3.6% of these households. Poor people have not become poor or remained poor on account of flawed characters or bad habits. It is a combination of circumstances mostly outside their control—and against which hardly any protections have been provided by the state—that have plunged households into poverty in this region.

## 5. ESCAPING POVERTY

What pathways have led households out of poverty in these villages? Was it additional employment that proved most beneficial as the intermediary link between poor households and growth? Or did households escape from poverty more often on account of enhanced agricultural yields, or alternative investment opportunities, or something else? What can be done in future to widen and strengthen the particular pathways associated with escaping poverty in this region?

The analysis in this section relies upon the verified and triangulated information obtained for a random sample of 348 out of all 781 Category B households in these 36 villages. The results of ordered logit regression are reported later, where the experiences of all four categories of households are compared.

Increased job availability in the private sector did not constitute the principal pathway out of poverty in these villages. In fact, obtain-

ing a job in the private sector was associated with the cases of just 24 out of the 348 Category B households in our sample, that is, less than 7%.

Despite liberalization, jobs in government have been somewhat more significant in removing poverty than jobs in private industry or commerce. Obtaining a job in the government sector was associated with the escape from poverty of another 11% of Category B households. The relative proportion between private sector and government jobs does not change even in Nalgonda district, where the villages we studied are all located alongside a cluster of privately owned cement plants.<sup>18</sup> In the 12 villages that we studied in this district—none of which is located more than 10 km from one or more of these cement plants—only 9% of all households that escaped poverty did so on account of getting employment in the private sector. Significantly more households in these 12 Nalgonda villages—14%—escaped poverty through getting employment in a government office.

Actually, relatively few jobs were created in the private sector. Further, the conditions of employment are such that obtaining a job in the private sector does not always represent a pathway out of poverty in this region. Nearly all local residents who work in the cement industry do so as casual labor. They are hired by intermediaries and contractors and not directly by the cement plants, and they are paid, often for years on end, on a day-to-day basis. They present themselves for work with regularity every morning, but they are turned away as often as they are hired for work and paid.<sup>19</sup> Government jobs, being more protected and secure, represent a greater assurance of escaping from poverty. However, expanding the numbers of government jobs is hardly a viable remedy—and the frequent allegations heard concerning relatively large and increasing kick-backs to intermediaries and officials makes it a remedy that is accessible more easily by richer rather than poorer villagers.

Very large numbers of educated and unemployed individuals are resident in these villages, and those to whom we spoke almost invariably mentioned being on the lookout for a regular job in the private or government sectors. Among these very numerous job seekers, however, only a tiny percentage have been successful thus far.

*Diversification* of income sources—and not employment generation in the private or public sectors—constitutes the most important factor

associated with escaping poverty in this region. Diversification was associated with 51% of all cases of escape, more than four times as many cases as were associated with either private- or public-sector jobs. Broadly, two types of activities are involved in diversification. First, some households have set up tiny businesses of their own or they have sent one of their members to a city, where he or she has found some work in the informal sector. Second, some households have diversified into non-traditional crops, while still holding on to a mainly agricultural lifestyle. The second type of diversification (within agriculture) has been more important in villages of this region. Particularly in villages of East Godavari district, 35% of all households escaping poverty have done so on account of diversifying agricultural income sources.

*Irrigation* was significantly associated with 25% of all cases of escaping poverty in these 36 villages, and it was comparatively more important in villages of Nalgonda district, where 54% of all households escaping poverty mentioned irrigation as the principal factor. The introduction of a lift irrigation project together with electricity to power these lifts enabled almost 50% of all households to escape from poverty in Sultanpurthanda village (Nalgonda district), which is the highest percentage of households escaping poverty in all 36 villages. Irrigation was also considerably important in Vemulova village (East Godavari) district, where more than 49% of households escaped from poverty in the past 25 years.

The effects of irrigation can run both ways, however. The introduction of a new irrigation facility has assisted several households wage a successful escape from poverty. On the other hand, irrigation failures have also resulted in re-immersing many households into poverty, as we saw earlier.

## 6. POSITIVE AND NEGATIVE FACTORS

Factors responsible for households' escaping from poverty have to be seen alongside other factors which force households back into poverty. While these two sets of factors are quite different from each other, individual households are simultaneously susceptible to factors belonging to both sets. The analysis in Table 5 looks simultaneously at both sets of factors.

The dependent variable for this analysis is the number of stages of progress by which a household has risen over the past 25 years. It

Table 5. Results of ordered logit regression (Dependent variable: Stage Change = Stage at present minus Stage 25 years ago)

	Estimate	Standard error	Odds ratio estimates	
			Point estimate	95% Wald confidence limits
<i>Intercepts</i>				
Intercept -7	-7.33**	1.02		
Intercept -6	-5.11**	0.41		
Intercept -5	-4.52**	0.35		
Intercept -4	-3.73**	0.29		
Intercept -3	-2.59**	0.25		
Intercept -2	-2.03**	0.24		
Intercept -1	-1.21**	0.23		
Intercept 0	0.35	0.22		
Intercept 1	1.31**	0.23		
Intercept 2	2.06**	0.25		
Intercept 3	2.97**	0.28		
Intercept 4	3.64**	0.32		
Intercept 5	4.20**	0.36		
Intercept 6	5.30**	0.51		
<i>Variables</i>				
Ill health	-0.83**	0.18	0.43	0.31-0.61
Debt	-0.61**	0.19	0.55	0.38-0.79
Funeral	-0.89**	0.18	0.41	0.29-0.59
Marriage expenses	-0.64**	0.29	0.76	0.43-0.86
Drought	-1.31**	0.31	0.27	0.14-0.52
Large family size	-0.76**	0.20	0.47	0.32-0.70
Government assistance	1.13**	0.34	3.10	1.59-6.07
Job (government)	1.29**	0.39	3.63	1.70-7.73
Job (private)	0.95	0.54	2.59	0.89-7.50
Irrigation	0.54*	0.25	1.72	1.06-2.81
Diversification	1.32**	0.24	3.73	2.35-5.94
Education	0.94	0.59	2.57	0.85-7.80
Scheduled caste (SC)	0.33	0.23	1.39	0.89-2.20
Scheduled tribe (ST)	0.06	0.22	1.07	0.69-1.65
Other backward caste (OBC)	0.09	0.21	1.10	0.73-1.66
-2 Log likelihood: 2,199.04				
Likelihood ratio: 247.01				
Pr > Chi-square: <0.0001				
N = 1,149				

Notes: The dependent variable has mean = -0.05 and standard deviation = 2.44.

\* Statistically significant at the 0.05 level.

\*\* Statistically significant at the 0.01 level or better.

is calculated as a household's Stage today *minus* its Stage 25 years ago. Interviewed households of all four categories are included within this analysis. A negative score for this dependent variable indicates that the household concerned has been on a downward trajectory, suffering a decline in circumstances over the past 25 years, while a positive score indicates an improvement in circumstances. The overall

distribution of these scores was given earlier in Table 3.

Since a one-unit change in this dependent variable can mean different things depending upon the household's starting position, ordered logit regression was utilized to examine this dependent variable in relation to a host of independent variables. Using stage change as the dependent variable enables a simultaneous

examination of factors associated with both escape and descent.<sup>20</sup>

Notice first that the five variables found to be significantly associated (in Table 4) with descent into poverty—namely, ill health, debt, funeral expenses, drought, and large family size—continue to remain significant in the present analysis, which looks alternatively at stage change as the dependent variable. The coefficients estimated for these variables are all negative and statistically significant, and the 95% confidence limits for the corresponding odds ratio estimates are significantly less than 1, indicating that the presence of each of these variables has a non-trivial effect on bringing a household down to a lower stage of progress. In addition, the variable for marriage expenses is also significant.

These results can be interpreted as follows. The coefficient for the variable “drought” is significant, for example. The odds ratio for this variable has a point estimate of 0.27, and it is significantly different from 1. Everything else being the same, this result shows, the presence of drought enhances by 73%, on average, the odds that the household concerned will suffer a decline in its circumstances. Similarly, the presence of ill health, debt, funeral expenses, marriage expenses, and large family size also tend to enhance the odds of descent—by 57%, 45%, 59%, 24%, and 53%, respectively, on average.

Four variables have positive and significant coefficients. Jobs in the government sector, irrigation, and diversification have significant positive effects on the dependent variable, as should be expected given the previous examination of reasons.

Government assistance is also positively and significantly associated with stage change in the upward direction. Government assistance refers here to different types of programmatic assistance that villagers were eligible to receive in this region. While overall government assistance was positively and significantly associated with improvements in households’ circumstances, a more fine-grained analysis shows that not all forms of government assistance have been equally helpful. Some forms were not helpful for escaping poverty in any part of this region, while a few forms were successful in some geographic areas but not others.

In general, government schemes to assist with land improvement and introduction of new agricultural technologies have been most help-

ful along with schemes of assistance for minor irrigation works. The majority of households for whom escape from poverty was associated with government assistance cited one of these three forms. On the other hand, not one among these households cited other and arguably better known forms of government assistance, such as loan-subsidy assistance given out profusely under various integrated rural development schemes.

There is also a regional element associated with different types of successful government assistance. While land improvement and new agricultural technologies were most often cited by households of Category B in East Godavari district, those in Nalgonda and Khammam districts were much more likely to mention assistance for minor irrigation projects in this regard. What matters for success in escaping poverty varies considerably from one location to another even within the same state and region.

Private sector jobs do not emerge as significant in this analysis. Neither, surprisingly, does *education*. The non-significance of private sector jobs is understandable given the previous discussion: very few private sector jobs were obtained by villagers of this region, and those obtained were quite often low-paid and on a daily contractual basis. The non-significance of education is related to the limited impact that job creation has had upon poverty in this region. Large numbers of villagers have obtained education in these villages, but only a tiny minority has succeeded in translating this achievement into a job.

Promoting education is valuable for a number of important reasons, including citizenship and personal efficacy, but it should not be uncritically regarded as constituting, by itself, any very effective anti-poverty measure. In this region, at least, education has been at best only a very partial cure.

Caste background is also not significant for this analysis. The variables for SC, ST, and OBC did not achieve any significance, implying that factors associated with ascent and with descent are not significantly different for members of particular caste groups. Rather, the same sets of factors operate in the same way across caste divisions in this region. Poverty is, indeed, higher on average among SCs, STs, and OBCs compared to other caste groups, and a greater quantum of anti-poverty funds should continue to be directed toward these particular caste groups. However, different

types of policies do not appear to be called for to help reduce poverty among SCs, STs, and OBCs.<sup>21</sup>

It is open to question whether similar results—especially the more unexpected ones concerning the non-significance of private sector jobs, education, and caste—will be obtained as well in other regions. These results are based on a relatively small sample of villages located in one particular part of India. Undertaking similar localized investigations in other regions and other countries will help resolve this issue much better.

## 7. CONCLUSIONS

Some implications of these findings are worth discussing in conclusion to this paper. First, it seems clear that considering only the figure for net reduction in poverty serves poorly as a guide to policy formulation. While the figure for net reduction comes in at just under 2% in this case, which is indicative, perhaps, of a glacial pace of change over 25 years, the facts are actually quite different. A considerable percentage of households (14%) actually managed to escape from poverty during this period, and another 12% of households fell into poverty at the same time. Change in poverty status thus affected 26%—and not just 2%—of all households in these villages.

Formulating better policies for any region will require dealing separately with escape and with descent. Different reasons are associated, respectively, with escape and descent, and different policy responses will be required to address each trend separately. Micro-level studies implemented in other parts of the world indicate similarly that households' movements upward are responsive to one set of factors, while households' movements downward are responsive to another and different set of factors (Aliber, 2003; Barrett, 2001; Baulch & McCulloch, 2002; Krishna, 2004; Krishna *et al.*, 2004, 2005; Scott, 2000; Sen, 2003).

Setting up "poverty monitoring stations" will be helpful to track more carefully and systematically the trends and causes associated with movements in both directions within any particular region. Information on escape and descent needs to be compiled systematically and on a continuous basis, if not for entire countries or regions, which might be impractical and very expensive, then at least for some sample loca-

tions within each country and region. Using a combination of methods, including household surveys, participatory poverty assessments, and stages of progress, can help enhance the utility and overcome the limitations associated with each separate method.

Resources devoted to poverty reduction will be much better utilized as a result of careful locally based inquiries. Better targeted schemes of assistance will result that are better suited than broad-based scattershot approaches covering entire states or a whole country.

Factors associated with descent into poverty have been largely ignored, and state assistance has been directed mostly toward those who are already poor, neglecting those others who are simultaneously becoming poor within this state. This one-sidedness of poverty policy will need to be addressed through dealing better with factors responsible for descent into poverty. Two such factors operating in this region are particularly capable of being controlled via appropriate public interventions. Health and debt have robust associations with poverty creation in this region, and the interaction of these factors is very significantly implicated with the analysis of households' descent into poverty. Affordable and accessible health services together with cheaper consumer credit can very largely assist with preventing households' needless decline in material status. Evidence indicates that these factors may also matter for descent in other parts of the developing world (see, e.g., Asfaw, 2003; Deolalikar, 2002; Farmer, 1999; Pryer, Rogers, & Rahman, 2003; Strauss & Thomas, 1998).<sup>22</sup>

Industrial growth and education have been particularly ineffective in reducing poverty in these 36 villages. The combination of relatively few and low-quality jobs created by industries in this region has meant that employment was not a principal pathway out of poverty for these households. Diversification within agriculture has been relatively more important. Because jobs were not available even to educated candidates, the effect of education upon poverty reduction was also muted and quite slight. Less than one-fifth of all households escaping poverty found employment as a beneficial means; many more households escaping poverty chose other pathways; and diversification of agricultural incomes through land and technology improvements proved to be the most rewarding pathway of this kind in this region. It is not clear whether and how these two factors are associated with escape in different

regions;<sup>23</sup> more careful locally based studies will help as well to identify particular region-specific reasons for escape.

Another basis of “targeting” in relation to poverty reduction may also need to be re-examined. Is it particular people who ought to be targeted by anti-poverty policies, or should particular causes be targeted, instead or in addition? The analysis above shows that different policies do not need to be formulated depending on which type of people one seeks to target. Targeting better the factors associated with des-

cent and escape should help no matter whose poverty one seeks to reduce within a region.

It is important, however, to know more precisely what factors are associated with escape and with descent within the region concerned. Setting up poverty monitoring stations to conduct similar micro-level inquiries on a more regular basis will help keep track of these factors and their effects. The Stages-of-Progress method with suitable modifications and utilized in combination with other methods of studying poverty should be helpful for these efforts.

## NOTES

1. While some panel data sets consider time periods separated by as little as 3 years (e.g., Grootaert & Kanbur, 1995; Haddad & Ahmed, 2003), it is also broadly agreed that income mobility and household strategies associated with it are best studied over comparatively longer time periods. According to Walker and Ryan (1990, p. 99), for instance, even a period of 9 years “is too short for examining issues that pertain to income mobility, which ultimately can only be addressed with intergenerational data.”
2. SCs are the former untouchables, and STs are, loosely speaking, India’s aborigines. OBC is a more recent administrative listing, and it refers to another group of castes whose members were historically disempowered and oppressed by other groups. Studies of poverty in India have consistently found members of these groups disproportionately comprised within the ranks of the poor (e.g., Sankaran, 2000).
3. Quite different conclusions might emerge when poverty in a region or community is viewed with the help of these two different lenses. As Jodha’s (1988, p. 2421) seminal study notes in this regard, “households that have become poorer by conventional [i.e., the professionals’] measurement of income in fact appear better off when seen through different qualitative indicators of their economic well being [based upon concepts and categories which these households themselves use for assessing changes in their economic status].” For other problems that follow upon using a standardized monetary measure of poverty, see Deaton (1997, esp. pp. 140–144) and Reddy and Pogge (2002).
4. Community groups in several villages drew a second poverty cut-off after Stage 7, indicating a level above which households are considered relatively well off. The analysis that follows works, however, with the first poverty cut-off, that is, the one that communities constructed after Stage 4, which represents the shared common denominator of severe poverty in these villages.
5. It is interesting that education does not appear among the stages of progress reported in these Andhra Pradesh villages. Sending children to primary school came in at a fairly early stage when similar investigations were conducted elsewhere. Probing deeper we found that education is not a significant aspiration or marker of material progress in these Andhra Pradesh villages not because parents care less about educating children, but because primary education is almost universally provided here and it is no longer something that is out of reach of even very poor households. All but a miniscule number of primary school-age children attend primary schools in these 36 villages, and annual fees for government-run primary schools are a pittance, easily within reach of even very poor households. Evaluations conducted elsewhere in Andhra Pradesh concur with this finding (CESS, 2002, p. 120).
6. We selected a longer period of 25 years because it corresponds roughly to one generation in time, and households’ strategies are usually based upon generational time horizons. This method fails to capture households of 25 years ago from which no single member survives in the community at the present time, and some attrition bias is likely on this account. A corresponding but opposite bias can affect panel studies when households examined in the previous period are not available to interview at the present time.
7. In all, we interviewed 1,679 households: 561 of Category A, 348 of Category B, 335 of Category C, and 435 of Category D.
8. What we were not able to investigate, however, are inequalities in poverty status within households. Further improvements will be required for this purpose while

undertaking later administrations of the Stages-of-Progress methodology. Combining different methods of studying poverty, as discussed in the concluding section, will also help overcome other limitations associated with the use of a subjective notion of poverty.

9. There is significant disagreement about the official estimate, and independent analysts provide alternative estimates of 26.2% and 23.8%, respectively (Reddy, Sudhakar, Galab, & Padmanabha Rao, 2003, p. 431).

10. In addition, and as pointed out by CPRC (2004, p. 77), Andhra Pradesh also suffers from a low and declining Human Development Index.

11. On average, households of Category C have 1.2 acres less land than they did 25 years ago.

12. This group of households which fell by just one or two stages can be regarded as equivalent in some respects to the category of temporary or transitory poor as defined by Hulme and Shepherd (2003).

13. Evidence from other parts of this state points similarly in the direction of health and debt as principal and interacting factors associated with descent into poverty. "The pattern," in Anantapur, Adilabad and Srikakulam, three other districts of Andhra Pradesh, studied by CESS (2002, pp. 33–36), "showed that risks relating to health are dominant in creating conditions of vulnerability followed by accidents... [Households] borrowed money from rich farmers and private moneylenders at a very high interest rate to meet the high costs involved in health care. This pushed them into a debt trap" from which very few households have recovered. That such high indebtedness can often result in bonded labor is recounted by Venkateswarlu and Da Costa (2001).

14. Fabricant, Kamara, and Mills (1999) demonstrate how in Sierra Leone and elsewhere in the developing world relatively poorer households pay comparatively larger proportions of their incomes toward healthcare costs.

15. A total of 57% of Category D households whom we interviewed mentioned high marriage expenses as a significant part of their experience over the past 25 years, and 44% of Category D households also cited high-interest private debt as a significant feature of their event history for the past 25 years. Variables corresponding to debt and marriage do not, therefore, become significant in separating Category C from Category D households, and the interaction between these variables is also not significant in Table 4.

16. These castes include Yadavas (OBC), Kammas (General), Lambadas (ST), and Koyas (ST).

17. Drought was a factor of descent for 19% of all Category C households. Assuming that the 42% of these households who fell by just one or two stages are all only temporarily and not chronically poor—a heroic assumption, especially given the evidence provided by Dercon (2004) that drought has much longer lasting effects on poverty—implies that we should count 8% fewer households within Category C (0.19 times 0.42). Category C households constitute 12.2% of all households, so eight% of this number is equal to just under 1% of all households. Making this correction yields 62.5% as the figure for households that are poor at the present time (as against 63.5% reported earlier).

18. The first cement plant of this area started production in 1981, 14 more plants have started production subsequently, and all of them are currently in operation at full or near full capacity. Interview with N. Bhaskar Reddy, General Manager, Sagar Cements, Mattapalle, District Nalgonda (January 15, 2004).

19. Interview with K. Suryanarayana Reddy, labor contractor for Nagarjuna Cement Limited, Mattapalle, District Nalgonda (January 20, 2004).

20. Alternatively, another regression model was also run, using Stage today as the dependent variable and including Stage 25 years ago among the independent variables. However, the results did not change in terms of which variables gained significance.

21. It is important, however, to point out that this finding emerges after controlling for differences in household composition, education, and occupation. Separate and more historically based explanations are required to understand why SCs and STs are more poorly educated on average or less likely to have a job and what role discrimination has played in bringing about these outcomes. I thank an anonymous reviewer for pointing out this need for historical contextualization.

22. High social expenses, on funerals and marriages, are also significantly associated with descent into poverty, but there is relatively little that can be achieved, in my view, by addressing these practices solely through legal or policy interventions.

23. Ravallion and Datt (1996) indicate that industrial growth may have similarly small effects on poverty reduction over a wider part of India. The general validity of this conclusion is challenged, however, including by Hasan and Quibria (2004).

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