Asset Formation as an Instrument of Poverty Alleviation

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SELF-DECLARATION

This is to certify that the thesis submitted by me titled "**Asset Formation as an Instrument of Poverty Alleviation"** is my original work and has not previously formed the basis for the award of any Degree, Diploma, Associateship or Fellowship to this or any other University.

Archana Gupta

CERTIFICATE OF THE SUPERVISOR

This is to certify that the thesis titled "Asset Formation as an Instrument of Poverty Alleviation " is original work undertaken by Archana Gupta under my supervision and guidance as part of his/her Master's degree in this Institute. The thesis may be sent for evaluation.

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ABSTRACT

This paper explores the idea of asset formation in the discourse of poverty and its alleviation. There have been intensified dialogues about taking a target-based approach to poverty alleviation, reflected in Sustainable Development Goal 1. On the one side, the Oxfam report titled “Inequality Kills” says the bottom 50% of people own just 8% of the total global wealth, and asset price inflation has created USD 160 trillion in the past two decades for the rich (McKinsey & Co., 2023). With COVID-19 pushing people back into poverty, poverty alleviation measures must be rethought to strike at chronic poverty. This paper advocates for asset formation for poor households to provide a poverty-free life. The study analyses the existing literature and frameworks to understand the impact of assets on people’s lives. It also studies the different roles assets play in navigating the daily lives of poor households. The status of household assets in India, statewise per capita income, and poverty rates have been used to examine physical assets’ role in people’s lives. Bihar’s case is studied in detail to investigate the challenges in adopting the asset-based approach to poverty alleviation. The ultimate objective is to fuel a discourse on assessing the number of asset-poor and start providing them with asset coverage for emergencies.

Keywords: Poverty, Asset, Wealth, Asset Poor, AIDIS, Asset Formation, Land Redistribution

INTRODUCTION

"Wars of nations are fought to change maps. But wars of poverty are fought to map change."

Muhammad Ali

Poverty as a term has many definitions and outlooks. The World Bank Group defines poverty as "pronounced deprivation in well-being" (World Bank, n.d.). This deprivation based definition implies inadequate income or consumption to put poor households above some adequate minimum threshold of sustenance. Sen (1989) took a human-centric approach to define poverty as capability deprivation. Capabilities are the power to do something and the freedom to pursue valuable functions. There is not one standard definition of poverty, though there are several ways to measure it, like daily calorie intake, daily income, and human development approaches. The existing measurement of poverty is income centric. Anyone sustaining at or below $2.15 per day is considered poor, and there are 700 million such people worldwide (World Bank, 2023). Despite such measurement methods and interventions, the 'what' of poverty is subsumed into the measurement discourse.

Poverty mitigation measures target short-term symptoms of deprivation. It continues to be one of human development's most complicated and intersectional challenges. Poverty not only impacts individual lives but also nations and the world. It is often considered a trap because incomes are so meagre and get consumed entirely. As a result, there are not enough savings or other resources to break the cycle of poverty. While poverty alleviation has been a work in progress for decades, COVID-19 has been considered a severe shock to all such efforts. 2020 -2022 is the lost phase. The reversal pushed millions into poverty, and India accounts for 80% of them. Consumption-based efforts in these cases have yet to be sustained. Poverty alleviation measures focus on cash transfers for mere subsistence. The consideration for long-term improvement is necessary, and assets bring that safety net. So, there is a need to broaden the idea of poverty alleviation beyond income support and consumption. Assets creation is one such alternative way.

India's last poverty survey was done in 2011-12, released by the erstwhile Planning Commission of India. The findings showed that 21.9% of the population was poor, and the absolute count was 269.3 million. Since then, there have not been any national-level poverty surveys by the government. The following tables summarise the estimated numbers in the current times by different economists.

Poverty Estimates For India By Different Authors

Authors	Poverty estimate	Year	Data source
Rangarajan	29.5% (363 million people)	2014	NSSO survey 2011-12
Bhalla, Virmani and Bhasin*	2.5% (34.32 million, based on World Bank poverty line of $1.9, MMRP and without considering food transfers)	2022	National Accounts*
Roy and van der Wilde	10.2% (140.04 million)	2022	CMIE-CPHS
Jha and Lahoti	4.7% (rural, based on World Bank poverty line of $1.9)	2022	CMIE-CPHS
Panagariya and More**	26.9% (372.83 million)	2023	PLFS

* By taking food transfer into consideration, 0.9% of Indians were living on $1.9 a day, found the authors
The authors adjusted for the differences between the CES and PLFS
Note: Poverty ratios were taken from the authors' research. We estimate the poverty headcount for 2022 onwards based on projections from the National Commission on Population, under the Ministry of Health and Family Welfare)

Share

Figure 1 Compilation of estimated poverty of India by different authors. *Source: Indiaspend*

Since the existing official poverty data is more than a decade old, various economists have arrived at projections of poverty estimates for India. The estimates derive data from various sources like the Periodic Labour Force Survey (PLFS) and the Consumer Pyramids Household Survey. Though the authors have used different methodologies to arrive at the estimates and took a lower threshold of USD 1.9/day (compared to the existing $2.15/day), the absolute poverty number shows a rise. From 269.3 million poor people in 2011-12, a considerable increase can be seen in the estimates by Bhalla, Virmani, and Bhasin (2022) and Panagariya (2023). It shows that India's absolute number of poor has increased over the past decade, signifying inadequate success of income/consumption-based interventions. Hence, the approach to poverty needs a revisit, as multiple schemes of supporting the poor have been inadequate. The vulnerability of slipping back into poverty has not decreased over the years.

This thesis endeavours to analyse the roles of assets in supporting poor households' sustenance and their suitability to end chronic poverty. It begins by delving into the review of the existing literature of different schools. The following section will present the theories surrounding poverty in Economics and behavioural studies. It will move on to discuss the findings from the secondary sources and the primary research. In the end, it enumerates the recommendations and the scope of work further forward. The relevant data and research instruments are attached in the appendices.

Scope of the Thesis

Studies of poverty alleviation and assets have several dimensions, such as definitions, criticism about measurement, and performance of various schemes and policies. There are also debates around the feasibility of poverty alleviation and poverty mitigation. However, this paper focuses on analysing the role of assets in poverty alleviation and how it enhances people's lives.

LITERATURE REVIEW

Poverty: Definitions and theories

The existing definitions of poverty are driven by the idea of daily subsistence and unmet human needs. Hagenaars and de Vos (1988) broadly categorized these definitions into the following:

1. Poverty is objectively having less than a defined, absolute minimum.
2. Poverty is having less than others in society (relative measurement).
3. Poverty is the feeling of not having enough to get along.

While the first and the second categories consider objective situations in terms of measurements, the third category defines poverty subjectively.

Economic Theories of Poverty

The classical theory of economics proposes that the value of a product depends exclusively on the cost of production, and the distribution of returns happens based on the ownership of factors of production. It is based on the work of Adam Smith and David Ricardo. According to the classical economics lens, **poverty is a consequence of poor individual choices** that negatively affect the productivity of resources (land, labour, capital, entrepreneurship). These wrong choices push people into poverty, and government intervention beyond the minimum is considered to be a source of economic inefficiency.

The prevailing principle of conditional welfare influenced the behavioural view in the 19th century for the few. This view states that poverty was necessary because otherwise, the labourers would not be motivated to work (Townsend, 1979). It implies that the poor self-select into deprivation, which is not a result of market failure, but the shortcomings of their efforts and capabilities. (ibid). Intergenerational theories of poverty propose that poverty begets poverty and creates a culture of poverty (Lewis, 1965).

Neoclassical theory derives from Alfred Marshall's "Principles of Economics", published in 1890. Marshall argued that the intersection of demand and supply curves determines price. The Neoclassical school stresses unequal initial talents, skills, and capital endowments. These factors determine the productivity of an individual in generating poverty. From the monetary approach, poverty is explained in terms of the incidence of asset scarcity (Davis & Sanchez-Martinez, 2014). It implies that households with an adequate level of assets are less affected by income fluctuations. Lack of income diversification, as a result of holding too few assets, has an impact on poverty and the length of poverty episodes (Ulimwengu, 2008). The stock of household assets plays a significant role in perpetuating poverty as assets can be transferred from generation to generation (ibid).

The Liberal/Keynesian theory of poverty identifies the signs of underdevelopment in terms of human capital, business capital, infrastructure, and knowledge capital. The school sees poverty as the misfortune of 'certain minorities' who fall out of work and cannot find work (Townsend, 1979). Keynes argued that market forces promote economic development through growth, which is an effective factor in ending poverty.

Bardhan (1996) takes an economic approach to analyse poverty alleviation approaches. Public policy measures to reduce poverty have interfered with the free market. The governments in many poor countries have used high tariffs, trade restrictions, subsidised credit, and underpriced energy and water to keep price levels low. However, more than helping the poor, these measures have stagnated economic growth.

Behavioural Economics Theory

Richard Thaler coined the theory of Mental Accounting (1985). The theory proposes that people think in relative terms, rather than absolute terms. It is a framework indicating how people label and track their money (Thaler, 1985). People code, categorise, and evaluate economic outcomes by grouping their assets into non-fungible, non-interchangeable mental accounts. People have different propensities to consume from their current income, current assets, and future income. Current income is typically used to meet immediate expenditures, and current assets are used for intermediate purposes. Mentally unlabelled and easily available money gets spent more freely than the money mentally accounted for (Bertrand, Mullainathan, & Shafir, 2004).

On Poverty Measurements

Sen (1979) wrote about the issues poverty measurement faces. Poverty is considered as something disapproved of, and its elimination is regarded as morally good. **The methodology of identifying the poor concerning minimum needs involves two ways.** One bases the measurement on the household consumption basket. It is referred to as ‘direct method’. The other method is called the ‘income method’. It first calculates the minimum income needed to meet the specified consumption basket of goods in different economies. Then, it identifies those whose actual income falls below that minimum income, called the poverty line. But it is restrictive in terms of precondition of measurement. It does not accommodate the absence of uniformity in the ‘typical’ consumer needs. The price level of the products considered in arriving at the minimum income may not be the same for every social group.

Rakodi (1999) writes about the limitations of the consumption-based idea of poverty. It is argued that consumption-based categorisation may not coincide with the perception of the poor themselves (Jodha, 1988). This is because poverty is not defined solely in terms of income but also in deprivation and insecurity. Poverty measured on the basis of consumption may not capture all deprived and vulnerable households. Assets can be mobilised to manage the hardship, reducing the vulnerability to insecurity (Moser, 1998). Access to physical and produced assets (like infrastructure and equipment) enables people to pursue their livelihoods.

Insufficiency of the Income/Traditional Approach

Brandolini, Magri, and Smeeding (2010) found that, in different measurements, choices of poverty like disposable income, household size, and income highlight the absence of the role of assets. Assets and the lack are important for measuring material well-being and social exclusion (Sullivan et al., 2008). **There are reasons why income is not a sufficient approach to poverty measurement for many reasons.** First, it does not represent the number of available resources for individuals as they can also rely on physical and financial assets to cope with everyday needs (Brandolini et al., 2010). Second, is the perspective of considering income as a means and not an end, as it doesn't account for human well-being dimensions (Sen, 1992). It is argued that **assets affect the current well-being of households**. It determines the various living standards for households with total earnings below the poverty line. Assets and liabilities are significant in smoothing out consumption in the case of volatile income. Even when a family's income is above the poverty threshold, it may feel vulnerable during the moments of income shock in the absence of assets. The long-term prospect of households is determined by the possession of tangible assets.

Haveman (1988) and Boshara et al. (1998) argue that asset-based policy improves the welfare of low-income households in ways traditional policies do not. Asset-based policies enable low-income households by providing the financial means to deal with shocks, forming a basis for risk-taking, and increasing the owners' social influence and voting rates. There are two reasons identified for asset poverty among income-poor households: lack of income surplus and lack of income stability (p.209). A study by Spalter-Roth et al. (1994) in the United States of America showed large fluctuations in the incomes of the poor, thus restricting their investment in high-end assets like homes. In such households, acquiring assets is dependent upon credit access. In situations where payments are missed, it results in foreclosure.

Carr (2008) analysed the existing practice of poverty alleviation does not adequately cover locally specific causes and solutions that threaten human well-being. It is considered a singular, universal problem. The universal approach leads one to rely on preconceived notions of poverty and its solutions. There is region-wise variability in what is ‘poverty’, and the solutions treat them as manifestations of a universal phenomenon. However, it should be considered a product of a locally unique problem. There is little impetus to understand the heterogeneous local definitions and solutions to poverty. The current approaches to poverty alleviation design interventions that consider issues not as interdependent but as sectoral problems like education reform, health reform, etc. Three gaps crafted are:

a) Who gains and who loses from the existing definitions of problems and their solutions?
b) Who identifies these problems and solutions?
c) How do these solutions become legitimate in a particular social unit when their benefit is not evenly distributed across the unit?

Assets and Capital lens of Poverty Alleviation

Shapiro et al. (2001) analysed wealth (capital and property) through the lens of social stratification. Max Weber proposed a multidimensional approach to studying capital and relations of production to explain how wealth may structure advantages and disadvantages in social relations. He argues that assets transferred through inheritance create a restricted social class. Shapiro (2001) argues that though ambition, independence and desire to improve living standards are important ingredients for escaping poverty, positive outcomes from these qualities cannot be realized without the possession of physical assets. Physical assets can generate further asset accumulation, and asset-based antipoverty policies enable the creation of such a ripple effect. They argue that consumption needs are the determinants of asset formation at the household level. If a household's income is less than sufficient to meet consumption needs, the saving rate is less. As a result, subsistence consumption takes away the income earned in the poor households.

Hernando de Soto (2001), in his book, “The Mystery of Capital”, argues that assets in developing countries serve immediate physical needs while in the West, they have a life outside the physical world. Assets imply collateral. The potential to generate value is one of the functions of capital. Capital is a part of assets that bring surplus income and increase productivity. Any asset whose economic and social aspects are not fixed in a formal property system is extremely hard to move in the market. Assets that are fungible make it suitable for any transaction. The formal transformation of assets into property makes it more accessible from a less accessible condition to enable multiple uses. In the process, the formal property system attaches identities and networks of people, thereby bringing in the idea of social status in property ownership. As a result, it is important for the poor and marginalised to earn the benefits of property to escape poverty. The states must create open asset ownership and transfer systems. The study links property ownership with fungibility and social status. As a result, the network of people widens to access more livelihood opportunities.

Relationship between Assets and Poverty Alleviation

Among the **asset-based poverty alleviation** measures, land reform and redistribution are the most popular. It is argued that if credit facilities are made accessible to all farmers (large and small), land redistribution may boost production and reduce poverty.

Gamble and Prabhakar (2005) wrote about poverty alleviation from an asset egalitarianism lens. Asset egalitarianism was advocated by Tom Paine in the pamphlet *Agrarian Justice*. Paine proposed the establishment of a fund to provide a capital grant to all citizens (Paine, 1987). He argued:

> "When a young couple begins in the world, the difference is exceedingly great whether they begin with nothing or with fifteen pounds apiece. With this aid, they could buy a cow and implements to cultivate a few acres of land, and instead of becoming burdens upon society…would be put in the way of becoming useful and profitable citizens."
>
> Paine (1987)

The underlying idea was to ensure economic and political independence through assets. "Three acres and a cow" was a famous slogan in 19th-century Britain. Paxton (2003) argues that an individual's well-being is not only assessed based on income and consumption but also on the stocks of wealth one holds. **Among different arguments advanced in favouring**

assets as an instrument for poverty reduction, 'asset-effect' is important. According to the asset effect, owning an asset motivates people to save more for their future and act in a more responsible manner. It is seen as preventing the onset of poverty.
While income-based welfare policies are important for those who fall into poverty, there is a case for preventive efforts, too.

Esping-Andersion (1990) argued that asset-based interventions are more seen in those countries where individualism is a part of the welfare system. Esping-Anderson (1990) argues that countries like the United States of America (USA) and other English-speaking countries are liberal welfare systems with individuals having to make welfare provisions themselves. Martin Barnes argues that because asset-based welfare taps into the culture of individualism this approach may signal the erosion of social democratic elements existing in these countries. It overlaps with the policy of basic income. **Asset-based interventions are referred to as the 'basic capital' approach (White, 2003). There is a debate between basic income and basic capital approach, but it is possible to develop asset-based interventions in social democratic countries (Dowding et al., 2003).**

Asset -based Poverty Measurement Approaches

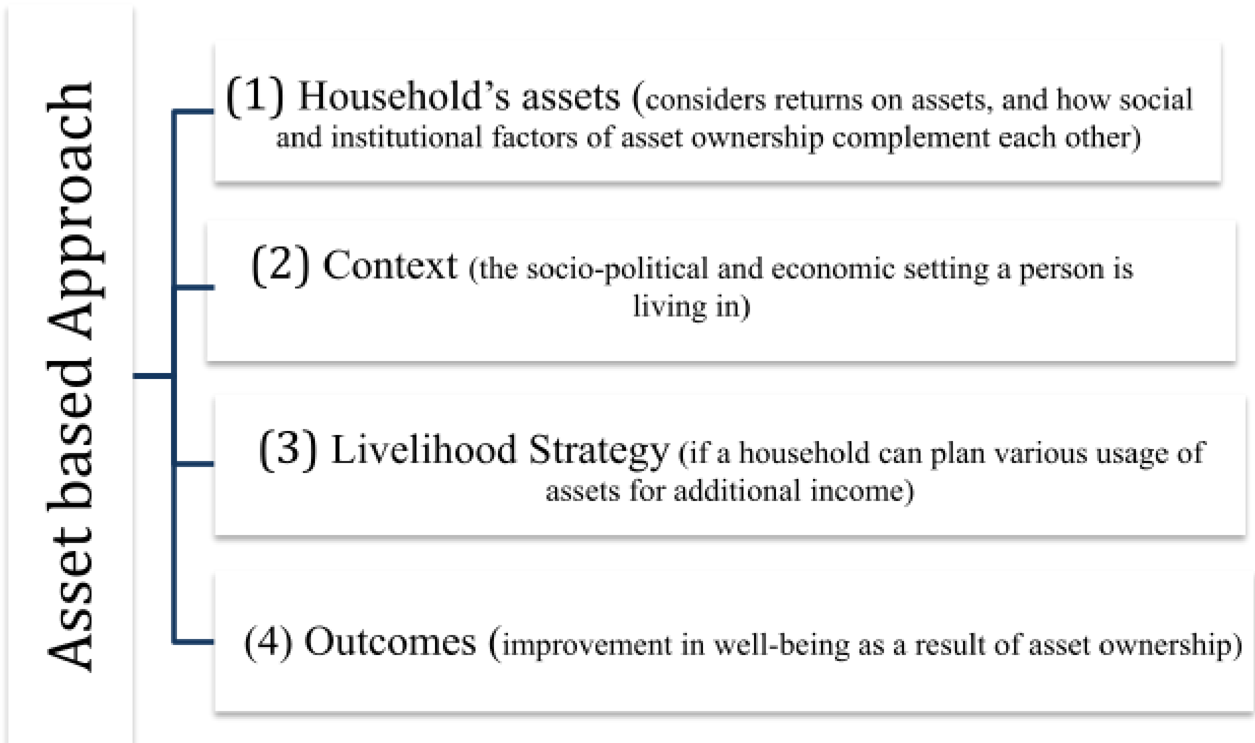


Figure 2 Asset-based approach framework (de Janvry&Sadoulet,2001). Illustration by Author

A household's assets are a stock of productive, social, and locational resources (Siegel & Alwang, 1999; Rakodi, 1999). It includes both tangible and intangible resources and how they generate results. The approach proposes that the poor are asset-poor as they have limited assets with low returns and are often unable to exploit their assets effectively. Attention must be paid at the social, institutional and political relationships among the households. It is argued that physical and social infrastructure complement other tangible and non-tangible assets and help determine the expected risk and returns of other assets. It is because certain assets are effective only when combined with others, like high-quality land and its distance from the market or access to credit.

The second component of the framework is context, which consists of the institutions and policies that define ownership and the acceptable use of different assets. These policies determine how assets can be managed to achieve well-being (de Soto, 2000; Zezza and Llambi, 2002). It is closely linked with the issue of 'access' to assets, including risks to which households are exposed. This component advocates for enhancing human and social capital that enable households and individuals with essential management skills.

The **livelihood strategy** is the next component of the asset-based approach. It includes land and labour use decisions, investment in education, migration, participation in social capital building, etc. The ownership/possession of assets determines the ability to undertake an enterprise and the productivity of resources invested. A rural household has diversified multiple sources of livelihood off the farm. The asset-based approach helps in understanding why and how households manage risks and select certain livelihoods over others.

The final component is **outcomes** that reflect well-being and prospects of growth. Even though household well-being is difficult to quantify, so consumption and income are used as correlated indicators to measure it (World Bank, 2000). Improving well-being requires the management of diverse kinds of assets like physical, human, financial, natural, and intellectual (World Development Report, 2003). As poverty is considered to be transitory in nature, households are vulnerable because of changing asset-context conditions and livelihood strategies (Siegel et al., 2003).

Kubo (2009) argues that asset ownership is considered to be one of the important predictors of chronic poverty and vulnerability. In a study by Walker and Ryan (1990) in Andhra Pradesh and Maharashtra, 88% of 104 households experienced income-induced poverty between 1975 and 1984. These households were landless and relied on agricultural wages for living. At the same time, the remaining 12% owned an average of 10.2 hectares of land and did not experience any income poverty.

Carter & Barrett (2005) proposed an asset-based approach to measuring poverty. They argue that the first-generation approach relies on household income/ expenditure, and it is a money metric. The second-generation measurement stresses repeated observations of a single cohort of households/ individuals over several variables beyond income (panel data). The third-generation approach includes the transition of a household from above to below expenditure poverty line, which could be said to have made a stochastic (random probability) transition back to poverty because of the loss of assets. The fourth-generation measurement approach integrates standard income measures and the assumption of reducing the productive assets of a household to a scalar-valued number. It includes both structural and transitory poor.

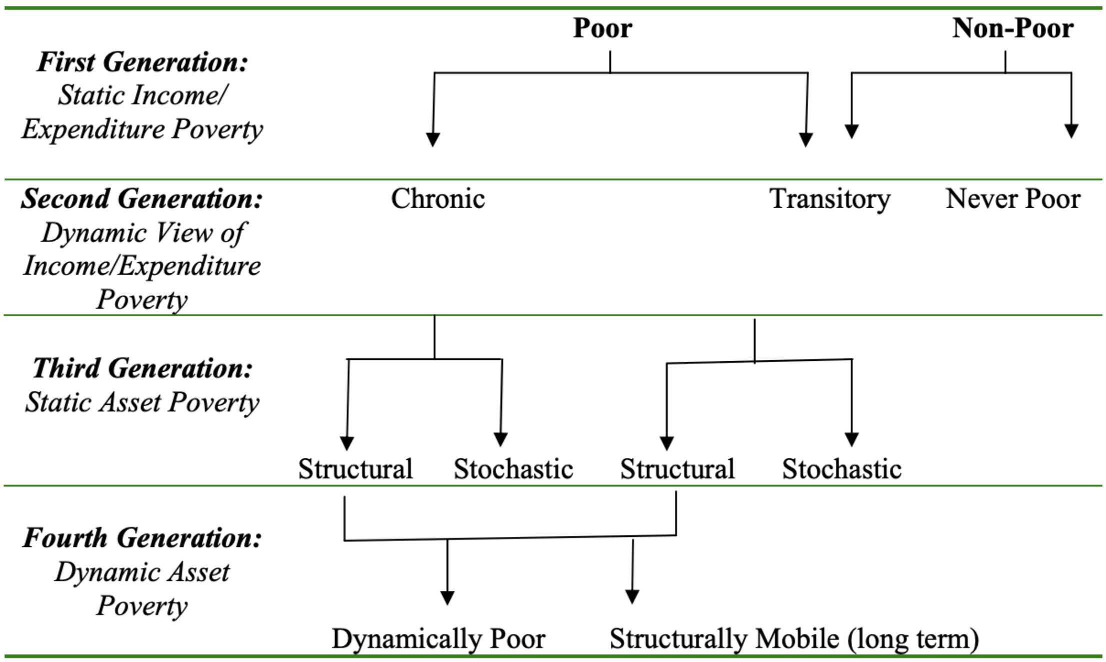


Figure 3 Alternate Approaches to Poverty Measurement (Carter & Barret, 2005)

Hoddinott et al. (2005) proposed that asset holding, return on them, and the risk of losing assets determine whether the family will remain impoverished, escape poverty, or avoid poverty. Holding assets, providing access to institutions that can provide return on assets, and minimising the impact of shocks are considered a pathway to sustainable poverty alleviation (ibid).

Moser (2006), in the paper "Asset-Based Approaches to Poverty Reduction in a Globalized Context", argues that asset-based approaches to development debates emerged in the 1990s in the international poverty alleviation discourse. It started with the dialogue of the multi-dimensionality of poverty and the interconnectedness of inequality, economic growth, and poverty in the global south. It proposes that poverty is a static concept, and vulnerability is a dynamic one (Chambers, 1992). Assets are not just resources that help earn livelihoods but also provide people with the capability to be and act (Bebbington, 1999). **The standard poverty**

measures assess the static, backwards-looking conditions of living, while asset-based approaches measure poverty dynamically in terms of people moving in and out of poverty.

Assets and well -being

Siegel (2005) studied the Central American poverty reduction interventions that have led to improvements in the well-being of individuals. It focussed on the efforts of the Central American Environmentally and Socially Sustainable Development Department of the World Bank in Latin America. The intervention took four basic paths for reducing poverty: agriculture, pluriactive path (off-farm economic activities), social assistance, exit (migration), and payment for natural resource management. Siegel argues that there is not one unique path to reduce rural poverty.

Sherraden (2018) argues that asset building is essential for both rich and poor alike. It creates material conditions and behaviour that promote household stability and development (Sherraden, 1991). According to the paper, asset holding also positively changes a person's attitudes and behaviour, such as emotional well-being (Sherraden et al., 2015; Elliot & Beverly, 2011).

The asset-based approach to poverty alleviation is driven by the idea that household assets are the 'drivers' of sustainable growth and poverty reduction. The World Bank conceptual framework (2005) of asset-based approach explores relationships between assets, context, behaviour, and outcomes (de Janvry and Sadoulet, 2001). It defines assets of a household inclusive of the productive, social and locational assets that determine the opportunity set of options for livelihood strategies. These actions, in turn, determine outcomes in terms of household well-being. The context of policy and institutions, along with the presence and absence of risks, are of critical importance.

While the existing literature provides context for the role of assets in better subsistence, there is a lack of discourse in the Indian context. These studies and findings have come from three geographies: the United States of America (USA), South America, and poor African nations like Ghana. The complexities and gradients of asset ownership differ in the Indian context because of the social and economic system. Similar studies on asset ownership have addressed income inequalities to a certain extent, but their relationship with poverty has not been widely explored.

This thesis attempts to add to asset and poverty discourse in the Indian context by examining the asset ownership data and how the people in the poorest state of India view the role of assets in their subsistence journey.

Research Questions

This paper will explore the role assets through the following three questions:

1. What is the status of rural and urban household assets in India?
2. Can the asset formation approach provide comparatively better sustainability to poverty alleviation measures than traditional income support measures?
3. What are the challenges for Bihar in adopting an asset-based poverty alleviation approach? The reason for choosing Bihar is its position in poverty and development. It has the lowest per capita income in the country (MoSPI, 2023). Regarding the poverty headcount ratio, Bihar has the highest percentage (33.76%) of the poor population (NITI Aayog, 2023). Hence, it was rational to choose Bihar to understand the assets' role better.

Methodology

The methodology employed a mix of secondary research, unstructured interviews and structured interviews, making it a qualitative study. It also includes data from secondary sources for analysis.

The secondary research includes exploring existing data sets, journal articles, reports, and studies by multilateral organisations. It includes publications from the Ministry of Statistics and Programme Implementation, the World Bank, *Economic and Political Weekly*, the Government of Bihar Economic Survey, the Bihar caste Census, the Asian Development Research Institute, the Ministry of Finance, the Multi-Dimensional Poverty Index (NITI Aayog), the Reserve Bank of India database on the Indian Economy, National Council of Applied Economic Research and other relevant sources were identified. These resources were evaluated to determine critical insights pertinent to the research topic.

For primary research, unstructured interviews were conducted. It included two components: interviewing development economists and experts in the poverty alleviation domain and speaking to respondents willing to share their perspectives on their outlook towards assets in easing their financial lives. These respondents have contributed to poverty alleviation discourse and recommended policy suggestions to the central and various state governments for over two decades. All of them are 50+ years old and are male. Their opinions are published in the leading newspapers in India. They were reached out for interviews via email and text messages. The interviews include both in-person conversations and online meets, depending on the respondents' availability. The first category included the following respondents:

Table 1: Particulars of the experts interviewed.

Particulars	**Experience and Domain**
Participant 1	Member of the Indian Administrative Service, experienced in implementing poverty alleviation programs
Participant 2	Senior member of a multi-national organization, an Economist, and experienced in IRDP evaluation in Eastern states of India
Participant 3	Senior Economist, PwC India
Participant 4	Fellow, leading Public Policy Think Tank in India
Participant 5	Researcher (Macroeconomics and Fiscal Policy)

The other component of the primary research included a sample of 52 participants from different districts of Bihar. The sample included 10 females and 42 males aged 18-59 years. The sample population was engaged in casual labour in Bihar or other states. Some of them were also engaged in agriculture. The interviews took place in person, and the sample size had monthly consumption ranging between INR 8000-INR 20,000, depending on the family size. Since the timeline of the field visit coincided with the Holi festival, people working in the other states had returned to Bihar. Their jobs are often arranged by mediators/contractors, who have information about the work and leave schedules of the workers. The contact information for speaking with the workers was received through them. The interview places were either their respective houses or the nearest panchayat office. More details are as follows:

Table 2: Particulars of the household members interviewed

Total Number of Participants	52
Males	42
Females	10
Age range	18-59 years Mean age = 35 Median age = 32
Occupation	Factory floor workers, agriculture labourers, Brick kiln daily wagers, construction workers
Lowest Monthly Expenditure	INR 8000/month
Highest Monthly Expenditure	INR 20,000/month
Number of Participants with land ownership (small to medium size)	25
Number of Participants having a motorcycle	7

Questionnaires for both sets of interviews are in the Appendix. These questionnaires were aligned with the objectives of the research. The interviews with the experts were recorded on the phone and then transcribed. One of the participants among the experts objected to the audio recording, so notes were taken for that interview. The responses for the second kind of interview were noted on paper and then codified later. The data collected were then organised and synthesised to write findings. The data log maintained contains the anonymised names of each participant.

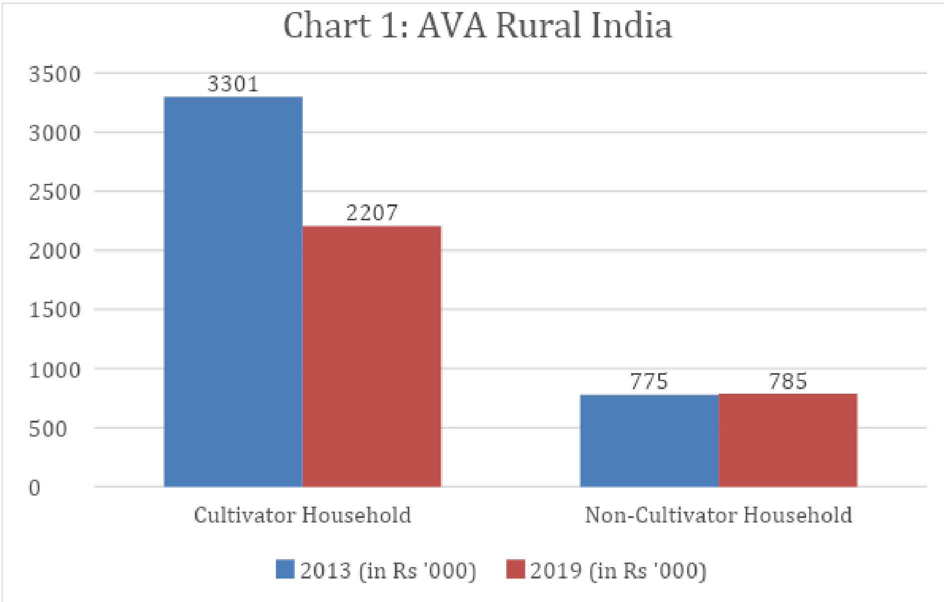
FINDINGS AND DISCUSSION

The asset ownership distribution among selected Indian states and social groups

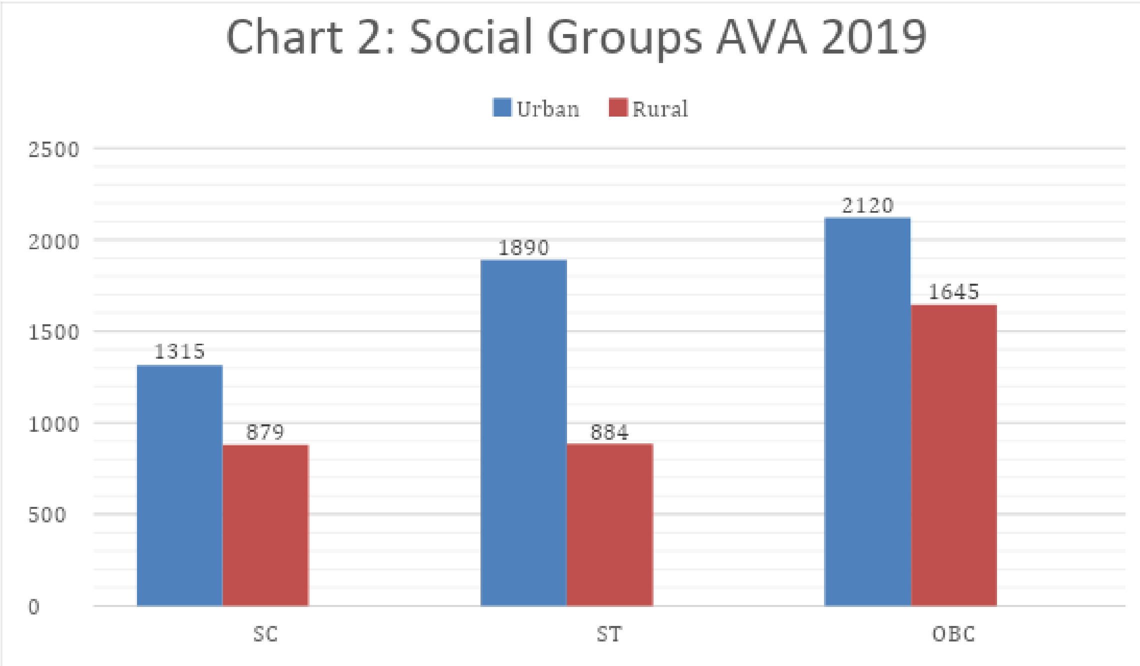
To understand the current status of household assets, the Average Value of Assets (AVA) from the All-India Debt and Investment Survey (2019 & 2013) was used. It is published by the Ministry of Statistics and Programme Implementation (MoSPI), Government of India. The survey defines assets as “all household belongings that have monetary value” (AIDIS, 2019, pp. 18). It includes both physical and financial assets. The average Value of Assets (AVA) is the average value of all the physical and financial assets owned per household. Comparing the 2013 and 2019 AVA data state-wise, Assam, Haryana, Punjab, and Kerala have shown a decreased AVA in absolute numbers. Among these four states mentioned, all three states are more prosperous than Assam in terms of Gross State Domestic Product and per capita income. It can be attributed to reasons like disinvesting for consumption or decreased income.

The data for rural India indicates increasing poverty among farmers. The AIDIS survey collects the rural assets data for cultivator and non-cultivator categories. The households having 0.002 hectares of land or more to cultivate during the last 365 days preceding the survey are categorized as cultivator households. The AVA for the cultivator category declined by 33% in 2019, and the same increase for the non-cultivator category by 1% (refer to chart 1). The data for rural AVA shows a different trend. Kerala’s rural AVA declined by 21% in 2019 compared to 2013. Punjab and Gujarat are other states that registered a decline in the rural AVA. The loss in the states mentioned is important because much of state income depends on agriculture. If the asset value is declining, it could also indicate the rising indebtedness among the farmers. The existing literature notes that assets are often used as a buffer to absorb financial shocks. The result could be anticipated as an increase in poverty rates in the approaching times.

The national average of the rural AVA for 2019 is INR 1.59 million, compared with INR 1.01 million in 2013. The same for urban India was INR 2.71 million in 2019 and INR 2.28 million in 2013. Overall, the urban AVA increased by 3% from the 2013 level. When the urban AVA is compared, Assam, Haryana, Kerala, and Maharashtra show a decline. The decline ranges from 31% for Haryana to 21% for Punjab. Maharashtra and Tamil Nadu registered a 15% decline in the urban AVA. This data is significant because of the decline in both rural and urban AVA, indicating the inadequacy of household income to invest in assets or assets being liquidated for consumption. It is a worrisome state for any economy.



On similar lines, urban households are categorized into self-employed and others (salaried/waged, casual labour). The data shows that AVA for self-employed households was 29% lower in 2019 than in 2013. From INR 5836000 in 2013, the AVA decreased to INR 4151000 in 2019. AIDIS 2019 published data for various social groups like Other Backward Classes (OBC), Scheduled Caste (SC), and Scheduled Tribes (ST) (refer to chart 2). Rural SC AVA is valued at INR 879,000, and the urban SC AVA is INR 13,15,000. Rural SC AVA is 44% lower than the national rural percentage. This implies that SC households own approximately half of the assets of an average rural household. The rural OBC household AVA recorded was INR 16,45,000, and the same for urban households is INR 21,20,000. Similarly, the data for ST rural households is INR 884000, and that for urban households is INR 18,90,000. These amounts are significantly lower than the national rural and urban average.



The composition of assets in rural and urban India has four major components, as given in Table 1 and Table 2. The land is owned by the majority of both rural and urban households. Investments/savings in financial assets are significantly lower than in physical assets. However, the percentage of assets in the form of land held decreased in 2019 when compared to the 2013 survey for both rural and urban India. These two categories (land and building) account for 82% of urban India and 91% of rural India. Out of the total building possessions, the majority of them are self-occupied residential buildings, as per the survey document. And these buildings are all they own. When it is compared with the inequality levels in India, the top 10 per cent of urban households own three times the land per household than the next 10 per cent (Rajalakshmi, 2021).

The data shows that the lower the value of assets, the higher the ratio of debt to the value of assets. It implies that the lower the value of assets held, the greater the degree to which ownership is cancelled out by debt liabilities. For instance, the debt-asset ratio for poor households is as high as 39.1% (AIDIS, 2019).

Table 3 Asset Composition Urban India (AIDIS,2019& 2013)

Components	2019	2013
Land	44%	47%
Building	38%	45%
Deposits	9%	5%
Others	4%	3%

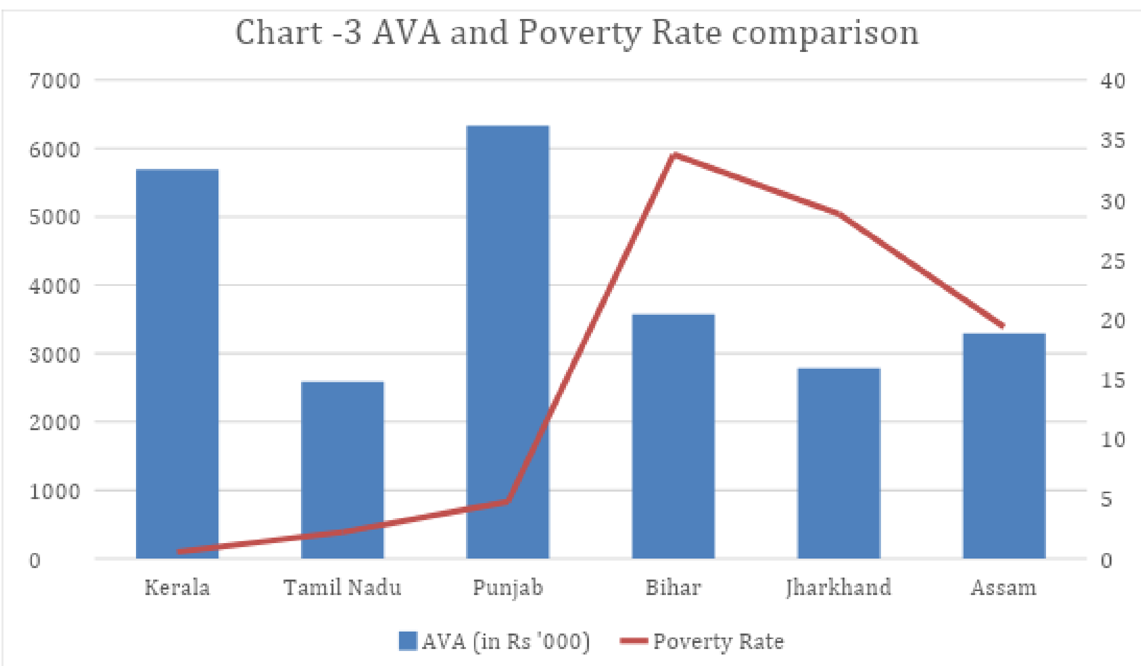
Table 4 Asset Composition Rural India (AIDIS, 2019 & 2013)

Components	2019	2013
Land	69%	72%
Building	22%	21%
Deposits	5%	2%
Others	4%	5%

Comparing the AVA of the Indian states with their respective poverty rates, it is seen that higher poverty rates correlate with lower AVA. It implies that the difference between the wealth of richer states and the poorer states is widening, hampering the idea of equitable growth for the nation. Within the poor states, while rich households with higher asset possession are becoming richer due to appreciation in their prices. But poor households have no such avenues for additional income. It reveals the deep inequality among selected states of India. Bihar, Jharkhand, Chhattisgarh, and Assam have poverty rates higher than 30% (as per the 2011 poverty rate).

To compare the asset ownership and poverty, the Multi-Dimensional Poverty Index (MDPI) is taken. The MDPI is computed by NITI Aayog and is a wider concept than income poverty. It captures multiple and overlapping deprivations in three aspects namely, health, education, and standard of living. Since there has been no recent data release on poverty by the government, MDPI is chosen. The index has an asset component as well to measure poverty. It shows a wide gap between the range of poverty rates. The state with the lowest poverty is Kerala with 0.55%, and the state with the highest poverty rate is Bihar (33.76%). Below is the comparison between the assets and poverty rates of the richest and the poorest states. It shows that the states with higher AVA have lower rates of poverty. Among the poorer states like Jharkhand and Assam, the marginal difference in the AVA reflects in slightly lower rate of poverty in Assam compared to Jharkhand.

It is seen that the AVA of the selected states (Appendix 1) has a standard deviation of 4053. The All-India average for rural and urban India is 15.92 lakhs and 27.17 lakhs, respectively. However, the percentage difference between states and the national average is 50%. It implies wide interstate inequalities in asset ownership where states with higher per capita income have more assets for disposal than poorer states. As assets ensure additional income, the states with higher AVA will continue to grow a fraction of income as returns on assets. However, the poorer states with low asset value will take a long time to reach the income level of prosperous states like Kerala and Punjab. As a result, it is pushing the states further into the cycle of poverty.



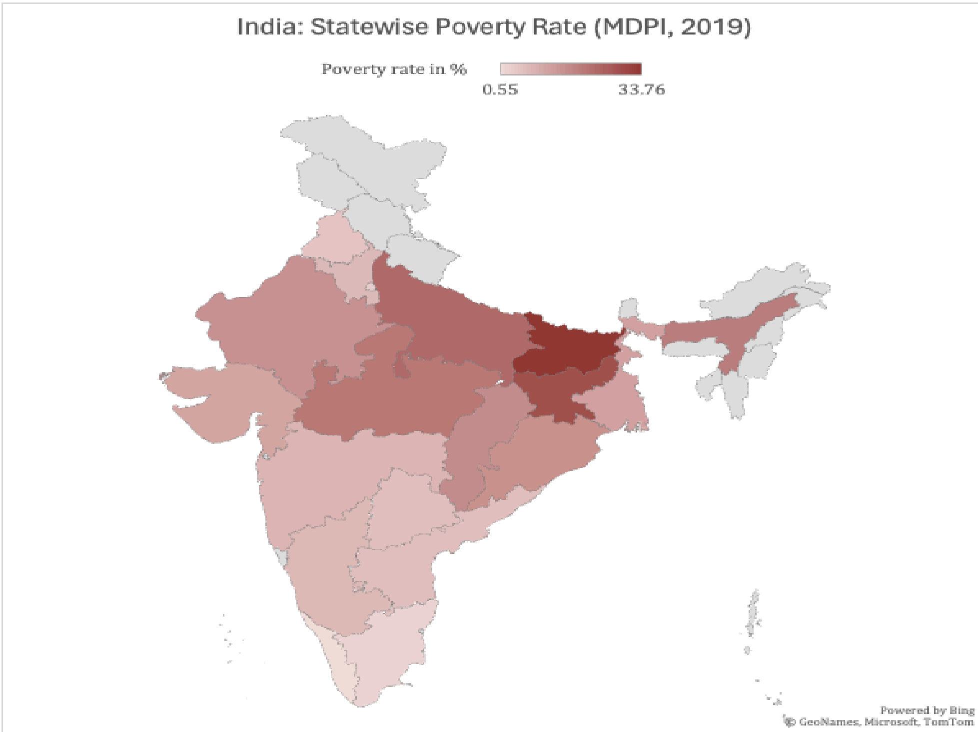


Figure 4: Visualisation of statewise poverty rates in India. Source:MDPI, 2019. (Author)

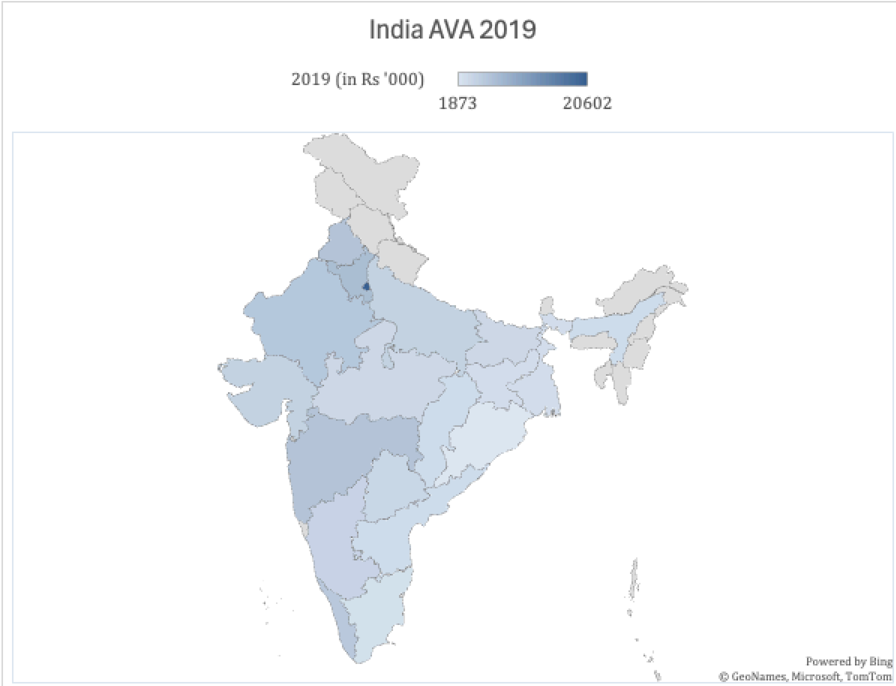


Figure 5: Visualisation of Average Value of Asset for Indian States based on AIDIS 2019 data. (Author)

In the decade 2000-2010, Bihar's economy grew at 7% on average (Gupta, 2024). During the same phase, India's rate of growth was between 6.3 and 6.6% (ibid). Despite this faster growth rate, Bihar remains India's poorest state in terms of per capita income (PIB, 2023). It is argued that due to the initial low level of income and high population growth rate, poverty persisted. It is a low-income state with a per capita income of 30% of what an average Indian earns.

Assets' role in poor households' subsistence

The interviews conducted with 52 participants showed how they perceive assets as bringing financial sustainability. It indicated the crucial role assets play in the lives of people living below the poverty line. Following are the types of assets that were reported to be owned:

Particulars	No of people who owned
Bicycle	7
Motorcycle	7
Television	5
Agriculture land	27
Cattle	5

The findings can be summarized below:

On Assets and additional income

80% of the participants indicated that job security is a critical issue and accidents in families lead to dissavings and debt. Income helps people sustain everyday life. With monthly expenditure ranging from INR 3000 to INR 20,000, the median income of the sample is INR 11,500. Given India's Gross Savings rate of 30%, the total income can be assumed to be INR 16,428 per month (MoSPI, 2022). The upper range of income will be INR 28000. The per annum income is below INR 5,00,00, and the concern raised by all the participants was about the uncertainty of the monthly income. One of the participants mentioned, "Sudden job loss and health issues in the family make the income irrelevant… it pushes us to borrow without will". They mentioned that having an asset like land can help them transition better during financial difficulties. Land and other assets act as the buffer for the period without income. Even when the savings are exhausted, it is seen as a resource that can bring **additional income through crops**, or if it is a house, it **saves the rent** from the monthly expenditure.

Assets and future assurance

Along with income assurance, assets are also seen as being invested for future generations. It is often argued that India has a ‘saver mindset’, implying that people save for the future and often postpone current consumption needs. These savings are usually not in the form of investments. Investments provide comparatively better rates of returns than savings, so households frequently prefer investing in land and buildings. The interview findings indicate that people intend to buy land because it can be transferred to the next generation, and the financial value will also keep appreciating. It is seen as a source for ‘better lives’ for the future generation. One of the participants said, “Having land and a shop of our own will bring social status to my children and help me think positively”. Another participant mentioned that “*khud ka naam hoga apni zameen lene se’*. It indicates that while income is necessary to get the daily expenses going, assets (land) provide financial security over the long term (intergenerational).

Case of health emergencies: Liquidation of Assets

The threat of chronic disease and accidents like sudden loss or death emerged as a very important consideration for asset building. Poor households are one disease away from acute poverty. The respondents mentioned that the family's debt from previous illnesses is still being paid. There are phases when workers in the informal sector do not get paid for six months at a stretch. As a result, minimal cash assistance from the government proves to be insufficient for staying above the poverty line. It was also found in the existing literature that being just above the poverty line has a high volatility and is vulnerable to falling back into poverty. Chronic diseases and sometimes occasional illnesses restrict the ability to earn, and assets are seen as the backup for survival. Land and buildings are either mortgaged or sold during the mentioned emergencies to manage expenses. The intention of having one’s shop and the ability to grow crops in the season when work is difficult to find was another reason to rely asset ownership for poor households.

Why not only existing transfer income?

As the poverty support schemes in direct benefit transfers involve a certain amount, it does not break the cycle of poverty. It supports existing income but is not seen as an assistance for financial shocks. Assets, on the other hand, aid in the quality of their livelihood. One of the respondents mentioned how selling ice cream on a motorcycle helps him earn better. The reason is that it provides more comprehensive coverage of localities in less time than a bicycle. The ability to save emanates from postponing consumption to buy land or buildings. Since the money needed to build an asset is large, inheritance/existing resources create its asset impact loop. It implies that households see that owning one asset like a motorcycle helps them save or motivates them to buy an asset of a comparatively higher price, creating a progressive loop.

On multiple uses of assets

Assets serve as capital to raise loans for multiple uses at the household level. In the interviews conducted, 7 respondents mentioned that the wedding of daughters/sisters was the biggest expense in the past five years. Weddings came up as one of the biggest expenses for households taking away their assets of inheritance. Out of 52 participants, only 27 reported to own land. The land ownership was within 5 acres. 25 participants reported not having spent/invested in any resources that can be categorized as assets. 7 of them bought motorcycles, and 2 spent on buying television. What stood out was that only one respondent purchased a house, and one spent money renovating an inherited house. Expenses on treatment and planning for weddings emerged as a reason for not investing in high-value assets like land and buildings. In those scenarios, if there are existing assets, they are used as capital to raise loans.

Asset ownership influences the **debt behaviour** of poor households. It prevents people from taking debt for financial shocks and sudden expenses. Households with no land/building or other financial assets are not left with savings to deal with economic shocks. 20 respondents reported that they have not taken any loans from banks or friends/family. They all owned either land or had inherited a house in the native village. It reduces the probability of taking debts, which creates more expenses in the form of interest payments. When asked about managing big expenses from households without land, debt from friends and family was referred to as the only way. So, asset ownership reduces a household's vulnerability to a debt trap. Only two out of 52 respondents reported having spent on the renovation of the family house. The study revealed how households perceive and differentiate between debts. They differentiate between borrowings from friends and loans taken from formal institutions. Borrowings from friends and family are not perceived as loan/debt, given the informality and absence of agreements on paper. However, a loan from financial institutions is seen as a liability of a different kind. Loans from financial institutions are attached to their social identity. Also, liabilities from other informal sources seem to constitute a mental status of being debt-free.

Assets and linkage to social status

When the role of assets is explored in poverty alleviation, it emerges as a factor influencing households' overall behaviour. The financial productivity of assets posts their creation improves consumption patterns positively and creates alternative sources of livelihood. An alternative source of livelihood in terms of agriculture, rent saving, and a buffer for financial shocks. As a result, it prevents people from falling into poverty who are otherwise vulnerable to job insecurity. Apart from the legal definition of poverty, the inability to manage family functions, health tragedies, and adequate education are some of the considerations of people's perception of being poor. **The social status grades people based on their income and the quantity of resources they own**. Asset **ownership enhances social standing**, and as a result, they get more opportunities for work or better pay. At the same time, it is believed that unless income is saved to invest in a productive resource like land, vehicle, or shop, poverty cannot be escaped. These resources bring sustainability and progress to the existing financial conditions. Together, it impacts the **mental health of the entire family** in terms of reduced stress and a positive outlook towards other necessities beyond basic. Even though poor households stress the importance of asset ownership, they mention that it is their own responsibility to save and buy those.

This is how households look at assets to improve their lives. However, the view of the state level towards it is different from that of its residents. Bihar has the lowest AVA and per capita income; thus, the next section will explore the challenges Bihar faces in enabling people to own assets. It holds value because even though the per capita income fluctuates for the state, it hasn't been able to alleviate poverty like other comparable states like Uttar Pradesh.

Challenges Bihar face as the poorest state

This section explores Bihar's challenges in adopting asset-based support for poverty alleviation. The following data is significant to begin the explorations:

Poverty Headcount Percent 33.76 (NFHS-5)
Poverty rate (2011) 33.74%
Per capita Income (2022-23) INR 59637 (Damani, 2024)

Poverty in Bihar is complex. It is different for social groups and regions. According to the Bihar caste Survey (2023), 34.1% of the total households in Bihar are poor. 96% of the total population earns below INR 50,000 monthly (Bihar Caste Census, 2023). Bihar’s average assets of a rural household are lower than the national average (AIDIS, 2019). This study focuses on land among various financial and physical assets. The reason is that land remains the most important asset for Indians (RC, 2024). At the same time, it is also a source of social and political power. Land is connected with financial capabilities, stability, personal territory, and intergenerational legacy. This is evident from the share of land and the country's total asset value per household. Bihar’s population consists of OBCs and the Extremely Backward Class (EBC), which constitute 63% of the total state population. The caste survey reveals that 33.16% of the OBC, 43% of the SC, and 42% of the ST households are poor in Bihar. In a state of 209 castes (across religions), only 27% of these classes own land (Yadav, 2023). Yadav (2023) argues that the mentioned 27% of land-owning sections within the ‘backward’ classes are the upper group. It shows the differentiation within backward classes where lower classes within backward classes are landless and poor.

Landlessness is one of the indicators of perpetual poverty and correlates with a lack of other productive assets (Singh et al., 2013). The average size of the land holding in Bihar is 0.37 hectares, and approximately 84% of households own less than 0.4 hectares of land (ibid). There is a lack of data regarding leased-out land among the poor households. As per the National Multidimensional Poverty Index (2023), 65% of the total population in Bihar does not own adequate housing. This means the houses are not pucca or are made of rudimentary materials (NMPI, 2023).

Land reforms in Bihar are closely linked with the caste system. As found in the primary research, households find land important to own because of its capability to have multiple uses. In such a scenario, the caste social system linked to the absence of assets makes poverty alleviation difficult. Before the zamindari system was abolished, zamindars belonged to upper castes and gave their lands to sharecroppers to cultivate (Kumar, 2013). In the urban areas, the salaried class bought lands in the rural areas and rented them to sharecroppers. It gave the upper class and castes socio-economic powers as no tenancy rules were in action. Even though the zamindari system was legally abolished in 1949, the benefits have not been trickled down. The Bhoodan Andolan, a campaign to donate land, is yet to be fructified. The plots donated in the 1950s and 1960s are still legally owned by donors. The reason was that the land documents failed the authentication and lacked the details required for transfer (PTI, 2022). Some land plots donated were on riverbeds, hills, and forests, according to the State Bhoodan Committee. The Government of Bihar recently announced that approximately 1.60 lakh acres of land donated during the Bhoodan movement are now fit for redistribution. The entire process has taken six decades and remains to be operationalized, where 52% of the total population remains landless (ADRI, 2007). It has been observed when a participant mentioned about inability to sell the land for the absence of documents. As a result, they have migrated to other states for casual labour and intend to invest their savings in buying land in their respective villages.

The **issue of land records** is deeply embedded in the inaccessibility of land and the inability to put them to multiple uses. The Maintenance of Land Records Act (1973), which formed the legal basis for land record updates, wasn't notified in the state (ADRI, 2007). The impact of such inadequacy has resulted in a sub-optimal maintained updated land record. If an asset-based intervention is planned, the documentation is integral to the process. The reason is that ownership/leasing involves formal agreements. With the already mentioned pendency with the Bhoodan Committee, the inadequate coverage of land records is a major roadblock.

The Integrated Rural Development Program (IRDP) was a poverty alleviation program launched in 1978-79 in India. Under this scheme, asset acquisition by the poor in the primary, secondary and tertiary sectors was enabled through financial assistance in the form of credit advanced by banks and subsidies provided by the government. Hirway (1988) argued that IRDP assumed that the poor need a subsidised income-generating asset to escape poverty. A participant having worked on the implementation of IRDP in the Eastern states of India mentioned:

"There's a famous story about the IRDP cow. Okay, so the IRDP inspectors were to go and inspect if the initial cash had been put into buying something of value. He's welcomed by everybody and has good hospitality. Households usually bought a cow for its value. He took his register and calculated it, and then he did all the pleasantries of goodbyes. The kids from the family kept a tab on his movements, and the same cow used to move around 10 or 20 households in the villages. and the inspection ended". (Participant 2)

Such poor performance was not limited to IRDP. Pradhan Mantri Aawas Yojna (PMAY) is a policy for the poor to enable them to own pucca houses, but the implementation and uptake are low. Bihar appears among the lowest-performing states of PMAY, with less than 30% of sanctioned houses completed, compared to 70% completion in best-performing states like Telangana and Kerala (MoHUA, 2022). Notably, the state has a high curtailment rate due to land disputes and the non-availability of valid land ownership documents.

Lack of access to formal credit has influenced chronic poverty. The income of the economically weaker sections is spent on informal debt servicing. Asset ownership opens up a field of asset preservation and maintenance. One of the experts interviewed raised a question,

"Ensuring access to assets does not ensure asset preservation in Bihar. Does it mean the asset will only be utilised and not misused? "

It is implied that the high-interest rates pull people back into poverty and, in turn, prevent asset preservation. Resources like a cow or a tractor are not considered durable in the long term and prevent economic standing. Linked to Sen's Entitlement argument, it is not necessary that assets will always be put to productive use. It is one of the reasons why the approach to asset formation does not translate into upliftment, which essentially comes from the wealth effect because of appreciating the value of assets like land.

Political intent and ecosystem have a role in chronic poverty and low levels of household assets. Asset-building programs like PMAY suffer because of leakages and poor implementation quality, thereby increasing the cost of administration. Experts argue that transfer payments exert fiscal pressure, but there are reasons it is retained. Even though transfer payments have been revolutionised after JAM Trinity, they still aren't leak-proof. At the same time, the quantum of transfer payments is a permanent election agenda. It is normalising a kind-based life where the importance of long-term investment is not emphasised. The political apathy is also visible in the delay in redistributing donated land during the Bhoodan movement. This kind of scheme has led to a rise in adopting a transitory resource approach. The transitory approach enables the government to show just a proxy of poverty measurement in terms of daily income or increased consumption. Hence, asset formation has been pushed aside for the continuum of the political narrative of poverty alleviation, given that the government owns lakhs of acres of land. If it is distributed, there will be a positive impact on controlling interstate migration from the landless section. Based on the existing literature and the broader interview themes, professionals who have worked with the state government have pointed it out in the primary research.

Linked to the political intent is the **absence of growth and development foresight**. The administrative ecosystem has not taken a target-based approach to reducing poverty. It has resulted in inefficiencies, leading to multiple cash-based welfare schemes to serve different symptoms of poverty, like a monthly widow pension scheme of INR 400. There has not been any visible effort to strike the root causes of poverty in the state, like poor health and education infrastructure, lack of employment opportunities beyond agriculture, and inadequate revenue sources for the government. This has resulted in a poor investment climate for businesses. An indirect impact of poor investment is a low rate of urbanisation and, in turn, the return of physical assets. Only three districts of Bihar (Patna, Munger, Nalanda) have an urbanisation rate of more than 25% (Bihar Economic Survey, 2022-23). Unless there are more investment opportunities, the urbanisation rate will not increase. The wealth impact kicks in when households realise the return they expect from the assets. Hence, generating income for sustenance takes away from effort and intensity rather than focusing on asset formation. It is also because the income is too low to enable savings to buy assets (found in the previous section of findings).

One of the major takeaways from the interaction with experts and individuals is the **public health infrastructure** crisis. A survey by the Brookings Institution in 2019 found that 80% of the state residents preferred investment in public healthcare, which is responsible for a high out-of-pocket expenditure of 16% (IndiaSpend, 2019, as quoted in Scroll.in). Health is a key dimension of human capital, and any shock can result in losing key assets (Harpham & Grant, 2002). This loss is potentially associated with descents into poverty. In such a situation, the poorest either rely on the sale of assets or access credit on highly unfavourable terms as a coping mechanism (Ahmed, 2005). The effect of health on asset formation in Bihar is similar to that seen in Bangladesh, North East Ghana and rural Uganda. Integral to the health dimension was the income earner's death in a family. It causes a descent into poverty and brings in land-related factors in terms of fragmentation based on inheritance and land exhaustion. It implies selling off/mortgaging the land to cover medical expenses. Female participants did report that in the cases where husbands die, the other male members of the family take over the share of the land. As one of the themes found in the primary research, health issues are one of the financial shocks households have mentioned. The lack of public health infrastructure creates a hurdle in terms of prioritizing policy interventions. In the case of poor public health infrastructure, the asset allocation to the targeted population is not guaranteed to result in the desired outcome of pulling people out of poverty. The end use of such asset either land or building cannot be determined at the time of allocation. If it goes into liquidation for health emergencies to access expensive private facilities for the lack of public amenities, the objective of the intervention gets dissolved.

Thus, the set of challenges in asset formation have political, social, and economic dimensions, impacting a household’s coping strategy together.

LIMITATIONS

There are many debates around what poverty is, both perceptional and financial. There are definitions of poverty basis consumption, calorie intake, multi-dimensional poverty and so on. This study does not delve into critically appraising such definitions, not coming up with an alternative asset-based definition of poverty. If there were any such existing definitions, it may or may not have been captured by the author. At the same time, there are many sociocultural aspects linked to the ownership and usage of physical assets that have not been explored in this study of the paucity of time.

More interviews with the experts and practitioners could have given additional insights and represented one of the limitations of this study. Eight of the experts who reached out did not respond. Since each practitioner brings a different perspective and set of challenges, more responses could have brought additional insights into the findings. It would have enhanced the set of recommendations accordingly.

Another limitation of the study is the inability to conduct interviews with the officials from Bihar who are implementing/ managing the schemes to provide improved living standards. The political and administrative challenges are different in Bihar, and they influence the reach and performance of poverty alleviation schemes. Because of the recent political developments in the state, the officers could not be reached.

As it is known that the last official poverty rate data was released in 2011-12 by the Government of India, there was no recent data available employing the methodology used in 2011-12. The present study uses the data published in the Multi-Dimensional Poverty Index because it covers state-wise poverty indicators. There is a possibility that when these numbers are released in the future for the same period, variations cannot be avoided. Additionally, the government data takes time to get published for public use, given the scale of data collection. So, the analysis was done using the existing data sets. The selective availability of data was a limitation of this study.

CONCLUSION AND KEY RECOMMENDATIONS

This paper argues for considering asset formation at the household level to support poverty alleviation policies and programs. Assets are an important dimension in understanding chronic poverty and adding to the vulnerabilities of poor households. It impacts people's social status, mental well-being, and per capita income in real time. To break the poverty trap, human development will be sustainable when people have resources to extract economic value. India has seen a decline in the value of assets at the household level over the past few years, and the debt burden has increased on the other side. This trend has deepened the already existing inequalities. The study identifies how assets help people escape poverty and remain out of it. For a poor state like Bihar, asset formation should be brought to the realm of poverty alleviation discourse. There is a reason why poverty has existed even after 6-7% of the average growth rate was achieved. **Relying on just income-based measures is not rejected, but its role in support**

against downturns has limited evidence. Bihar must identify and recognize the roadblocks to achieving at least average national AVA to provide a better quality of life to its citizens.

Recommendations

Studying the role of assets and how people think they ease their respective lives is a long-term process that needs to be implemented in a few sequential steps. **The first recommendation of the paper is to integrate financial education about asset building to the targeted population below the poverty line.** It goes beyond financial inclusion and opening bank accounts. It includes information and skills about different assets and ways of budgeting, managing savings, setting aside funds for financial shocks, interest expenditure and income. Even though the sample studied reported to have bank accounts, it never came up as financial assets in their conversation. When they mentioned about the monthly income being consumed into consumption and interest payments, financial literacy on credit accessibility may support them approach financial institutions. At the same time, it is important to make aware of planned credit behaviour to prevent exploitative interest rates. Since asset acquisition is a complex process involving ownership transfer, the procedure is not so simple and is uniform across India. This is particularly true for land and building transactions. The reason for such awareness is important in line with the findings of what is considered a liability in different societies. Asset preservation and maintenance are important to ensure people continue to gain value from the assets they own. This is where multiple uses of assets come in with diversified uses so that the asset is not dead. For example, if a plot of land has lost its agricultural value, financial education should serve as a direction to diversify the asset usage.

Land ownership is broadly divided into three categories: Government, Private, and Community. Given the below average performance of land distribution measures in Bihar, there are two ways to pursue it. First, the land available to be redistributed must be pooled and made visible on one platform for public access. It includes the land details like size, quality, topography, and clearance status. The second part is more complex and crucial. It involves mapping the households eligible for such redistribution/allocation, based on income status at the current price level. This step involves rechecking the land ownership status with the revenue department. A mandatory requirement to enable these steps is to update land records with the procedural and documentation requirements. It is important to bring transparency and accountability to the solution. This step will lead to the formulating a policy for the distribution of physical assets among the targeted population. The following will be areas of consideration for such a policy:

A. If the land is distributed, decide upon the type of distribution. The options are unconditional ownership, ownership transfer at a cost, or lease out. Accordingly, what will the apriori conditions be for transferring the land?
B. In the case of leasing plots of land, what should be considered as an optimum period for self-sufficiency? It will determine the timeline for the land to be taken back and ensure the extra income has enabled people to build physical assets of their own. The author proposes a timeline of 10-12 years. The reason is that it will still be less than a generation and, hence, will not bring ownership claims. At the same time, an understanding of the timeline could be instrumental in planning livelihood and sources for additional income.
C. Mechanism to ensure its usage through the allotted period is needed. When ownership is transferred, the return from the land in assisting income must be surveyed to assess its effectiveness.

Along with the accumulation of assets, policy interventions are required to ensure people can preserve their assets during unexpected shocks. This risk reduction measure has two approaches- ex-ante and ex-post. This is because asset accumulation is gradual, but the depletion can be rapid with difficult rebuilding. Ex-ante measures will include investment in human capital, like healthcare infrastructure (both preventative and curative), education facilities, micro insurance, disaster risk reduction and mitigation, and social protection. The disaster risk reduction will expand to the agricultural price and weather shocks. Ex-post measures comprise humanitarian assistance, expanding safety nets and conflict resolution. These efforts should be looked at as support that can maintain the asset base for the poor.

The fourth recommendation of the study deals with enabling and simplifying the intergenerational transfer of wealth legally and transparently. While the process is accessible for economically richer households, poor households find the process daunting and end up losing the money paid for intergenerational transfer. It is necessary to limit the chronic poverty trap (Quisumbing, 2007a). Cultural dimensions also come in, along with legal simplification in terms of documentation and service fee clarity. Even though the law provides property and inheritance rights to women, the implementation needs to be streamlined. The implementation will address the ‘control of resources’ deficit within households for women. It emanates from the design of marriage as an institution where daughters are not seen as custodians of family wealth. Inter-vivo gifting of assets can be difficult and may hamper an individual’s right to own an asset until desired. So, public awareness of decentralised land information systems can ensure equitable intergenerational wealth transfer for the households already owning some.

The existing data on asset ownership, poverty, and per capita income and consumption has two shortcomings. First, the data communicates the percentage of population living under poverty, but it is difficult to find the approximation of people falling back into the poverty. The surveys are conducted at a fixed point of time and often in a decade. Second, there is no data available or being planned to monitor/study the liquidation of physical assets among the poor households. It may serve as a continuous tracker of poverty. With the digitalization of land records and transactions, creating such a data bank can help in planning targeted initiatives. The initiative may also be helpful in tracking phases of distress for the poor households. In the absence of a trend and evidence of households’ ways to manage sustenance, it is difficult to end chronic poverty. Asset liquidation data can prove to be an important indicator of people’s income and indebtedness.

Social protection is vital to prevent vulnerability and asset liquidation. Each social protection issue, like hunger, risks relating to employment, discrimination, and exclusion from education, has its life cycle. The results range from an entire generation of malnourished children to unemployed youth, thereby impacting dignity and social status. In the findings, it has been found that the participants associate asset ownership with So, instead of fragmented and different kinds of cash transfers existing right now, there is a need to integrate and rationalise them. The integration will help cover crucial stages in an individual’s life course from childhood to old age care.

Resources are limited in economic terms. A fiscal buffer for India's central and state governments is also constrained. Considering that creating an entirely new asset transfer policy might be difficult. So, the process of enabling physical asset creation will need the support of financial institutions. The market for product-based asset financing exists; however, there has not been any study/survey on how credit for asset financing has enhanced the quality of life for poor households. Such a study is needed for the targeted poor household to assess the impact of such credit arrangements. The results will guide the credit policies of asset financing for poor households. Accordingly, changes in financing terms like interest rates, repayment schedules, preconditions, and loan duration can be revised/designed. In turn, it will provide the necessary implications for policy funders, aid organisations, and funders for the relevant asset creation policies and impact monitoring.

WAY FORWARD

This study has focused on building physical assets for poor households as an instrument of sustained poverty alleviation. There are many issues related to the present research topic. Some of them are how to create a basic minimum threshold for asset possession in line with basic income, evolving a methodology for India to measure asset-poor population, and integrating inter-state migration in implementing an asset-based solution. There is a scope for exploring the possibility of a sovereign wealth guarantee for funding the physical assets and the kind of multiplier effect the Indian economy can aim for.

Challenges in the political onboarding of this idea may also hit many roadblocks. The reason is that transfer payments and freebies constitute a perennial election agenda in India. Further research studies may explore the challenges and ways to make the asset-based approach more mainstream. It does not aim to propose to completely cease the income/consumption-based measures of poverty reduction, but during an emergency situation like the COVID-19 pandemic, such measures could not prevent households from slipping back into poverty.

This paper is an attempt to attract attention towards why poverty has not ended in India even after such ambitious growth targets. If poor households have resorted to migration and saving for assets as feasible means for better quality of life, then policymakers must pay heed to the concern.

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Appendix

Questionnaire for the Experts

In-depth Interview Guide-1

Q1. (a) In your experience, what has worked the most in India's poverty alleviation policy area?

(b) Did it work in Bihar too? If not, why?

Q2**.** Why is the income/cash support measure widely considered for poverty alleviation measures in India?

Q3. What do you think enables the development of assets at the household level? Is there any multiplier effect?

Q4. Is there political acceptance/ planning to accept the low asset formation as a reason for chronic poverty in Bihar?

Q4. Do(es) the government(s) have the fiscal capacity to pursue asset-based interventions?

Q5. What are the administrative roadblocks in pursuing an asset based approach of poverty alleviation?

Q6. Does the government have the capacity to undertake dedicated asset formation initiatives in certain pilot districts? [includes land ownership or houses having convertibility into credit]

Q7.. Does asset formation for the poor impact other socio-economic issues prevailing in Bihar? [like migration, nature of jobs]

Q7. Land is considered to be an appreciating asset in terms of value. Do you think the land record inadequacy has influenced the government's stand on continuing with income based initiatives?

Prompts

Q1 Ask if some specific schemes/policies come to their minds.

Q6. [For additional income, people migrate to areas having better employment opportunities. One of the objectives is to build assets like houses. It may have an impact on socio-economic status of people.] Probe about interstate migration and informality of jobs.

Interview Questionnaire -2 (to understand how asset formation influences people's perception towards economic status)

1. Name
2. Age
3. Gender
4. Occupation
5. How many members are there in your family?
6. What is your source of income?
7. What is your monthly expenditure?
8. Do you stay in rented accommodation or a family-owned house?

9. Do you own any of the following:

   Land
   Livestock
   Vehicles (specify)
   Institutional savings

10. How long have you owned them?

11. Do you think these things support sustenance? If yes, how?

12. If yes, what kind of loan and the nature of requirement was it raised for?

13. What, according to you, comprises financial shock?

14. In the case of financial shock (for example, illness in the family), how do you manage the expenses?

15. Do you think having resources like land improves managing financial stress better? How?

16. In the months of additional income, what purpose do you spend/save for?

17. What has been your biggest asset investment (cost-wise) in recent years (5 years)?

18. Why did you take the decision to spend your money there? (use prompts like future security, for kids, etc)

19. How do you see the idea of earning entirely for consumption and not buying land or a house?

20. Do you think buying/ building a house or land impacts your decisions about future financial planning?

21. What is that one significant thing you wish to afford in the next 10-15 years? Why?

AIDIS (2019) and Poverty Data

State	2019	2013	PCY (2018-19)	Poverty %	MDPI (2019-:
Andhra Pradesh	3120	1402760	154031	9.2	6.06
Assam	3292	3351915	81034	31.98	19.35
Bihar	3573	1983157	40715	33.74	33.76
Chhatisgarh	3144	2210817	98254	39.93	16.37
Delhi	20602	13607865	279601	9.91	3.43
Gujarat	4541	3591018	197457	16.63	11.66
Haryana	7377	8295069	223015	11.16	7.07
Jharkhand	2786	1521692	75421	36.96	28.81
Karnataka	4086	2203105	204804	20.91	7.58
Kerala	5690	6754059	205437	7.05	0.55
Madhya Pradesh	3554	3176975	92486	21	20.63
Maharashtra	6284	5460492	186074	9.12	7.81
Odisha	1873	1068067	98005	17.29	15.68
Punjab	6328	6933373	149974	9.24	4.75
Rajasthan	5924	3012273	106624	10.69	15.31
Tamil nadu	2589	2346716	194373	6.54	2.2
Telangana	3912	2480975	209848	13.18	5.88
Uttar Pradesh	4578	2979839	62350	26.06	22.93
West Bengal	2757	2344182	103944	14.66	11.89

AIDIS : AVA Urban and Rural data for select states of India

	2018		2013	
State	**Rural (000' Rs)**	**Urban**	**Rural**	**Urban**
Andhra Pradesh	1408	1712	411939	990821
Assam	699	2593	503499	2848416
Bihar	1089	2484	548464	1434693
Chhatisgarh	890	2254	722860	1487957
Delhi	16571	4031	11126311	2481554
Gujarat	1728	2813	1842843	1748175
Haryana	4478	2899	4616859	3678210
Jharkhand	860	1926	548988	972704
Karnataka	1839	2247	790654	1412451
Kerala	2478	3212	2730348	4023711
Madhya Pradesh	1428	2126	985249	2191726
Maharashtra	2071	4213	1123431	4337061
Odisha	532	1341	281427	786640
Punjab	3948	2380	4295371	2638002
Rajasthan	1881	4043	1068880	1943393
Tamil nadu	946	1643	672660	1674056
Telangana	1577	2335	637509	1843466
Uttar Pradesh	1785	2793	1041901	1937938
West Bengal	789	1968	407297	1936885