Escaping and Falling into Poverty in India Today

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Summary. — The study examines the dynamic nature of movements into and out of poverty over a period when poverty has fallen substantially in India. The analysis identifies people who escaped poverty and those who fell into it over the period 2005–12. Using panel data from the India Human Development Survey for 2005 and 2012, we find that the risks of marginalized communities such as Dalits and Adivasis of falling into or remaining in poverty were higher than those for more privileged groups. Some, but not all of these higher risks are explained by educational, financial, and social disadvantages of these groups in 2005. Results from a logistic regression show that some factors that help people escape poverty differ from those that push people into it and that the strength of their effects varies.

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1. INTRODUCTION

The Indian economy has grown by leaps and bounds over the last two decades of its liberalized journey. The world economic crisis notwithstanding, both rural and urban poverty fell substantially over this time period although some debate remains over the magnitude of this fall. Official estimates show a decline from a high of 37% in 1993–94 to 22% in 2011–12, a decline of 15 percentage points.

Though everyone agrees poverty rates have fallen over time, we are less certain about who are the people who have risen out of poverty most rapidly and what advantages they enjoyed that might have helped explain their upward mobility. Moreover, despite the overall decline in net poverty rates, many others have newly fallen into poverty but have been almost forgotten in academic and policy discourse (Krishna, 2010).

Poverty analysis in India has largely depended upon cross sectional data, relying on the “thick” quinquennial and the “thin” annual consumption expenditure surveys by the NSSO. Though highly useful for a continuous monitoring of national progress, these cross-sectional surveys do not allow for examining the dynamics of household outcomes. The lack of national panel data has prevented us from asking what household characteristics increase the odds of exiting or entering poverty? How does occupational diversification affect the risks of poverty? Are historical caste disadvantages reproduced in recent poverty dynamics?

The completion of the second wave of the India Human Development Survey (IHDS, 2016) presents a unique opportunity to observe the movements into and out of poverty by Indian households across the country during a rapidly changing economy. We find that traditional caste and religious differences remain a major impediment for escaping poverty and an equally strong risk for falling into poverty. In contrast, educational attainment and a salaried position offer protection against the danger of falling into poverty but somewhat less help in escaping once there. Urban location offers similar protections against falling into poverty but somewhat less help in escaping once there. Educational and occupational advantages typical of urban households.

2. BACKGROUND AND MOTIVATION

Contemporary poverty in India has always been underpinned by the age-old divisions of caste and religious differences. Patterns of poverty and underdevelopment show consistent intergroup differences over time, even during phases of growth and development. India’s class differentials have historically mirrored the traditional caste differentials. Brahmins and other forward castes have been the traditional decision makers through their ownership of land and capital, while Dalits (Scheduled Castes) have more often worked as landless laborers. Indigenous tribal groups (Adivasis), often set apart geographically and socially from the rest of India, have typically been the poorest of the poor.

Despite aggressive affirmative action policies by the Government of India and despite substantial improvements in incomes among all Indians, poverty continues to be concentrated among these most traditionally disadvantaged groups. A recent report based on the 2004–05 India Human Development Survey (Desai et al., 2010) found that while Forward Caste Hindus experienced a 12% poverty rate, Dalit poverty was more than two and half times as high (32%) and a crippling 50% of Adivasis were poor. Intermediate castes (OBCs—Other Backward Classes) had, not surprisingly, intermediate levels of poverty (23%). Comparable estimates of...
poverty (Thorat & Dubey, 2012) based on data from National Sample Survey also show similar inter group differences. While the head count ratio (HCR) for the Dalits and Adivasis were as high as 32% and 30%, they are only 17% for the Forward caste Hindus.

Religious differences in poverty are more complex owing to different levels of urbanization, education, and non-agricultural employment. Nevertheless, 31% of minority Muslims were poor, a rate not much different from Dalits (IHDS, 2005). Other minority religious groups, Jains, Sikhs, and to a lesser extent Christians, have been relatively prosperous; together their 2005 poverty rate was only 12%, about the same as Forward Caste Hindus.

3. PANEL LITERATURE AND ANALYSIS

Poverty analyses in India have depended largely on the cross sectional National Sample Surveys (NSS) consumption expenditure data collected every five years by the Ministry of Statistics and Programme Implementation. Panel data analysis has been less common; what has been available has used mostly selected rural samples from NCAER (Mehta & Bhide, 2003) and from ICRISAT, the International Crops Research Institute for the Semi-Arid Tropics (Gaiha & Imai, 2004; Singh &Binswanger, 1993). The last available year from ICRISAT is 2008 and from NCAER, 1998-99. Lacking sufficient panel data, others (Hatlebakk, 2014; Krishna, 2010) have developed retrospective methods for inquiring about transitions into and out of poverty.

(a) Social background

These earlier panel analyses of rural poverty persistence confirmed that the most disadvantaged groups also realized the lowest rates of escape from poverty. The evidence is clearest for Adivasis, while Dalits and especially OBCs occasionally show escape rates more similar to forward castes. For example, Mehta and Bhide (2003) studying 3,139 rural households found that while 63% of “Upper Caste” households who were poor in 1970-71 were no longer poor a decade later, only 37% of Dalits and, even fewer, 30% of Adivasis had managed to escape poverty during that time. Escape rates for OBC households, 43%, fell between these two extremes. Dhamija and Bhide (2013) extended the analysis of the same NCAER data to 1998-99 and also found that both Dalits and Adivasis were less likely to escape poverty, although the coefficient estimating the log odds of escape for Adivasis, -1.18, was over twice that for Dalits, -0.56 (2013, p. 692).

Krishna (2003) using retrospective accounts for 6,376 Rajasthan households found that while 45% of previously poor Upper Caste households had escaped poverty a generation later, 42% of poor OBC households, 33% of Dalit households, and only 31% of Adivasi households had been able to escape. Using similar methods with 2,245 Gujarat households, Krishna, Kapila, Porwal, and Singh (2005) found escape rates of 22% for “General” Hindu households, 18%, for Dalits, and 15% for Adivasis. More surprisingly, the lowest rates of escape in Gujarat were found among poor OBC households, only 12% of whom escaped poverty. Hatlebakk (2014) using a similar retrospective method with 754 households in two Orissa districts found similar rates of escape for poor OBCs (50%) and Dalits (58%) but much lower for poor Adivasis (17%). Unfortunately, the sample size of poor forward castes was too small to estimate escape rates.

(b) Economic and educational background

A review of the existing panel data literature on India as well as other countries suggests that in rural areas, households that escaped poverty over time, were those that managed to increase their land holding or to use existing land more intensively either by increasing irrigation or crop diversification, found off-farm work, increased skill or education, acquired more assets, or reduced family size. At the same time those households that fell into poverty were the ones that lost land or operational area, experienced cropping shocks, increased family size, did not accumulate wealth, did not reduce liabilities, had members who fell ill, suffered a natural calamity, belonged to lower caste, were landless, mostly less educated and could not easily change occupation (Aldeman, Subbarao, & Vashishtha, 1985; Baulch & McCulloch, 2002; Gaiha, 1989).

4. OBJECTIVE

The panel studies reviewed above, while suggestive, have various limitations: all are rural, several are based on small or local samples, and poverty definitions vary widely from one study to another and rarely conform to the standard NSS definition. This study will use a nationally representative panel data of 38,853 households for India, the India Human Development Survey (Desai et al., 2010), fielded in two waves,
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