

# Moving out of Poverty: Promise of Local Democracy

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(Draft for Discussion only)

# The Indian Debate

- The Indian debate on local democracy has shifted towards interrogating the conditions under which local democracy can play a positive role in helping the poor to move out of poverty
- The study tries to integrate three literatures: (a) local democracy, (b) social empowerment, and (c) poverty reduction
- The study uses mixed-method approach to address these issues

# Two Views on Local Democracy

- The “Elite Capture” view where benefits of local democracy are mainly controlled by the local elite
- The “Instrumentalist” view where devolution even if “from the top” is intrinsically pro-poor as it brings the state to the local people, helps to make it more accountable, and improve the access to service delivery
- Both the views suggest that local democracy cannot be responsive without a parallel process of social empowerment of the poor.

# Local democracy helps upward mobility

- Responsive local democracy helps mobility of the poor in differing state contexts—even in contexts where caste dynamics is an important factor (UP), or where there is relatively high political mobilization of the poor (West Bengal), self-help group movement (AP), or in the presence of conflict, suggesting the potentials of economic healing effects (Assam).
- Both quantitative and qualitative evidence on local democracy was used in the state-papers. For quantitative exercise, we constructed an index of local democracy.

# Index of Local Democracy

<b><i>Responsiveness of local democracy (PCA Index)</i></b>		
- Trust in local government officials (rh415bi)	HH	Not at all=1, To a very great extent =5
- Satisfaction with democracy in local govt. (rh511)	HH	Very dissatisfied =1, Very satisfied =4
- Extent to which local government takes into account concerns (rh502b)	HH	Less =1, More =3
- Ability to influence actions of local govt.(rh504)	HH	Decreased =1, Increased =3
<b><i>Corruption (PCA Index)</i></b>		
- Corruption in government officials at the country level (c505b)	KI	Almost none=1, Almost all =4
- Corruption in govt. officials in village (c506b)	KI	Almost none=1, Almost all =4
- Corruption in government officials in community (c924)	FGD	Almost none=1, Almost all =4

# Democracy Results for Movers (weighted regression)

Factors	West Bengal	UP	Assam	AP
Responsiveness of local democracy	+***	+***	+	+
Responsiveness of local democracy LOM	+*	..	--	..
Corruption	..	--	+*	..
Index of Fairness	..	+***	+***	+**

# Local democracy prevents downward mobility

- Shocks are important well-known causes of falling into poverty
- In villages where there is responsive local democracy, there is less falling into poverty
- In villages where there is more corruption, there is more falling into poverty

# Democracy Results for Fallers (Overall Sample)

Factors	Sign and Significance
Unable to find work (No= 0, Yes= 1)	+*
Harder to find work (No= 0, Yes= 1)	+***
Source of income, regular employment	-***
Source of income, temporary employment	+***
Initial assets	-***
Borrow credit for major household event	+***
Dependency ratio	+***
Health condition (Deteriorated= 3, Improved= 1)	..
Whether seeking health treatment is difficult (No=0, Yes=1)	+***
Flood	..
Drought	..
Collective Action: Most people willing to help (No= 0, Yes= 1)	+**
Responsive Local democracy (PCA index)	-**
Corruption	+***



# Exclusionary Aspects of Local Democracy

- Benefits of responsive local democracy are not distributed uniformly as various groups of the poor residing in the same community differ in their initial power and rights.
- Movers benefit much more than the chronic poor. Why? Because they have (a) more initial assets, (b) more initial empowerment, and (c) more “membership connections” (caste, party, SHG). Also, *luck matters*, as appears from life-stories.

# Empowerment Results for Movers (Weighted Regression)

	West Bengal	Uttar Pradesh	Assam
Empowerment (initial)	***	***	..
Empowerment LOM (initial)	..	***	***
Control over everyday decisions	***	..	***
Control over everyday decisions LOM	*-	**	***
HHS aspirations	***	***	***
HHS aspirations LOM	..	..	***
Index of collective action	**	-	..
More violence against women	-	..	+
More violence against women LOM	***	..	..
Health shocks	..	..	*-
Initial Assets (land/ asset index)	***	**	..
Education of household head	..	***	***

# These results are supported by the qualitative evidence

- State-level qualitative narratives show that movers have higher initial assets (partly influenced by land-reform, as in West Bengal) and caste status (OBCs benefited more than the SCs, as in UP), or organizational identity (those with SHG membership moved up faster, as in AP) and were better able to take the advantage of local democracy.
- But, there is a large section who could not benefit to the same extent as the movers. In West Bengal, land-reform (an output of local government itself) has partly slowed down because of unavailability of surplus land and/or because of the factor of middle-peasantry. In UP, the OBCs (the middle-castes) have been more socially influential than SCs. In Assam, low-intensity but long-duration conflict offered little growth opportunities, though even localized peace helped mobility.

# Collective Action of the Poor is not Enough

- Bonding social capital—the indicator of “willingness to help each other in a crisis”—is associated with *lower* chances of upward mobility and *higher* chances of falling. This apparently perverse finding actually shows the possibility of reverse causality: falling households and communities often get together to collectively resolve their crisis-events but in most cases such initiatives are met with coping failures. Collective social action can partially mitigate but cannot prevent falling in the presence of credit market failure and in absence of other risk-mitigating institutional interventions that remain outside their control.

# Conclusion: Need for a Nuanced View

- Local democracy helped upward mobility and prevented downward mobility. This political process must be supported and deepened further as only sustained practice will make it better.
- Distribution of benefits of local democracy would depend on the extent of initial social empowerment of the poor and its interaction with local democracy. The empowerment dimension needs to be strengthened.
- Distribution of benefits would also depend on the interaction between growth and demand-side aspects of local democracy, as growth-induced diversification would generate more demand for information, education and health and related local public goods (such as rural connectivity).
- Maintenance of peace is also important with special emphasis on the role of local government and local-level community initiatives in conflict-prone areas.