

# **RURAL POVERTY AND POVERTY ALLEVIATION PROGRAMMES: AN ANALYSIS OF LINKAGES**

*Dissertation submitted to Jawaharlal Nehru University in partial fulfillment of the  
requirements for the award of the Degree of*

**MASTER OF PHILOSOPHY**

**MENKA SINGH**



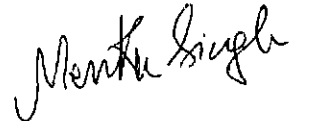
**CENTRE FOR THE STUDIES OF REGIONAL DEVELOPMENT  
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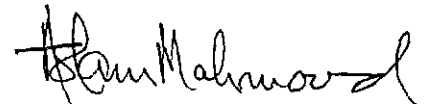
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## CHAPTER 1

### INTRODUCTION

Poverty in India is one of the major problems of the country, which has persisted for centuries. The present study concentrate on rural poverty and tries to identify the nature of poverty, the extent of the problem & the measures that have been adopted to deal it with since the 1950's. This study focuses on two major planks of the poverty programmes i.e. self-employment programme (IRDP) and for creating wage employment (JRY).

India is among the few countries where poverty alleviation is recognized as a major objective of the state policy. The idea of eradicating object is not new. It dates back to pre independence era. The main stream political movement in India was profoundly influenced by the Gandhian approach, which emphasized the need to uplift the social and economic status of the poorest of the poor. A committee on economic policy (headed by Nehru) appointed by the AICC suggested that assurance of "National minimum standards in respect of all essentials of physical and social well being" to every family within a reasonable period of time should be the practical goal of all schemes of development. The ideological commitment to poverty alleviation was supported by pragmatic considerations, unlike several other countries, which gained independence during the 1940's and 50's. The freedom struggle in India was by and large a mass movement. Large section of the poor participated in the struggle for National Independence with the hope that they would be given adequate economic wherewithal to lead decent life once the country attained independence. However, it took a long time for government to define its development objectives and policies and evolve a strategy to attain these goals as it was felt that benefits of economic growth would trickle down to the poor. The first three plans emphasized on sustained high rates of growth as the principal means to alleviate malnourishment, unemployment, illiteracy &



other manifestations of poverty. For bringing about equality of income & wealth emphasis was given on land reforms, public ownership and controlled growth during this period was much slower than expected and the redistributive measures adopted proved to be very ineffective.

### **The Community Development Programme**

The first initiative taken by the government was the community development project in 1952. It was hoped that the CDP would help in minimizing poverty and regional backwardness through diversifying the rural economy and increase agricultural production by raising productivity. The emphasis was on infrastructure building at the local level and investment in human resources development through provision of education and health services. However, when the programme was extended to cover the whole country, the weakness of the system came to surface. Appropriate technology and institutional reforms did not support the project.

### **The Abolition Of The Intermediaries and Land Reforms**

The second initiative taken was abolition of institution of intermediaries and system of landholdings such as Zamindari, Jagirdari, etc. This was followed by a comprehensive policy of land reforms. However, by the time these structural reforms were introduced in different States, usually after lengthy legislative and legal procedures, the wealthier section of the rural society had consolidated their positions and a strong middle peasantry was making its presence felt in some parts of the country. Re-distributive land reforms could make a dent only on very large holdings and that too in a few States. It directly benefited very few marginal farmers or landless labourers. Similarly tenancy reforms benefited mainly the middle-sized tenants. The position of the tenants deteriorated in many areas where the land was resumed by the landowners on the plea of self-cultivation and thus reducing small tenants to the state of tenant-at-will.

Thus, while the achievement through many of the efforts mentioned above were significant, the overall impact of the efforts was far from satisfactory to tackle the problem of poverty. Therefore the need for direct attack on poverty was felt particularly during the fourth plan period. Consequently, a number of special programmes for poverty alleviation and rural development, especially for poor were undertaken i.e. Small Farmers Development Agency (SFDA), Marginal Farmer and Agricultural Labourers Development Agency (MFAL), Drought Prone Area Programme (DPAP), Crash Scheme for Rural Employment, Food for Work Programme, Pilot Intensive Project (PIEP), Desert Development Programme. But none of these programmes comprehensively covered the entire rural population and failed to achieve the goal of eradication of poverty. All these programmes were reduced to mere subsidy giving programmes and lacked intensive effort. The plan, therefore, stated that poverty alleviation programmes had to be viewed in the wider perspective of the socio-economic transformation-taking place in the country. Serious efforts for poverty alleviation were initiated only during this phase.

### **Overview of Targeted Poverty Alleviation Programmes and Their Impact on the Poor**

The programmes, which are aimed at directly helping the poor instead of the entire population, are termed as targeted poverty alleviation programmes. The main objective of these programmes are to directly help the poor to improve their economic, physical (nutrition, health) and social conditions. These are programmes that directly target the poor and the benefits from them would be in addition to those that would accrue to the poor in the normal economic activities in the economy. These schemes are supposed to protect a person or household in the case of both *chronic* as well as *transient* poverty.

Targeting becomes important in the face of public spending. The rationale for targeting is that the benefits or social returns become higher for the population at the lower end of the income distribution than at the upper end.

Identification of poor has become an important issue for the success of targeted poverty alleviation programmes. The approaches to identify the poor can be grouped under three broad categories: (i) means-testing or income criterion, (ii) indicator targeting and (iii) self-targeting. But because of the informational and administrative constraints, means testing may not be perfect and may induce costly leakages and create adverse incentives. Thus a much better way of targeting is indicator targeting, whereby transfers are made contingent on some correlates of poverty such as land holding, profession, social class or even geographical average welfare level.

Finally, self-targeting is generally suggested for poverty alleviation because of its simplicity in administering the programme. Self-targeting occurs when the programme is designed in such a way that non-poor are discouraged to participate in them. For example, participants can be required to do manual work, as in public employment programmes. It acts as an effective deterrent to higher income groups.

The present major programmes for the poor in India can be broadly divided into the following four categories:

- (a) Self Employment programmes
- (b) Wage employment programmes
- (c) Public distribution system(PDS) and nutrition programmes
- (d) Social Security Programmes

**(a) Self Employment Programmes**

The focus of self employed programmes is on the provision of productive assets to households in the target group, or on the provision of credit meant to finance the purchase of such assets. These programmes also focus on training and skill creation schemes, which would improve the household's ability to generate self-employment in later periods. The credit provides the necessary financial resources to complement the labour resources of the poor for

undertaking productive activities. It could include a variety of activities like irrigation, land development, animal husbandry, weaving food processing, trade and other services. The microcredit programmes often have the dual objective of alleviation of income poverty and the empowerment of poor women.

*Secondary objectives:* (a) Priority to women and other disadvantage sections of the society among the targeted poor population; (b) Encourage savings; (c) Empowering the poor particularly women; (d) Facilitating market and other supporting services; (e) Group insurance

### **Integrated Rural Development Programme(IRDP)**

The IRDP was the first major self-employment programme undertaken by the central government on 2<sup>nd</sup> Oct 1980. The programme aimed at providing assistance to the beneficiaries in the form of bank credit and government subsidy so as to help them to acquire sustainable income generating assets. The target group of the programme consisted of families below the poverty line (BPL) in rural areas, comprising landless and small and marginal farmers, agricultural labourers, rural artisan's etc.

To further strengthen the IRDP, few allied/sub-programmes were started. The scheme for training of Rural Youth for self-employment (TRYSEM started in 1979) was intended to take care of the training requirement of the people who were selected and assisted under the IRDP. There was a programme to focus particularly on the rural poor women namely, development of Women & Children Rural Areas (DWCRA started in 1982-83. Another sub-scheme namely, supply of improved toolkits to rural artisans (SITRA) was introduced in 1992 to look after the modernization and improving the efficiency and productivity of the poor rural artisans. The overall impact of the self employment programmes mentioned above, however, was much less than what was expected of them. But over the years each programme started operating as a separate individual programme. Integration of different agencies

in the implementation of anti-poverty programmes was essential but never available. The efforts made for the self employment of the rural poor, gradually proved to be self defeating. The Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched as a single self-employment programme in place of the earlier programmes with effect from 1<sup>st</sup> April 1999. It aims at promoting micro enterprises and to bring the assisted poor families above the poverty line by organizing them into Self Help Groups (SHGs) through the process of social mobilisation, training and capacity building and provision of income generating assets through a mix of bank credit and Govt. subsidy.

### **(b) Wage Employment Programme**

By now it is well recognised that the rural public works programmes [RWP] have become instruments for poverty alleviation. The public works also fit into the ideas of Ragnar Nurkse (1957) who regarded surplus labour in low-income countries as potential saving useful for capital formation. The objectives of RWPs are to provide employment and to generate 'public goods' such as physical infrastructure. The primary objective is to generate additional employment for the rural poor. The secondary objective is to create productive assets, which in turn are expected to create sustainable employment for the poor. Priority is given to directly productive activities and strengthening of land economic infrastructure rather than social infrastructure. Some of the main tertiary objectives are:

- (a) While creating employment emphasis should be on women & the socially disadvantaged sections.
- (b) Seasonal & stabilization benefits
- (c) Putting upward pressure on rural wage
- (d) Preventing rural-urban migration
- (e) Environment protection

Increasing emphasis on taking up schemes for providing additional employment opportunities and various special schemes of employment generation were taken up right from 1960. Rural manpower programme (1960-61), the crash scheme for rural employment (CSRE) 1971. DPAP as rural works programme in 1970-71, SFDA & MF&SAL are some of the programmes. JRY as an independent scheme came into operation from April 1989, when two wage employment programmes, namely, the NREP and Rural Landless Employment Guarantee programmes were merged. The primary objective of JRY was to generate additional gainful employment through creation of rural economic assets, more so with the aim at improving the quality of life in the rural areas. Other programmes for wage employment are Employment Assurance Schemes, which as modeled on Maharashtra's Employment Guarantee Scheme (EGS). From 1999, JRY has been restructured as Jawahar Gram Samridhi Yohana (JASY). In recent times a number of poverty alleviation programmes and rural development schemes have been initiated by the GOI like SGSY, SGRY, PNGY, Gramin Awas, PMGSY. Antyodaya Anna Yojana, Annapurna, JPRGY, SISRY, VAMBAY. However, their less than satisfactory impact warrants a closer look at the efficiency of these programmes. Officials claim of the number of beneficiaries, works carried out, additions to productive assets and employment generated are unreliable and exaggerated. Poor targeting is reflected in the high proportion of non-poor and other non-eligible persons among the beneficiaries. Leakage due to inappropriate works, inefficient implementation and corruption are high. Quality of assets provided/created under these programmes is poor and their impact on income level of beneficiaries is dubious. Assets and schemes are frequently not appropriate to the needs and potentials of particular regions and groups.

### **(c) Public Distribution System**

P.D.S. is one of the instruments for improving food security at the scheduled level in India, where millions of poor suffer from persistent poverty & malnutrition. The goal has been to provide six essential commodities through PDS: wheat, rice, sugar, oil, kerosene & soft cake. These are supplied at below market prices to consumers, the access to the system being universal. During the first few decades of its existence, the PDS had actually never operated as an anti-poverty programme but merely as an instrument of price stabilization. Till the late 1970's the PDS was mainly restricted to urban area and deficit food regions. The main emphasis was on price stabilization & as an alternative to private trade. However, since the sixties the welfare importance of the PDS was recognised. Rural areas were also covered in many states in the 1980's. In the 1990's the govt. has decided to restrict the PDS, in the form of Revamped PDS & Target PDS. The PDS has been effective during drought years eg. 1979-80 & 1987-88. It is also effective in transforming food grains from surplus areas to deficit regions like, Kerala. However present system of PDS has many problems, (a) it is benefiting the poor only marginally (Parikh 1994); (b) in some areas poor have to pay higher market prices in the presence of PDS (Radha Krishna IndraKant, 1987); (c) Considerable increase in food subsidy due to high costs of procurement & carrying costs; (d) Leakages to open market (see Ahluwalia, 1993) and inefficiency of FCI etc. Accountability remains a major problem. There is considerable overlapping among these schemes, as well as between them and development schemes included the normal state plans.

An increase in the relative price of food would directly contribute to rural poverty in most of the circumstances. Analysis suggests that access of India's poor to commodities supplied through the PDS is very limited. Large parts of the country (essentially States which have the largest concentration of poor) simply do not have a distribution network to reach the supplies, where they are most needed. In States (Kerala, WB, TN) which have such networks,

coverage is not linked to the poor. And the attempts to ensure better targeting have been thwarted by administrative difficulties and political opposition. The efficiency of the PDS as a poverty alleviation measure and the desirability of continuing it in the present form has therefore to be examined more closely.

#### **(d) Social Security Programmes**

Other programmes like Integrated Child Development Scheme(ICDS) and National Social Assistance Programmes were also started to help the poor.

ICDS started in 1975 is one of the main programme for providing nutrition to children and women. National Social Assistance Programme (NSAP) 1975 is a programme to provide social security. It introduced a National Policy for Social Assistance benefit to poor households in the case of old age, death of primary bread winner and maternity.

With the liberalization of the economy in the 1991, the emphasis has again shifted attention to growth as the main factor in reducing poverty. Therefore, an optimal policy design for the poverty alleviation should generally involve a mix of both the direct and indirect approach. In different States relative emphasis on these various approaches could be identified, the outcome could be related to efficiency of the principle approaches selected for the purpose of poverty alleviation. The dent in poverty in different states of the country can be explained only in the socioeconomic , political , geographical and demographic content of the states ;States capabilities to implement such programmes; institutions that exist at the ground level to support the disadvantaged sections of the society. Therefore in this perspective, the following objectives have been defined :

#### **1.2 Objectives**

1. To study the nature and extent of rural poverty in India, in general and in major states in particular



2. To examine the extent of poverty among the social classes as well as among the landholders with especially emphasis on 1993-94 and 1999-2000 NSS surveys.
3. To study the expenditure pattern of self employment programme and the wage employment programmes
4. To study the coverage of IRDP and wage employment programmes across state and inquires into the loopholes that existed in the system.
5. To briefly examine the determinants of poverty and the relative importance of poverty alleviation programme in relation to growth

### **1.3 Methodology And Data Base**

The study is based on secondary data analysis. Data from various sources have been used.

- The data for poverty ratio has been collected from the tenth five-year plan document, vol. II.
- For poverty among various social groups, land possession, nature of household have been collected from the NSS 50<sup>th</sup> and 55<sup>th</sup> rounds, Reports on Differences in Level of Consumption Among Social Economic group, July 1999-june 2000 and July 1993-June 1994
- For the physical and financial performance of IRDP and JRY, EAS, NREP and RLEGP data has been collected from the annual reports of the Ministry of Rural Development
- Data on Net State Domestic Product has been collected from various volumes of economic survey.
- Apart from these various other reports like Basic Rural Statistics, census of India report, concurrent evaluation reports of IRDP (July 1995-june 1996) and (Jan 1992-dec 1992) have been consulted.

For analyzing both time series and the cross sectional data following methods have been employed.

1. Data related to expenditure has been deflated (to remove the impact of price rise) by using consumer price index for agricultural labourers at 1886-87 prices. The growth rate of real expenditure on IRDP and wage employment programmes has been calculated. the compound annual growth rate have been calculated for the two period 1980's and 1990's using the following formula.

$$P_t = P_o (1 + r/100)^t$$

Where  $P_t$  = expenditure of the current year

$P_o$  =expenditure of the base year

T= time period

R = exponential rate of growth of expenditure which is again caculated by

$$\text{Log} ( P_t - P_o ) / t$$

Compound annual growth rate of NSDP and Real wages for the periods 1993-94 and 1999-2000 have also been calculated

2. Coefficient of variation has been used to show the variation across the states in poverty ratio as well as in the proportional expenditure on IRDP and wage employment programme. It shows the dispersion around the mean

$$CV = (\text{standard deviation} / \text{mean}) * 100$$

Where standard deviation = positive square rootd of the variance.

3. For the coverage of IRDP three points of time has been considered, 1983, 19987-88, 19993-94. To calculate the number of household

below poverty line, the number of people below poverty line have been converted into the number of households below poverty line by dividing the total number of poor in each state by the size of the household in the state as given in the census report. The 1981 census has been used to convert 1983 and 1987-88 poverty into poverty households and for 1993-94 , 1991 census has been used. The number of household covered under the programme as a proportion to the number of household below poverty line gives the coverage of the poor under the IRDP.

Similarly, for the wage employment programmes, the number of mandays created in converted into no of employment generated by dividing the total mandays by 273. A person is said to be employed if he is working for 273 days in a year. The number of employment generated as a proportion to the no. of people below poverty line gives the coverage of the wage employment programme.

4. The proportion of SC/ST beneficiaries under the programmes has been used as an indicator of the coverage of the poorest of the poor.
5. Under the IRDP programme, Investment per beneficiary is calculated and on the bases of this income-increment of the beneficiary has been derived.

Income-increment per beneficiary = Investment per beneficiary /ICOR

ICOR = incremental Capital – Output Ratio

The income increment is than compared with the income gap required to raise the beneficiary above the poverty line.

Income-Gap = Poverty line – Initial Income of the beneficiary.

6. Correlation between the number of people below poverty line in each states, the number of assisted beneficiaries & the allocated fund in each state has been calculated to show the funds were allocated on the bases of proportion
-

& poverty in each state and the number of poor assisted were in relation to the no of poor in each state. Further the percentage share of each state in total no of people below poverty line in compared with the percentage share of each state in total beneficiaries.

7. A cross sectional Progress in for 1993-1994 has been used to analysis the functional relationship between poverty and its determinants. Though there are many determinants of poverty, we have focused only on 3

Poverty = f [NSDP, Wages of the agricultural labourer, Expenditure (IRDP & Wage employment programme)]

Poverty ratio is the dependent variable and NSDP, Wage of the Agriculture labourer and expenditure on the poverty alleviation programme are the independent variables. R is the correlation coefficient which shows the degree of association between the variables.

Rank correlation has been calculated between poverty reduction and its determinates were growth rate in NSDP, growth rate in real wage rates and growth in real expenditure to show the degree of correlation between different variables.

#### **1.4 Design Of The Study :-**

The paper is organized as follows :-

Chapter II deals with nature and extent of poverty in India. Since 1973-74 it also deals with the extent of poverty a very various social classes, and holding group and household type at two print of time, 1993-94 & 1999-2000.

Chapter III deals with the performance of IRDP across state in terms of its coverage and resource utilization. since 1980 onwards with special emphasis on the 90's.

Chapter IV deals with wages employment programmes and it effect on poverty alleviation.

Chapter V briefly deals with the determinants of poverty and a cross-sectional regression analysis for the period 1999-2000 has been carried out.

Chapter VI is the concluding chapter suggesting alternatives to solve the problem of poverty.

### **1.5 Literature Review**

Jagdish Bhagwati in his article "Poverty & Public Policy" provides a fresh perspective on the design of the public policy for poverty alleviation. There are two alternatives of policy design One is where the govt. follows the regime of laissez faire letting poverty & all else to take a natural course, and the other when public policy should assist in accelerating the amelioration of poverty.

The 1<sup>st</sup> principle of laissez faire is an inert route to poverty alleviation where emphasis is on the use of resources to accelerate growth & there by impact on the incomes & hence the living standard. of the poor.

The 2<sup>nd</sup> is a direct route of poverty alleviation by public provision of minimum-needs-oriented education, housing, nutritional supplements & health, & transfers to finance private expenditure on them & other components of the living standards of the poor, as well as providing employment to targeted poor. The primary distinction between the two approaches is increasing the flow of current income & raising consumption. The indirect growth oriented route may be supplemented by policies facilitating borrowing & investment by the poor, by redistributive land reforms. Whereas the direct route may be explicitly targeted towards the poor via protection & chain of health & nutritional programmes that over whelmingly benefits the poor. The optimal policy design should generally involve a mix of the two approaches, unless the productivity of either in achieving the target substantially dominates the other. Thus, for instance, if growth will concentrate on increased income entirely among the non-poor & there is no upward mobility either, the relevant rate of return to the indirect route is zero. In this event, the case for exclusive reliance on the direct

route becomes overwhelming with two critical & compelling growth and poverty reasons.

First, that the factors both economic & political that constrain the effectiveness of the growth process in indirectly reducing poverty do not simultaneously & equally afflict the direct route & prevent it as well from effectively providing benefits to the poor. Second, that the neglect of the growth process, even if its indirect impact on poverty through increased income for the poor is negligible or harmful would impair in the long run the ability of the state to sustain the expenditure required to finance the more productive direct route, especially in an economy with a growing population.

In the 1950's & 60's the growth based indirect route to attacking poverty was in vogue. Whereas the direct route was completely ignored. By the 70's however, the indirect route came under attack and the direct route gained importance. The 1980's restored the indirect route.

It was thought that growth was a rival to poverty rather than an instrument to ameliorate it. Actually GNP was simply regarded as an instrumental variable, which would enable one to impact on the ultimate & central objective of reducing poverty. Reducing poverty has always been the main objective of the Planning Commission. The objective is to provide minimum incomes or to ameliorate poverty. Rapid growth was decided upon as the peripheral instrument through which the objective could be implemented. Growth was indisputably conceived to be as an instrumental variable not as an objective per se. The claim that development strategies in the 1950's & 60's over emphasized growth & increase of the NNP at the cost of social progress is a surprising one. Growth could be a disturbingly uneven process, increased productivity could also lead to a sufficiently large deterioration in terms of trade whose adverse effect outweighs the primary gain from growth. For e.g. extension work leads to farmers raising grain production, but this in turn, lowers the grain price so much that the farmers income falls instead of rising. Thus it was necessary to introduce bias into the growth process to offset &

outweigh any bias in the opposite direction that the market, inter-acting with inherited political & social forces may generate.

Growth was criticized on two aspects. 1<sup>st</sup> that growth was irrelevant & poverty has increased inspite of it and second, that growth. It made the rich richer & poor poorer.

In assessing these claims of increasing immiserizing or more stagnation in living standards of the poor, we have to examine not just the evidence & its plausibility, but also whether there was indeed satisfactory growth for the “pull up” strategy to work. It is generally claimed that where growth has been rapid, it has impacted on poverty.

Growth has produced inadequate results because of the policy framework required for producing growth. It suggests lessons in favour of superior growth producing policies rather than lessons against using growth based indirect route to affecting poverty.

Growth in India in the early 50's 60's & 70's has been disappointing. Framework degenerated by the early 1960's on critical fronts. Confining into a trend growth rate of roughly 3.5%p.a or 1.5% per capital growth rate annually. The developing countries could combine increasing rates of external & internal savings with influx of 'off-the-shelf' technology & thus grow very rapidly. Many developing countries were able to achieve rapid growth, but India was not very successful. The main reason for this could be excessive controls over industries and foreign trade until the recent changes, and the failure to exploit the advantage of foreign trade. The growth of controls & licenses turned into governmental intervention, so necessary in a developing country, into a counter productive one. Too much government control also led to wasteful rent seeking & unproductive profit-seeking (DUP) activities. Faulty export policy was also responsible for slower growth. Emphasis was on import substitution rather than export promotion Empirical evidences suggests that the export promoting strategy imply in practice, faster growth and an impact on poverty. Even in the short run, export promotion has been associated with more labor-intensive

investment and production. Export promotion leads to rapid growth and also produces greater demand for labour. Further pro-poor policies have equally run into difficulties, arising from unequal asset distribution & hence unequal political power at the grassroots level.

Therefore growth is an important determinant in reducing poverty. But growth by itself will not ensure a spread effect. Several studies have made an attempt to show the impact of growth in poverty. (Attempts have been made to explain trends in rural poverty incidence of terms of trade of agricultural produce & prices. An attempt along this line (Ahluwalia 1978) found that at All India level there was a significant negative relation between the value added by the agricultural production and per head and Rural poverty. Analysis of Gibert Etienne (1982) based on his primary analysis in a number of Indian villages showed that poverty has indeed been impacted on & that too where agricultural growth has taken place. Minhas work (1970:1971) had drawn attention to the fact that the incidence of poverty goes down in years of good harvests, and it goes up in years of bad harvest. K Sundaram and S. Tendulkar (1983a, 1983b) showed that poverty ratio has fluctuated sharply with agricultural production. Srinivasan has concluded that meaningful tests with more and better longitudinal data has to be available by regions or areas differentiated by high and low growth rates, before firm conclusions can be drawn on the issue. But the existing analyses do favour the presumption for the present, that the effect of growth is to reduce, rather than to by pass or exacerbate, poverty. NCAER longitudinal nationwide surveys of identified households for 1970-71 & 1981-82 have suggested that even in the lowest three deciles there has been a significant rise of households crossing the poverty line. It was as high as 46%, 41% & 54% for the lowest, the second lowest & the next deciles respectively. More equitable distribution at the start of the growth process implies that the new income will, in turn, be distributed better. Several economists have advocated a policy of redistribution with growth, where the redistribution of assets precedes the growth that is designed to impact on poverty.



## **Redistribution of land**

It is observed when there is significant investment in human development & greater equality of ownership of assets, the effect of growth in poverty reduction becomes more pronounced. A major means of production in the Indian economy is land. Therefore, effective remedy to the problem of poverty is to redistribute available land among all those who depend upon it. But there is not enough land to re-distribute, so that every one may own land and earn a minimum desirable living. At the same time, due to the pressure of population on land leading to sub-division and fragmentation of agricultural holdings, and lack of employment opportunities in the non-farm sectors worsening the plight of agricultural labourers, have further swelled the ranks of the poor. There are a number of penetrating studies on the legislative content, Implementation processes & impact of land reforms on productivity and equity in different states in India. As a poverty alleviation measure, the main emphasis of land reforms until recently was on redistributive policies, the successive lowering of the ceilings on agricultural holdings in the early 1960s and again in the early 1970s was aimed at taking away the surplus land and distributing it among landless rural households or small and cultivated marginal land holders. Except for one or two states e.g. West Bengal & Kerela, this programme did not make any remarkable impact on poverty. For the whole country, the land declared surplus was much less than expected and the programme did not have much impact. Further the land declared surplus was much more than the land actually distributed among the land less labourers and marginal formers. The concentration ratio of landholdings did decline but these changes were mainly due to factors such as (a) demographic pressures leading to subdivision of holdings; (b) opportunities to increases agricultural output on medium size holdings by investment of capital rather than expansion of holdings (c) Increased risk in further expansion of holdings in the face of ceiling legislation. Redistributive land reforms did contribute directly or indirectly to stopping the process of further expansion of large holdings and in contributing to the emergence of a middle peasantry. [Vyas 1986].

Large scale eviction of tenancy took place in the early phase of the implementation of the Tenancy reforms. After the initial phase most of the state have had a better record in tenancy protection compared to their performance in implementation of ceiling legislation West Bengal has the most credible record in this respect. State legislation on "Bargardars" and its effective implementation with support at the village level, ensured that sharecroppers could not be evicted from their land & were assured of continuation of tenancy (Dasgupta). In Andhra Pradesh & Bihar a group of Naxalities have emerged to protect the rights of tenants and at times by violent means. In these states therefore state machinery have become more conscious about the implementation of the Act.

A more important reason for failure to implement was that legislation was enacted without strengthening adequately the revenue administration on which the responsibility to implement & enforce the law needs. Even in those areas where intermediate interests did not exist & where there was a systematic land record and fairly strong revenue administration, it proved inadequate to enforce the tenancy legislation. In areas where intermediaries existed, there were no systematic land records & revenue administration was weak & inadequate. In view of this failure to implement land reforms there was an obvious need to adopt a phased programme of implementation. For instance, tenancy legislation could be made applicable in the first instance, to the lands of only the absentee owners or to the lands of landowners owning lands above a certain limit. Regulation of tenancy becomes even more difficult due to rising pressure of population. Regulation of tenancy must include security of tenure and fixation of rent. But the two together amounts to a measure of price control in situation of acute shortages which it is not easy to enforce in so unorganised & far-flung a market as in the cost of land.

### **Non Farm Activities**

The other means of production are those employed in other than agricultural production which may be called industrial capital. This too is in

short supply and is very unequally distributed, therefore, to tackle the problem of unemployment we have to adopt a labour-intensive technology which units the available amount of capital will provide additional employment. Unfortunately the Khadi programme of the Khadi & Village industries commission provided sample evidence that it is not feasible, The problem of poverty and unemployment revolves on the question whether persons with no means of production of their own can at all be put to production work so that they may contribute to the national product and earn a share in it.

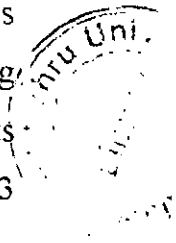
Additional policy instruments are evidently necessary to eliminate poverty at a rapid rate. The task here is clearly more difficult than simply generating more income, Since growth does not benefit automatically & in equal proportion all regions & sections of the population it thereby leads to greater inequality and the redistributive measures are limited in its impact on poverty.

### **Public Investment on Health and Education**

There are significant externalities for growth itself from public expenditure on publicly provided services. Earlier it was feared that there is a trade off between consumption expenditure (such as financing education & health) and investment expenditures aimed at growth & hence ultimate impact on poverty. Earlier, education & health was simply a natural right whose implementation reflected the availability of resources. That it was an important means for raising productivity and hence growth & reducing poverty is a later phenomenon Numerous studies have proved this relation. Expenditure on health & education with special emphasis on the poor, directly improve the welfare of the poor and also indirectly through growth, which in turn would impact on poverty. Wheeler's findings indicate significant impact on growth rate from increases in calorie intake and in literacy rates Marris's study found that primary education enrollments had a favorable effect on growth rate of per capital income whereas increased life expectancy & family planning helped through reduction in the rate of growth of population (Balassa, 1983,pp.10-11).

In recent year's public expenditure on education & health have been used as prominent mechanisms for effecting redistribution [See Biswal (1999), Boadway et al (1996) among others). Raghendra Jha et al, (an empirical Analysis of the impact of public expenditures on education and health on poverty in Indian states with the help of econometric analysis concluded that education, health & development expenditures help reduce poverty. In particular expenditure on higher university, technical adult and vocational education's as opposed to elementary and secondary education is more effective in poverty reduction. However if India is to meet its objective of sustaining high rates of economic growth with equity, then schooling must reach the economically & socially disadvantaged. This would require policies that can expand both the quantity & equality of schooling it would work to eliminate social difference based on income, gender or caste. These problems are serve in UP, Bihar, MP, Orissa, Rajasthan & W. Bengal. Notwithstanding the remarkable accomplishments of two District Primary Education Projects (DPEP) in increasing enrollment in lower primary education 3/4<sup>th</sup> of the 33 million. (6 to 10 years olds) in those seven states are still not in school. The policy prescriptions for bringing the poor children into school are not obvious. Success will depend on much stronger political commitment to educate the children of the poor. Increased spending alone will not be enough to improve enrollment & attainment of the poor. Interesting findings from recent theoretical & empirical researches provide some guidance to reforms that are likely to improve results. These include decentralization of control over the provision of schooling to the local areas, direct parental involvement, competition through school choice, & community involvement. MP for e.g., is by far the, most advanced in decentralizing school management to local institutions, such as Panchayat Raj Institutions, with a consequent increase in enrollment and retention among children of under privileged groups. Effective health programme must complement education in raising the potential production of labour to reduce poverty.

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The World Bank research pointed out that public sector has failed to deliver health facilities to the poor. Public expenditure on health has a limited redistributive impact. Despite its equitable distribution, its effect on health appears to differ greatly across region, especially in its impact on the poor. The World Bank report identifies the following priority areas for increasing the impacts of public spending on the health of the poor.

Combating communicable disease and expanding public health interventions would deliver substantial gains from public health spending particularly for the poor.

Improving access to safe water source and sanitation facilities and vaccination would help reduce infant & child mortality and thus reduce fertility and improve material health. These are activities in which poor benefits far more than others

There is a need to subsidize the hospital treatment so as to reduce the financial burden of medical emergencies on the rural poor.

Another factor, which effects the trickle down of the benefits of growth to the poor, is availability of infrastructure, physical as well as institutional. A cross section analysis of 17 states by Vyas and Sagar suggests a significant & positive impact of development of infrastructure and access to assets on the fall in poverty ratio. Jam Hazell & S.K. Thorat in their study have show that in order to reduce rural poverty, priority should be given to public spending on rural roads, agricultural research & extension. Additional is govt. spending on rural development, an effective way of helping the poor in the short term. But since it has little impact on agricultural productivity, it contributes little to long-term solution to the poverty problem. Thus government expenditure on infrastructure development such as roads, well designed irrigation & drainage system flood control & electrification as well as investment in people in their health, their education their nutrition and their ability to take part in economic & social activities, greater help in reducing poverty.

## **1.6 Review of Poverty Alleviation Programmes**

Though investment in the above sectors is important for removing poverty, there was need for a more direct attack on poverty by targeting the poorest of the poor. Most of the development programmes were addressed to the rural communities as a whole but benefited the better off sections of the society. The poor were neither able to contribute nor take advantage of such programmes as they lacked skill and assets. With the introduction of IRDP, the poor got a chance to acquire productive assets, which not only increased the annual income but also provided psychological boost and social responsibility. Further IRDP as a concept had great merit. Since the scope of redistribution of existing the main rural asset, viz land is limited; provision of newly created asset to a poor family, which probably never had any valuable material possession, could be very significant. It could add a lot to the self-respect, self-confidence, and social standing and even credit worthiness of the poor.

A number of studies on the implementation of IRDP have been conducted by different research organizations. These studies bring out the impact of the programme on the beneficiaries and the lacunae in its implementation.

On the one hand, a number of intensive field studies have highlighted many serious flaws in the IRDP strategy and on the other hand, a number of analyses based on quantitative data from large-scale surveys provide a surprisingly rosy picture of the achievements of IRDP. The mid term appraisals of both the 6th and 7th Plan as well as independent studies by Gupta (1989) and Bandyopadhyaya (1989) claim large scale reduction in poverty population as a result of poverty alleviation programme, particularly the IRDP. These success stories rest largely on three major evaluations of the programme conducted during early 1980's viz, by NABARD (1984), by the Institute of Financial and Management Research (IFMR) (1984), and by the Programme Evaluation Organisation (1985). Major studies by the RBI (1984), do not support major

conclusions of the above studies. According to the RBI report, only 17% of the sample household were able to cross the poverty line. The figure was much higher according to Nabard (47%) and the PEO study (49.5). The percentage of household, which received incremental income, was 51, 82 and 88 % respectively. The bulk of the benefits had gone to the SC/ST and the landless categories of the beneficiaries. A few other studies have also shown positive results. To mention a few: Singh et al showed that the farm beneficiaries benefited more than non-farm beneficiaries. Saxena showed that small and marginal farms have benefited from the programme. According to Sarawgi et al, 71% beneficiaries crossed the poverty line. According to Khatkar 11% crossed the poverty line. A no. of studies has brought out numerous problems associated with the implementation and administrative set up of IRDP. These problems are associated with corruption, poor repayment, weak administrative, lack of infrastructure planning, bureaucratic delays and tying of loans to inappropriate economic activities, to mention only a few. Too much bureaucratic and centralization in planning and implementation of the programme by the officials, 'who had little faith in implementing the programmes', inefficiencies and corruption at all levels and lack of participation by the people (Hirway). Kathar et al had shown that only 37% of the beneficiaries were properly identified, 14% of the beneficiaries misutilised. All IRDP assistance resulting in an out right leakage. The Non poor were able to grab these loans and subsidies by either getting themselves identified as poor or by using poor persons for acquiring assets by paying them a nominal amount. Guliani and Singh pointed out that the loans advanced for all the purposes were not enough to meet the actual requirement. The inadequacy of loan was reported by Singh who pointed out lack of coordination between block functionaries and financing agencies, inadequate provision for marketing and availability of inputs and non-relevance of the schemes to local resources. Yadav et al, the personnel of the various department involved in the implementation of different programmes did not have a clear understanding of the concept of IRDP. They worked in isolation, without any linkage with other

agencies, creating serious obstacles to the programmes. In many cases the selection of beneficiaries were done in a haphazard manner at the end of the financial year, which results in corruption and inadequate assistance to families. The schemes/programmes undertaken in IRDP were often uneconomic, unsuitable to the area and beneficiaries. Inadequate supervision mechanism made it difficult to take follow up actions. Emphasis was given on quantity of the beneficiaries rather than the quality of the IRDP in helping beneficiaries. To Quote Prof. Nilakanth Rath, "The long review of IRDP experience brings out clearly one fact: the strategy of helping the poor in rural society to get over poverty line with the help of the assets given to them is largely misconceived. Only a small proportion could be helped ..... in this manner. Putting more burden on this approach will discredit the line of attack, generate wastage, corruption and ultimately cynicism. In a multipronged attack on rural poverty this approach surely has a legitimate place, but it cannot be the mainstay of such a programme". IRDP has done well mostly in developed and prosperous areas, but its performance in the backward and remote areas has been poor (Hirmay) even in prosperous region, IRDP benefited those who were nearer to the poverty line. The ultra poor area were unable to take the advantage of the scheme. In Gujarat people who were at the bottom were not able to benefit from the assets given to them. One reason of this could be that the poorest households were not able to manage the assets. IRDP expects too much in terms of the entrepreneurial capacity of the poor household. In most cases, the programme did not reach the poor (Hirway). On the others hand, AP showed better results. A good number of very poor were able to retain their assets and make productive use (Parthasarthy). In Rajasthan, IRDP was successful as far as small and marginal farmers were concerned, but in case of landless labourers , it did not do well at all (Sagar). Same was the case in Karnataka where the programme benefitted relatively better off and not so much the landless poor.(Vyarulu). In UP, the poorest were not only able to manage to hold on to their assets, but also derived income from the assets on a sustained basis (CHH Rao and Rangaswamy). Problem with these households



was reluctance of the institutional credit agencies to lend working capital on a regular basis even after the households had proven their credit worthiness. In Bihar, the beneficiaries were able to derive incremental income, but not enough to cross the poverty line (Pulle, 1989). Thus, according to Subbarao (1985) "crossing poverty line" is not an appropriate indicator for judging the full benefits of the programme, since household below poverty line may register incremental income, it may not be enough to pull them above the poverty line. At the same time, the poverty line, which creates artificial dichotomy between poor and non-poor, ignores the enormous heterogeneity of the living conditions that exist below the mythical boundary. Money income poverty line does not capture no. of important influences on the living condition eg, drinking water, health services, education etc. Therefore, IRDP too at best could address the income generating part of comprehensive programme of public action that is needed to improve the living conditions of the poor'. Poverty criteria based on current income fails to distinguish between temporary and chronic poverty. In any particular year and locality, the group of households with current income below the poverty line includes not only chronically poor households (with long run incomes below the poverty line) but also households falling temporarily below the poverty line due to some short run decline of income. The second sub-group can, in fact, be quite large. There were good chances of temporarily poor of being selected than the chronically poor as they have more influence, better education and could easily afford the cost of search and bribing.

Till date five rounds of concurrent evaluation reports of IRDP of the Ministry of Rural Development, the Government of India has been published. The latest round, the fifth round was published in October 1999 covers the period July 1995-June 1996. The earlier rounds were for Oct 1985-Sept86, the first round, the second round (Jan87-Dec87), third round Jan 89 to Dec 89, 4<sup>th</sup> round Jan 92 to Dec 92. Here we will review the findings of the fifth round. It has taken two poverty lines, the earlier PL of Rs6400/- and the revised PL of Rs11000/-. The report shows a very rosy picture. At the all India average 86%

of the beneficiaries falling below the PL of 6400 were able to cross the line more than 90 % did so in states like Tamil Nadu, Haryana, Maharashtra, U.P and Gujrat. However, in West Bengal, it was able to raise only 62% of the beneficiaries above the poverty line. When we take the revised poverty line the percentage of people crossing poverty line falls significantly. In Haryana, the percentage was still high (85%), followed Tamil Nadu, Maharashtra and Gujrat. Orissa now has the least percentage of people crossing the poverty line followed by Rajasthan and West Bengal. This implies in West Bengal poorest among the poor were not selected. However, the fourth concurrent evaluation report gives a completely a different picture, Punjab had the maximum percentage of beneficiaries crossing the poverty line followed by West Bengal, Uttar Pradesh and Bihar. West Bengal had reported a very small percentage in the fifth round. If we take the revised PL of 11000/- Tamil Nadu and Haryana where the worst performers. They performed very well in the fifth round. Agricultural labourer constituted the maximum no of the beneficiary in most of the states. Rajasthan, Assam, UP, Orissa all other states had more than 30% beneficiaries who were agricultural labourers. The maximum was in Punjab and Tamil Nadu. Punjab, Madhya Pradesh, Rajasthan and Orissa had more than 50% of their population below poverty line belonging to SC/ST group. The assistance was given maximum under primary sector in all states. Assam, Orissa and West Bengal has less then 50% beneficiary covered by the primary sector.

The strategy of the IRDP was questioned on the ground that it was isolated from the main growth process in terms of resource allocation, technology as well as sectoral development strategy. It was not planned along with other programmes of the area. It was household-based scheme and was not integrated with the development needs or resource base of the area. Relevant infrastructure and market linkages were missing and as a consequence the activities remained largely non- viable. Further, the programme was also not Properly integrated with other sub programs like TRYSEM, DWCRA, SITRA & GKY. The mid term appraisal of the 9<sup>th</sup> plan indicated that these sub

programs presented “a matrix of multiple programs without desired linkages”. The programs suffered a sub critical investment, lack of market linkages, over crowding in certain projects. The programme was basically a subsidy driven and ignored the role of intermediation necessary for the success of self employment programmes. A one time provision of credit also undermined the programme’s objective. Repayment default and over dues are the bane of public sectors banking in India. IRDP also contributed its share of over dues. While about 60 % of the IRDP beneficiaries were prompt in repayment of loans, the rest fell in the category of defaults of the total defaulters, 41 % have been categorized as will full defaulters in 1992-93 ( GOI-1994). About 17 % defaulted on a/c of inadequate incomes and about 10 % defaulted on a/c of unforeseen calamities.

One of the major critiques of IRDP, has been that the assets provided under the programme was only a transitory one in the hands of poor, for they were not able to retain the assets for long enough to generate the income in a sustained manner, due to various reasons. Yet the findings indicate that the reality is not as hopeless as feared. More than 75 % of the beneficiaries retained the assets with them intact shape even after 2 years assistance ( GOI, 1994)

The principle objective of IRDP was to enable, assisted families to cross the poverty line. The concurrent evaluation report of 1992-93 (GOI, 1994) has revealed that 42 % of the eligible families could cross the poverty line of Rs 6400. However, only 9 % of the families could cross the revised poverty line of Rs 11000 /- per annum. However, crossing the poverty line does not constitute the end of the story. Earlier survey have indicated that benefits derived during the initial phase of the programme may not be sustained in the long run. For instance, as per one of the re surveys undertaken, 40 % of those who had reported processing income from assets in the second year of assistance, reported nil income by the 6<sup>th</sup> year of assistance.

More than 54 million families had benefitted under the IRDP till March, 1999 since the inception of the programme. Total credit mobilised during this period was Rs 22.542 crores.

Wage employment programmes total investment including subsidy was Rs. 33953 . Similarly under the TRYSEM Rs. 45.56 lakhs youths had been trained from 1980-81 to 1998-99 and 2.73 lakh groups were formed with 412.45 lakh members under DWCRA during 1982-83 to 1998-99.

### **Rural Public Work Programme**

Rural public work programmes (RPWPs) can in theory contribute to the alleviation of poverty capital construction and environment protection. The most common purpose of RPWPs is to provide work and wages to the poor in the event of droughts, floods etc., situation of acute unemployment and poverty. Thus anti-poverty effect of the RPWPs can be extended and strengthened if they are systematically used to provide public employment for those who are in need of it RPWs function as an anti-poverty instrument in particular if (a) the programmes are labour intensive ( i.e. at least 50-60% of the total cost represents wages for unskilled labour), (b) they are not too small & (c) wages paid are not very low & are paid regularly. If part of the wages is provided in kind, in the form of food grains this helps to ensure a minimum level of nutrition. The assets created by rural public works programme can also contribute towards poverty alleviation if they are directed to the satisfaction of basic needs of the poor. Examples of such assets are houses for the poor, approach roads to their localities, basic amenities of sanitation & hygiene, school rooms and dispensaries, Moreover, RPWPs can be made to strengthen the productive assets base of the poor in several ways. They can provide individual assets, such as irrigation wells, & promote land development on small & marginal farms. Further more they can result in cooperative use and ownership of newly constructed assets, e.g., by developing common property resources. Rural public works programmes can also benefit the poor by

strengthening their bargaining position and facilitating a more favorable functioning of rural labour markets.

First generation of large-scale public employment at a minimum wage rate has tendency to raise the rural/agricultural wage to all the workers, tend to weaken the segmentation of the labour market for e.g. between male and female labourers or between local & migrant workers. Third the programmes may dampen seasonal wage variations.

The second important role of rural public works is to enhance the general level of development of the economy by creating capital assets. These assets can be broadly classified into 3 categories, directly productive assets (such as irrigation works), infrastructure assets (such as roads) and assets that contribute towards human capital formation (such as school rooms). Economic development is often concentrated mainly in regions already endowed with adequate infrastructure facilities. RPWs can help spread development more equitably by constructing required infrastructure facilities in remote areas.

RPWs can also contribute towards environmental management. Rural public works functions as an important instrument for environmental management. The works undertaken under RWP include the management of renewable resources such as social forestry & ground water supplies, the protection of watershed from erosion, and the conservation of common pasture lands, all these help in improving official conditions. It also contributes to agricultural technology in contributing & maintaining of small-scale irrigation systems and appropriate land preparation such as terracing and land consolidation. It is an important instrument of energy supply, as works under RWP include the construction of biogas plant & the installation of solar energy packages as well as the sustained field management of existing forests and the reforestation of developed areas. RWP contributes to improvement of environment by programmes for environmental cleansing, pest control, flood control, solar-water supply and drainage systems. Thus rural works

programme has multiple goals but this can also impose conflicting demands on the programmes. On the one hand, the objective is to alleviate poverty and on the other hand it also aims at capital conservation & environmental protection. Many times, the rural work programmes tend to benefit the already rich people or people with assets. Therefore, in order to counteract this tendency, such assets should be created which directly benefits the poor and secondly they should create and guarantee employment for the rural poor. Thus any weakening of the relative asset position of the poor will be partly compensated by their entitlements to employment.

The type of works required for providing minimum employment may not be the most suited for promoting economic development of the region. Thus there is a trade off between providing maximum employment (labour intensive) on the one hand & attaining a good quality output on the other, as mains public work assets needs not be labour-intensive. The poor gain through transfer & stablisation benefit. Transfer benefits can be direct. Direct benefits are the increase in wage incomes gained through employment, indirect benefits could be through share of the poor in the assets created and additional output generated and any other second rounds effects. Transfer benefit accrue to poor when the employment programme provides employment and also minimum wages from paid the funds generated by taxing the rich. Stabilizing benefits are also important for the poor the benefits protect. Against Variations in employment and incomes due to seasonal & year to year variations in agricultural activities, the poor have little insurance against such risks other then disposing of what litle assets they possess. Empirical evidence from Maharashtra shows that fluctuations in the incomes of landless labourers were 50% less in villages under MES than in

Rural public works cannot really compensate for anti-employment bias in overall development policies. According to the World Bank (1976) review of development policies in countries in which sizeable rural public works were undertaken in the past, wide variations exists in employment creation in

different policy areas. Public works help only marginally in providing employment. What should be the wage rate, under such programmes? Since poverty alleviation as well as capital construction are the aims of public works, it is best served when wages are not very low. But if wage is not low, larger mobilisation of finance is needed for the programmes.

In the past, labour has often been mobilised for rural capital construction at very low level remuneration and, therefore, it does not disturb the local rural labour market as only those who are the poorest will work under the programme.

India has long experience in experimenting with labour intensive public works. After independence in 1947 many schemes were sponsored by the central govt., beginning with the Rural Manpower Programme in 1960. The employment guarantee scheme (EGS) of the Maharashtra has received acclaim from several sources. An unprecedented feature of the programme is that it guarantees rural employment to all those who are seeking work

The programme for wage employment has come under severe criticism. The 10<sup>th</sup> plan stated "Though the creation of community assets has an important spin off for rural poverty and development, the impact of these programmes on employment and income has been limited. The universalisation of the scheme severely eroded its basic objective of providing assured employment in areas of extreme poverty and chronic unemployment allocations were based on a fixed criterion that did not specifically provide for regional differentiated needs". There has been considerable debate whether these programmes were meant for creating employment or for creating productive assets. The 60:40 wage material component indicates that creating employment was more important. This imposed a constraint on the creation of durable and productive infrastructure assets, which are needed most for rural areas. If good assets were created, it would have created additional employment opportunities. Poverty eradication is not possible without creating sustainable employment. The primary objective of the employment generation

got neglected in most states, as concentration was on assets that require more capital, such as construction of panchayat committee halls, housing etc. Works like soil conservation, watershed development and afforestation, which create opportunities for further employment, have been neglected in most of the states. Even in EGS, public pressure was for construction of roads. It was pointed out, for example in the case of Andhra Pradesh, that greater emphasis needs to be placed on the development of irrigation and the efficiency of its use. In locating the programme adequate weightage is not given to communities with poor who had low employment, intensive coarse cereals (Parthasarthy). On the other hand, projects for creating private assets, e.g., setting up dug wells for small and marginal farmers proved to be successful. One of the major failings of wage employment programme is weak linkage with other development programmes of the region. This has led to choice of inappropriate projects, high material costs and staff, inappropriate timings etc.

There has always been some controversy about the impact of minimum wages on the labour market. The consensus of opinion is around the view that where market imperfections are rampant and interlocking of markets not very uncommon, state intervention in terms of declaration of minimum wage rate helps in rationalizing market processes. In some states viz. Andhra Pradesh, Kerala, Maharashtra, Tamil Nadu, there was disparity in the average wage paid per day to male and female unskilled workers. In many cases employment was provided for less than 31 days against objective of providing employment was providing employment for atleast 100 man-days. This was true especially in the backward regions where there was a greater need for employment. In many states. Work taken up was not labour- intensive. Case of bogus reporting and fudged muster rolls have been reported. The efficiency of the programme was also affected by faulty project selection and the absence of a coherent plan, which integrated EAS projects in a long- term development strategy.

An evaluation of the employment agricultural scheme (EGS) in Maharashtra shows that the programme has reduced unemployment in



Maharashtra, increased the incomes of many participating households acts as insurance mechanism. Its impact on agricultural growth & wages made the rural poor a political force it on empowered of women also (Mahendra Dev 1996) some evidence on the scheme's performance in reaching the rural poor in available from the NSS for 1987-88(GOI, 1992). Consistent with past evidence on the EGS, it shows that rural public works participation in Maharashtra tended to be greatest for the relatively poorer households and it tended to decline rapidly at higher levels of per capita consumption. (Datt, 1995). The study of two villages of Maharashtra showed that there was a net gain in income to participating house holds the gains to participants represents about 3/4<sup>th</sup> f their gross wage receipts. The scheme also generates significant indirect benefits, even though they may be more difficult to quantify. Since its inception till March 1991, a staggering total of 195 thousand has EGS works had been completed. A 1980 study by the programme evaluation organisation of the Planning Commission (GOI) and the Directorate of economic and statistics (Government of Maharashtra), provides evidence on a range of benefits from the assets created by 66 completed work spread over 4 districts of Maharashtra (GOI, 1980). It listed a total of 2051 households or 31 households per completed work who benefited in different ways from the EGS assets including 1427 households who reported an increase in their farm production, 335 who received outstanding loan & 558 who were able to create new assets from increased earnings. The study also reported an enhancement of the employment potential of the area around the completed works with farming house holds reporting greater use of both family and hired labour.

In the drought prone district of Ahmadnager EGS funds were successfully used to harness source water and develop social forestry. As a result the village harvests 2 to 3 crops a year could be raised. EGS is an important source of supplementary employment during the stack season. There is some evidence of EGS attendance responding positively to adverse shocks to the agricultural sector, as during 1979-80 when Maharashtra was hit with droughts in the central & western region and later during flood in the eastern

region. Labour attendance also increased sharply during 1985-87 when drought conditions lead to 30% falls in foodgrain output.

A case study WREP REGLP in 4 districts of Gujarat showd the existence of structural and serious lack of employment opportunities in most of the villages, which was mainly due to lack of funds with the programmes. Particularly in villages with rainfed agriculture this was quite apparent. For the participants in NREP & RLEP the average annual duration of employment was about 30 days only. Many of those who participated as workers were from landless labours households and together with the category of marginal farmers households they made 66% of all beneficiaries. Nearly 70% of the workers were illiterate and more than 95% belonged to caste tribes. The wage rate on NREP & RLEGP works besides the duration of employment showed a large variation between the various talukas.

The fact finding mission (FFM, 1992) funded by the Nether lands government and GOI, studied the MEGs in Maharashtra, and the then ongoing employment generation programmes in AP & Gujarat. Three central premises underlie the FFM report, The 1<sup>st</sup> is that any employment programme which enlarged the entitlement of the poor, provides income security and enhances the options of the workers in the labour market was to be preferred. Secondly, employment works should not be viewed merely as relief works but as an integral part of development plan. Thirdly the assets created under these programmes should benefit the poor. It found that the ongoing employment programmes in AP & Gujarat were far from efficient. They supplement but do not strengthen the labour absorption capacity of the economy, thus achievement in term's of permanent rural assets which would generate long term employment was rather disappointing. It also found that these schemes had not made any substantial impact on the rural labour markets, especially on the dry land & tribal belts because the labour markets in such areas was constrained & fragmented by a set of complex factors specific to the region, community & gender. There are areas where labour intensive resource

upgrading investments are lacking & where the largest proportions of people are poor. The FFM also found that the lack of success of the ongoing employment programmes in these aspects is due to (I) a heavy reliance on bureaucratic system (ii) weak information flows between the centre/state on the one hand & the grass roots relating to the felt needs of the poor & location specific problems & constraints & (iii) lack of integration of these schemes with overall development plans. What is required is a sustainable programme of entitlement of the poor. Employment is not the objective per se, it was also means, mechanism for (targeting & upgrading the resource structure so that an entitlement programme became sustainable.

As regards JRY, the concurrent Evaluation conducted by the Department of Rural Development during Jan-Dec 1992 (GOI, 1994) has revealed that construction of rural link roads, Panchayat Ghar, school buildings, community centres etc., were given the highest priority by the village panchayats under the programmes. At the all India level roughly 57% of the assets created by the village Panchayats related to these type of activities Besides providing infrastructure facilities to the village community through these types of assets, the village Panchayat could create more employment opportunities to the rural poor. The survey revealed that, of the total assets created under the programme, roughly 74% were found to be good or satisfactory. The JRY workers were almost unanimous in reporting that assets created were useful for the poor people.

It has been observed that a JRY worker roughly got 4 Mandays of employment during the reference period. Besides, roughly 1 Manday of employment was received by other members of his family. Thus for the family as a whole, the average no. of Mondays of employment generated at the all-India level was of the order of 5 Mandays during the 30 days, preceding the date of surveys which is quite low in terms of requirements. However, it is gratifying to note that in certain states like Assam, Goa, Orissa & Lakshadweep,

the average Mandays of employment generated was significantly higher (more than 10) than at the all-India level.

### **Concurrent Evaluation of JRY (1993-94)**

The findings of the report of the concurrent evaluation (1993-94) are as follows.

(i) For 77.18 % of the works, the panchayat functionaries were the executing agency and only 2.02 % of one works were executed by the contractors; (ii) A substantial amount of JRY funds has been spent on roads and buildings; (iii) wage and non-wage ratio has been 53:47; (iv) 47 % of employment is generated for SC/ST and 36 % for landless labourers States like Punjab, Haryana, W. Bengal, Tamilnadu, Orissa, MP, A P, Bihar, Gujarat and Karnataka had more than national average beneficiaries who were landless. More than 50 % of the beneficiaries were SC in the States like AP, Bihar, Haryana, Karnataka, and Punjab, TN & UP. In Punjab it was more than 83%; (v) Quality of majority of assets were found to be good and only 0.41% of assets were not useful. 86 % of the assets were reported to be durable; (vi) 70 % of the assets created were maintained by the panchayats. However, 13 % of the assets were not maintained at all; (vii) On an average employment generated under JRY in 30 days preceding the date of survey has been 11 days (GOI, 2001). Only 31.42 % of the beneficiaries belong to the households below the poverty line. The performance was good for states like Punjab (62-75 %), W. Bengal (52.63 %) % Orissa (48.7 %).

Other evaluation show that the resources were spread thinly so as to increases the coverage of areas/beneficiaries without any concern for duration of employment. Project selected bore no relationship to the local needs or the agricultural development strategy. A study on U.P. reports that the timing of works coincided with peak agricultural season and that the selection of works was not done in the gram sabha as required (GOI. 2000). Wage employment programmes, by effectively intervening in the labour markets, were expected

to exert upward pressure on the market wages. This could not happen because of insufficient employment provided by these programmes. The share of women in employment generated under the programme was only 17 %. JRY and similar public works programmes have tended to breed corruption. The fudging of muster rolls and of measurement books is very common resulting in huge loss of funds that could otherwise have been invested in building rural infrastructure.

Notwithstanding some of the problems mentioned above, there are two positive aspects of the programme (GOI, 2000). First, the programme did succeed in creating durable community assets in rural areas. It is true that some assets are of built have poor quality. Second, the programme led to empowerment of panchayats as the funds were placed at their disposal along with power to get the works executed through line departments.

**Evaluation of EAS** Programme Evaluation Organisation (PEO), planning commission undertook the evaluation study on Employment Assurance Scheme (EAS) for the reference period 1995-97. The main findings are as follows.

- (i) The utilization of EAS funds is extremely low. Lack of planning, untimely release of funds, both from the center to DRDAs and from DRDAs to blocks and other factors, such as inability of the states to generate matching resources are the important factors that have contributed to low utilization of employment funds.
- (ii) The coverage of village and the target group is extremely low. A maximum of 32 % of the villages and 5 % of the target group in a block are estimated to have been covered annually.
- (iii) A large part of the EAS funds has been used in activities that are less labour intensive and more capital intensive. The normative capital labour ratio has not been generally adhered to.

- (iv) The majority of EAS beneficiaries received less than 30 days' wage employment in a year. Non-poor households were also found to have been the beneficiaries of EAS.

Several lacunae have come to notice in the design and implementation of EAS.

First, there has been bogus reporting to achieve targets. Second, employment generation programme create income for the rural poor but leave no assets behind. Third, such programmes have encouraged corruption, both at political and administrative levels.

### **Employment and Income Benefits: Concurrent Evaluation of JRY**

As mentioned above, according to concurrent evaluation, JRY worker got on an average employment of 133 days per year from panchayat JRY works during the reference period of 30 days preceding the date of survey. In some poorer state like Madhya Pradesh, Orissa, JRY workers got less than 10 days per month.

According to the concurrent evaluation, the average daily wage rate was Rs. 33.36 (Rs. 30.54 cash + Rs. 2.82 value of foodgrains). On an average, a JRY worker at the all India level earned Rs. 369 during the 30 days preceding the date of survey. The poverty line income per month per family is around Rs. 917<sup>7</sup>. In other words, a JRY worker earned on an average 40 % of the poverty line threshold. Thus JRY seems to be contributing substantial income to the families working under the scheme.

### **Targeting under JRY:**

The concurrent evaluation for the year 1993-94 shows that 82 % of the workers had annual family income of less than Rs. 11,000 which is the revised poverty line. Therefore, largely, the workers who were provided employment belonged to the poorer sections<sup>8</sup>. The picture varies at state level. In Andhra Pradesh, 52 % of JRY workers were non-poor. This percentage is quite high for

Bihar, Karnataka and Uttar Pradesh. On the other hand, it was less than 10 % for Assam, Gujarat, Orissa, Rajasthan, Tamilnadu & W. Bengal. Thus, there are significant variations in the coverage of poor under JRY across states.

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<sup>7</sup> Annual family income of Rs. 11,000 is considered as poverty line.

<sup>8</sup> The concurrent evaluation for the year 1992, however, shows that around 56 % of the JRY workers were non-poor in 1992. This result could be due to the low poverty line.

Several social scientists believe that the anti-poverty programmes including IRDP & JRY are intrinsically incapable of eradicating poverty and unemployment, not simply because they are poorly conceived and badly managed but for a mere fundamental reason [Rao et al; 1988; Rao & Erappa; 1987; Kuyrian 1987; 1989]. It is argued that these programmes are attempts at correcting the structural consequences without altering the structural characteristics. A widely held view was that the in-equitous social order & economic structure do not allow the weaker sections to receive benefits out of development programmes even when these are targeted towards them. Land though, important is not the only resource over which ownership & control is inequitable in rural areas. There is broad consensus that this inequitable arrangement should be changed, but such institutions and structure are hard to reform. Therefore a need was felt to provide alternative means of bargaining power to the poor. Self-employment's wage employment programmes are expected to achieve this.

The overall impact of the self emp & wage employment programmes on the rural labour market has been modest. Self emp, generated through state sponsored scheme have been more often transitory in nature. Additional demand for labour generated through wage employment programme was too little compared to the supply-demand gap in rural labour market especially in the poorer regions. Creation of sustainable employment opportunities were

another objectives of these programmes, which could not be realised at operational level.

In spite of their many shortcomings, wage employment schemes have proved beneficial in some respects. They have created much-needed rural infrastructure. In the context of the macro-economic adjustment programme introduced in India, wage employment programme have a special significance. They can provide the needed safety net to the poor. But the massive funds required for providing wage employment to all will again starve vital sectors of investment.

Agricultural & allied activities even with a high growth will not be able to provide employment to all rural workers at adequate levels of incomes. There was an urgent need for encouraging non farm employment in rural areas. (Kurian, 1990, 1993). The various public policies including fiscal & monetary policies would have to be geared to achieve this objective.



## CHAPTER 2

### POVERTY, NATURE AND EXTENT IN INDIA

#### 2.1 Introduction

Poverty is a state of deprivation. In absolute terms, it reflects the inability of an individual to satisfy certain basic minimum needs for a sustained, healthy and productive living. In India, the poverty estimates have not only been used as development indicators, but they have also been used in allocating resources, particularly, the resources meant for poverty alleviation, among competing regions of the country. These numbers, have therefore, become contentious and politically sensitive. A generally acceptable and a reasonable representative quantitative index of poverty is, therefore, necessary. In so far as there are underlying differences in the conceptualization of poverty and the methodology followed to measure its incidence, there would be differences in the magnitude of poverty estimates. These differences in approaches, in turn, would be governed largely by the use or the objective for which the estimates are being made, as also by the availability of the requisite data. Conceptually, any attempt at quantifying the incidence of poverty in a population would involve a study of the level and pattern of individual personal consumption, as well as, their access to provisions of social interventions. It is the personal consumption expenditure and access to social transfers that determines the individual entitlement<sup>1</sup>. However, since it is difficult to determine the share of an individual's benefit from a public goods provision as well as to price them, they are not taken into account, even though they add to the well-being of an individual. The focus is, therefore, on individual's purchasing power, rather than on the structural factor which may explain the phenomenon of poverty adequately, but would involve a diverse set of variables covering each dimension of the poverty. Proportion of population not able to obtain the specified level of expenditure (income) is segregated as poor.

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<sup>1</sup> Bardhan.P.K.(1974) "The Pattern of Income Distribution in India- A Review" in Bardhan and Shrinivasn(eds), "Poverty and Income Distribution in India", Statistical publishing house, Calcutta.

Defining this level of expenditure, the poverty line, is the first step in estimating poverty. Poverty line is estimated on the basis of consumption data rather than on income, as the data on population distribution, by income classes is not available & even if available it is less reliable than the consumption data.

There is no unique approach to estimate a poverty line in conformity with the absolute concept of poverty. A consensus emerged in the early 70's on the adoption of calorie norm to determine the minimum consumption level, the poverty line. Food forms more than 80% of the total expenditure of the people belonging to the bottom four deciles of the population and further it is difficult to establish a normative minimum levels for other non-food consumption requirements. Hence calorie intake become the basis of defining the poverty line for establishing the incidences of poverty.<sup>2</sup>

The "task force on projections of Minimum Needs & Effective consumption Demand" of the Planning Commission (1979) estimated that, on an average, 24000 & 21000 kilo calories per capita per day met the energy requirements of the population residing in rural & urban areas of the country respectively. It was further estimated, on the basis of all India rural & urban consumption distributions of the National Small Sample Survey (NSS) 28<sup>th</sup> round (1973-74) data on household consumer expenditure, that, on an average, an expenditure of Rs 49.09 and Rs 56.64 per capita per month at 1973-74 prices satisfied the said calorie norms for the rural & urban population respectively. These expenditure cut-off levels or the poverty lines were applied on the NSS size distribution of population by consumer expenditure classes for 1973-74 to segregate the poor from the non-poor for that year. For estimating the poverty ratios for subsequent years, the estimated poverty lines for 1973-74 is updated over time to take care of changes in price level. The Planning Commission has been using the whole sale prices and subsequently the NAS implicit private consumption expenditure deflator for this purpose. These updated 'national poverty line along with the NSS consumption distribution of

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<sup>2</sup> Friedman R.D. (1965) 'Poverty- Definition and Perspectives', American enterprise, institute of public <sup>2</sup> policy research

the corresponding years have been used to estimate poverty for rural & urban areas at the All-India & the state level quinquennially since 1973-74. The then existing Planning Commission methodology estimated the all India rural & urban proportion of poor directly by using the national poverty lines on the all India rural & urban (adjusted) NSS consumption distribution & to facilitate comparison across state over time. The national consumption basket corresponding to the calorie norms for the base year implicit in these lines, has been used and applied to all the states. The Expert Group<sup>3</sup> methodology introduced a federal dimension to the estimates of poverty by adopting these lines at the prevailing state-specific poverty lines. These state specific poverty lines along with the statewise NSS consumption distribution gives the state level proportions of poor. Secondly, at the all India level for both rural & urban areas the poverty proportion has been derived as ratio of the aggregate state wise number of the poor to the total all India population of rural & urban areas respectively. Much has been written on the conceptual & methodological basis of the numbers given in the expert group report (1993). A good deal of criticism has prevented a consensus on estimating poverty using the methodology inherent in this number. As a result, the Planning Commission has been presenting two sets of estimates – The Planning Commission estimates and the other based on Expert group Method. These differ by as much as 15 to 20 percentage points at the all India level for recent years, with significant differences in the state wise distribution of poor across rural & urban areas. The confusion that this may have caused has been checked somewhat with the acceptances of the recommendations of the expert group on the estimation of poverty, albeit with slight modification in the terms of the price indices used for updating the urban poverty lines, by the Planning Commission on 11th March 1997. A large part of the differences between the two estimates can be accounted for by the procedural modifications of doing away with NSS adjustment, introduction of state specific poverty lines and

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<sup>3</sup> (1993) The Report of the Expert Group on the Estimation of the Proportion and Number of Poor. Perspective Planning Division. GOI, New Delhi

their updation using state-specific price movement given the multi-facet character of poverty, the influence of transient factors on its magnitude, and the diverse demographic & politico-economic environment at the state level, it is very essential that the results of such exercises are carefully interpreted. Thus, the nutrition norm (translated into monetary terms) in the base year, the price deflators used to update the poverty line & pro-rata adjustment in the number of households below and above the poverty line, affect the magnitude of poverty ratio. The above approach refers to the head-count ratio. It merely counts the number of persons below the poverty line but does not account for how far below the poverty line people might be. There is a need to have poverty estimates such as poverty gap index, Sen index and FGT Index reflecting intensity and severity of poverty. Even the head count ratio, measure for two different poverty lines gives a better estimate of poverty and its trend. For e.g., two poverty lines, ones indicating the ratio of the poor and the other indicating ratio of the ultra poor is useful as the behaviour of gap between these two ratios over time, gives some indication of severity of poverty

Questions have also been raised about using the National Accounts Statistics (NAS) estimate of private final consumption expenditure (PECE) in place of National Sample Survey (NSS) based estimate for calculating the proportion of the population below the poverty line or head count ratio. There also has been debate in India about discrepancies between NAS & NSS estimates of private consumption. Abhijit Sen<sup>4</sup> made a presentation on factors that might explain the growing divergences between these estimates. The estimates of consumption for most categories of item are lower in the NSS than in the NAS; and poverty estimates based on consumption measured through the NSS are, therefore, higher. The two sources of estimates are not strictly comparable, however, as there are differences with regard to references time-frames, classifications schemes, and technical/procedural aspects that may partially explain their differing results. Moreover, NAS reports only mean

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<sup>4</sup> Sen A, ' Estimates of consumer Expenditure and its Distribution: Statistical priorities after the Nss 55<sup>th</sup> Round.', EPW

estimates of private consumption; information on distribution is only available from the NSS. The PFCE is derived from the commodity flow approach, whereas the NSS collects data from the households surveys. Drawing on a joint CSO, NSSO exercise at cross-validation of NAS & NSS, K Sundaram & S. Tendulkar<sup>5</sup> describe weakness in both types of estimates. NSS-based measures of households consumption are deemed preferable for poverty estimation because they are based on direct observations relating to the survey period, and avoid recourse to adjustments based on arbitrary assumption.

Questions also have been raised about comparability of the quinquennial 50<sup>th</sup> & 55<sup>th</sup> rounds of the consumer expenditure survey carried out by the NSSO in 1993-94 & 1999-2000. This was mainly due to change in the survey methodology used to calculate household welfare. NSS consumption surveys have traditionally used a 30-day recall period for all goods, a decision that was based on some experiments in the early 1950's, Mahalanobis & Sen (1954). Most statistical offices around the world use a shorter recall period for high frequency items, such as food, & longer recall period for low frequency items, such as large durable goods. The NSS experiments in the 51<sup>st</sup> through 54<sup>th</sup> Rounds compared a traditional 30-day recall questionnaire, 7, 30, 365-days applied to different classes of goods (schedule 2). Households were randomly assigned to one or other schedule and it was found that, on an average, the experimental 7/30/365 schedule generated more reported total expenditure. This effect was large enough to cut estimated poverty ratios by approximately a half when the experimental schedule was used in place of the traditional schedule, Visaria (2000). Shorter reporting periods typically generated higher rates of consumption flow, so that the 7 day recall in schedule 2 produced higher average consumption than the 30-day recall in schedule 1, while the 365 day recall in schedule 2 produced lower average consumption.

The 55<sup>th</sup> Round differed both from earlier rounds & from either of the schedules in the experimental rounds. For the high frequency items, households

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<sup>5</sup> K Sundaram & S. Tendulkar 'NAS-NSS Estimate of Private Consumption for poverty Estimation: A further comparative examination'; EPW

were asked to report their expenditures for both recall periods. The questionnaires were printed with the list of goods down the left most column, with the next 4 columns requesting quantities & expenditure over the last 7 days & over the last 30 days respectively. Such multiple reporting periods are often used in household expenditure surveys. The two reporting schedules prompted households to overestimate their 30 day recall period above what it would have been if asked in isolation, & underestimate the rate of consumption at 7-dayrecall. therefore, the reduction in the poverty ratio in the 55<sup>th</sup> round is overestimated and are not comparable with earlier rounds.

Numerous efforts have been made to correct the official estimates to establish comparability or to use alternative sources of data to provide new & presumably better estimates. For example, Angus Deaton<sup>6</sup> develops a procedures for adjusting the 55th round consumption estimates so as to re-establish temporal consistency. According to Deaton's corrected estimates, in 1999-2000, 29% of India's population still lived below the official poverty line. K. Sundaram and Suresh Tendulkar's new empirical research on poverty trends yields similar findings to Deaton's work. They estimate that the poverty head count ratio declined by over 8 percentage points between the 50<sup>th</sup> and 55<sup>th</sup> rounds of NSS. Sundram and Tendkular corrected measure showed that the rate of poverty was found to decline faster in the latter half of the 1990s than in the previous period. Datt & Ravallion on the basis of their model predicts the head count ratio to fall from 39% in 1993-94 to 34% in 1999-2000, suggesting that the pace of poverty reduction in the 1990's was slightly lower than in the 1980's, given India's high rate of economic growth in the latter half of the 90's. The debate on the 55<sup>th</sup> round estimate is still going on. Moreover, for time being we consume that the poverty has fallen during the last 6 years but the fall is less than what is shown by the 55<sup>th</sup> round. We will, however, stick to the official estimates of poverty for further analysis.

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<sup>6</sup> [Adjusted India Poverty Estimates for 1999-2000]

## 2.2 Nature And Extent Of Poverty In India

The study has taken 5 yearly data of NSS beginning from 1973-74. The incidence of poverty, expressed as the percentage of people living below poverty line has witnessed a steady decline from 55% in 1973-74 to 36% in 1993-94 to 26% in 1999-2000. Because of India's rapid population growth, the numbers of poor has remained static at around 320 million. Latest estimate for 1999-2000, however, reveals a significant reduction to about 260 million. More than 70% of the population classified as poor still live in rural areas indicating that poverty is mainly a rural phenomenon. The paper, therefore, deals with rural poverty. Incidence of poor has come down even in rural India. It was around 56% in 1973-74. By 1999-2000 only 26% of the rural population was below the poverty line. We also have the estimates for 1986-87, 1988-89, 189-90, 1990-91, 1991, 1992, 1993 that are based on thin samples of the annual round of NSS Rounds. While those for 1997-78 1983, 1987-88 and 1993-94 are based on large samples of NSS quinquennial surveys. Large samples have considerably more households and the sampling design is also different.

For The overall period of study from 1973-74 to 1999-2000, the total absolute change in poverty was -29%. It was 29% for the rural area as well. However, due to methodological change in the 1999-2000 quinquennial survey, poverty was -10% for rural area, which was highest among the sub periods. But this rate of fall in poverty ratio is controversial. Apart from this period, the highest ratio of reduction in the rural poverty ratio was for the periods 1983 to 1987 -88, 1977-78 to 1983 which was (-7%). The lowest reduction was from 1987-88 to 1993-94, which was 2%. Thus, there has been a marked decline in the proportion of poor households in rural areas. The high rate of reduction for the period 1983-1987-88 can be partially attributed to the poverty alleviation programmes that was started in the late 70's. 1987-88 was a drought period, but it still showed a high rate reduction. In this year, the public distribution system and special employment program of some state government have helped in arresting the increase in poverty in a drought year. " The point is that public action in the form of employment generation makes a greater impact on

alleviating poverty when the real value of wage-payment in cereal units is not eroded by the increases in rural retail prices of cereals.” (Tendkular & Jain, 1995). The non-form employment also increased during the 1980’s and helped in reducing rural poverty. A wide-ranging process of policy reforms was initiated in Jul 1991. There has been a debate on the adverse impact of economic reforms on the poor particularly during the transition period. Rural poverty increased significantly in the first two & half years of the reforms (1991, 1992 & 1993). In 1992, it was around 46% but declined to around 40% in 1993-94. As compared to 1990-91 (the pre-reform year), rural poverty was higher in 1993-1994. In other words, a comparison of 1990-91 & 1993-94 shows that rural poverty increased by about two percentages points. There seem to be three main factors that caused an increase in the incidence of rural poverty in the post reforms period, namely stabilization measures, poor agricultural performance and increase in food prices, which were responsible for a significant rise in rural poverty in 1992 & 1993. The year 1991-1992 had rainfall below normal in many regions, & it adversely affected agricultural production. In several states, coarse grain productions declined. Rice & wheat production also declined. The decline could have been partly due to decline in fertilizer consumption, which in turn was due to increase in fertilizer prices. One of two major reasons for increase in procurement prices. As shown in the table below there was a 12% to 17% increase in rate procurement price and around 20% in wheat procurement prices in 1991-1992 & 1992-1993. The whose sale price index and consumer price index for agricultural workers showed an increase of 21% & 19% respectively in 1991-92

**Table 2.1 Procurement Prices (rs per quintal)**

Commodity	1990-91	1991-92	1992-193	1993-94
Wheat	225	275	330	350
% increase	4.7	22.2	20	6.06
Rice	205	230	270	310
% increase	10.8	12.2	17.4	14.8

Source: Economic Survey: various issues.



Increase in agricultural price hurt the poor because agricultural wages adjust to agricultural prices with lag. Further, there was a decline in the expenditure on anti-poverty programmes like IRDP & JRY in the first two years of the reform period. However, the rural poverty as compared to 1987-88 declined in 1993-94. Lower inflation, relaxation of fiscal comparison, and significance increase in expenditure on employment programmes would have improved the incomes of the rural population. Better management of food economy further improved the situation in 1993-94. To compensate for the rise in procurement prices the issues prices of food grains through the PDS was also increased. Consequently, the differences between the open market & PDS issue prices has narrowed down, particularly since January 1993. During the second half of the 1990's. The poverty ratio has come down considerably. A more open trade regime since 1991, a significant reduction in distortion and liberalized economy with a major role for the private sector have already improved agricultural incentives. The period 1993-1994 & 1999-2000 was a normal year period. Along with the prospects for robust agricultural performance as result of deregulation, India's recent high rates of growth and its continued integration into world economy open the way for concerted effort aimed at maximizing the beneficial impact of the expected future, rapid and labour-intensive growth itself on rural poverty & most likely on urban poverty.

### **2.3 The State-Level Analysis**

The disaggregated of state-level performance in poverty alleviation is reflected in the state level movement in the head count ratio observed between 1973 & 1999-2000 . Punjab has the least percentage of population below the poverty line in 1999-2000 followed by Haryana, Kerala & Gujarat. On the other hand Orissa had the highest percentage of population below poverty line. followed by Bihar, Assam & Madhya Pradesh. Thus rich states have low level of population below poverty line, whereas poor states have high incidence of poverty.

The more rapid progress of the rural poverty reduction and the four decade average annual rate of decline conceal very diverse patterns of regional development. Among major states, Orissa, Bihar, W. Bengal and Tamil Nadu

**Table 2.2 : Trends In Poverty In India**

Years	HEAD COUNT RATIO			POOR (IN MILLIONS)		
	RURAL	URBAN	COMBINED	RURAL	URBANS	COMBINED
1973-74	56.4	49.0	54.9	261	60	321
1977-78	53.1	45.2	51.3	264	65	329
1983	45.7	40.8	44.3	252	71	323
1987-88	39.1	38.2	38.9	232	75	307
1993-94	37.3	36.4	36.0	244	76	320
1999-2000	27.1	23.6	26.1	193	67	260

Source: Planning Commission

**Table 2.3 All India Pace Of Poverty Reduction**

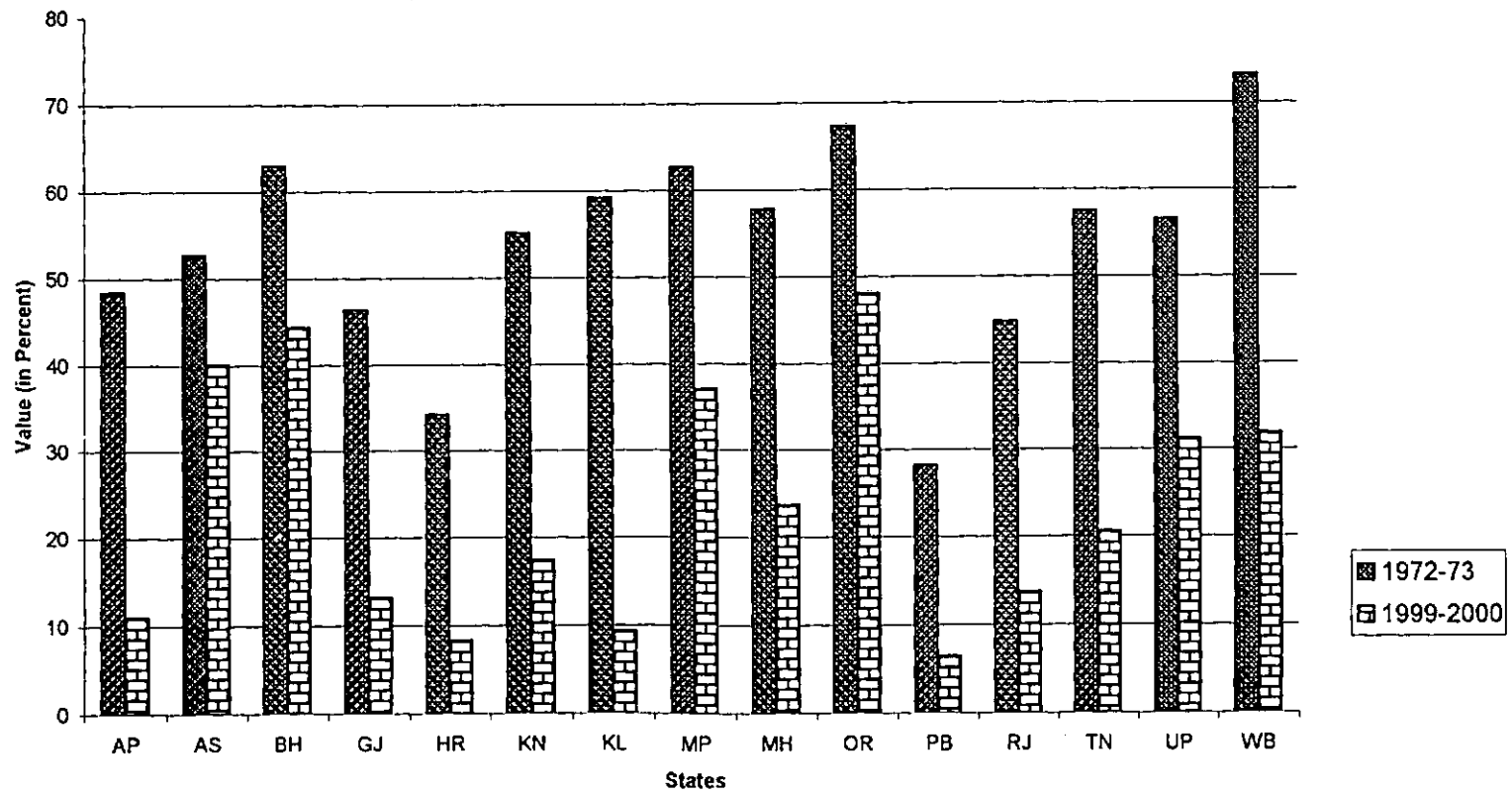
YEARS	RURAL	URBAN	COMBINED
1973-74 to 1977-78	-3.30	-3.80	-3.60
1977-78 to 1983	-7	-4	-7
1983 to 1987-88	-7	-3	-5
1987-88 to 1993-94	-2	-6	-3
1993-94 to 1999-2000	-10	-9	-10
1973-74 to 1999-2000	-29	-25	-29

**Table 2.4 : Percentage Of Rural People Below Poverty Line By States  
1973-2000.**

States	1973-74		1977-78		1983		1987-88		1993-94		1999-2000	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
AP	48.41	5	38.11	4	26.53	3	20.92	3	15.42	2	11.05	4
Assam	52.67	6	59.82	10	42.6	8	39.35	8	45.01	13	40.04	13
Bihar	62.99	13	63.23	12	64.37	14	52.63	14	58.21	15	44.3	14
Gujarat	46.35	4	41.76	5	29.80	4	28.67	4	22.18	3	18.17	5
Har	34.23	2	27.73	2	20.50	2	16.22	2	28.02	6	8.27	2
Karnatak	55.14	7	48.18	7	36.33	6	32.82	6	29.88	7	17.38	7
Kerala	59.19	11	51.8	8	39.03	7	29.1	5	25.76	4	9.38	3
MP	62.66	12	62.52	11	48.90	11	41.92	11	40.64	10	37.06	12
Maharashtra	57.71	10	63.97	13	45.23	9	40.78	9	37.93	9	23.72	9
Orissa	67.28	14	72.38	15	67.53	15	57.64	15	49.72	14	48.0	15
Punjab	28.21	1	16.37	1	13.20	1	12.6	1	11.95	1	6.35	1
Raj	44.76	3	35.89	3	33.50	5	33.21	7	26.46	5	13.74	6
TN	57.43	9	57.58	9	53.99	12	45.8	12	32.48	8	20.55	8
UP	56.53	8	47.60	6	46.45	10	41.1	10	42.28	12	31.22	10
W.B	73.16	15	68.34	14	63.05	13	48.3	13	40.8	11	31.22	11
St. Avg.	53.78	15	50.33	14	63.05	13	48.3	13	40.8	11	31.85	11
St. STD	11.9		15.95		16.05		36.07		33.8		23.73	
CV	22.1		31.70		38.15		13.09		12.7		14.00	

Source: Planning Commission

### Poverty Ratio Across The States



**Table 2. 5 Regional Rates Of Poverty Change**

State	1997-78 to 1973-74	1983 to 1977-78	1987-88 to 1983	1993-94 to 1987-88	1999-2000 to 1993-94					
A.P	-9.29	-10.08	-2.68	-5.01	-6.42	1	6	12	7	11
Assam	6.4	-16.7	-4.02	4.02	-4.77	15	1	9	14	14
Bihar	0.17	0.56	-9.14	1.59	-12.36	11	15	3	13	5
Gujarat	-5.04	-8.9	-0.94	-8.12	-10.14	7	7	13	3	8
Haryana	-5.76	-8.24	-4.61	8.42	-16.31	6	8	8	15	1
Karnataka	-4.87	-11	0.33	-4.98	-13.21	8	5	15	8	3
Kerala	-6.78	-12.02	-8.83	-6.65	-12.71	5	4	4	6	4
MP	0.53	-12.3	-6.73	-0.88	-5.09	12	3	5	12	13
Marashtra	3.12	-12.52	-3.44	-3.54	-11.54	13	2	11	9	7
Orissa	4.11	-5.03	-9.71	-7.05	-1.41	14	10	2	5	15
Punjab	-8.72	-3.07	-3.59	-0.93	-5.61	2	12	10	11	12
Rajasthan	-8.34	-2.97	-0.42	-7.19	-12.13	3	13	14	4	6
TN	-0.26	-3.87	-6.54	-10.81	-13.91	10	11	6	1	2
UP	-7.79	-2.0	-5.2	-1.14	-9.7	4	14	7	10	9
W. Bengal	-2.74	-5.93	-10.73	-8.33	8.64	9	9	1	2	10

Source: Calculated from table IV

States Recording		
Increase in Poverty 1977-78 to 1973-74	Increase between 1983 to 1977-78	Increase between 1993-94 to 1987-88
1. Assam	Bihar	Haryana
2. Orissa	Increase between	Assam
3. Maharashtra	1987-88 to 1983	Bihar
4. Madhya Pardesh	No State recorded	Non of the States
5. Bihar in that order.	an absolute Increase in poverty	recorded an increase in poverty
	during the period 1998-94	ratio between 1999-2000

Had more than 50% of the population below poverty line in 1977-78. By 1999-2000, while Tamil Nadu & W.Bengal had reduced their poverty ratio by nearly half. Orissa & Bihar continued to be the two poorest states in the poverty ratio of 48 & 44% respectively. Among other states Haryana, Gujarat, Punjab, Andhra Pradesh, Maharashtra & Karnataka succeeded in significantly reducing

the incidence of poverty. As regards the inter-state relative disparity in the head-count ratio judged by the coefficient of variation, there has been a continuous increase since 1973-74. It was 22.1% in 1973-74, which increase to 36.09% in 1987-88 to 59% in 1999-2000. The proportion of population below poverty line has come down significantly in 1999-2000, the inter state disparity has increased considerably. The proportion of rural population in Bihar living below poverty line was 44% which was seven times higher than the poor in Punjab some of these differences appear to have persisted historically. Punjab & Haraya are among the richest regions since 1950's and therefore, they have an added advantage over other states especially the backward regions. Broadly speaking the proportion of rural population living below poverty line is higher than the national average in as and central India and well below the average in southern states. About 2/3<sup>rd</sup> of the country's population are concentrated in Bihar, Orissa, Madhya Pradesh and West Bengal. This implies a geographical concentration of poverty. This implies a geographical concentration of poverty. NSS data also show that the fall in poverty ratio in this state are slower than in other regions

During the first phase 1973-74, few states actually recorded an increase in the incidence of poverty. The states were Assam, Orissa, Maharashtra, Madhya Pradesh & Bihar in that order Bihar continued to show a positive trend even during 1983 & 1977-78. However non of the states showed an increase in poverty ratio during 1983 to 1987-88. It was during this period when poverty alleviation programme were started. One reason for good performance by states could be this reason, however during 1993-94 to 1987-88, Haryana, Assam and Bihar again showed a positive rise in the incidence of poor. As stated earlier, this was the period when new economic policy reforms were initiated and due to initial stabilisation and structural policies, the poverty ratio actually increased for most of the states. The rate of fall of the poverty ratio was low for almost all the states. All states showed a decline in the poverty ratio for the period between 1999-2000 to 1993-84. The overall absolute rates of poverty reduction for the period 1973-2000 was highest in Kerala followed by West

Bengal, Tamilnadu, Andhra Pradesh and Karnataka. Worst performer is Assam, followed by Orissa, Bihar and Punjab. Punjab, despite being the richest state recorded a very low rate of reduction in poverty. The state, though has a very low proportion of population below poverty line. During 1977-78 to 1973-74 Andhra Pradesh recorded the highest reduction followed by Punjab and Rajasthan. During the next period Assam was the last performer, followed by Maharashtra & MP.

During 1983 to 1987-88, West Bengal was able to reduce its poverty ratio by 10 %, even Orissa performed satisfactorily. It was able to reduce its poverty by 9 percentage points. Similarly, Bihar also performed well during this period. One reason for the good performance by these states, who on an average were very slow in reducing their poverty ratio, could be the implementation of poverty alleviation programme. In the next period, Tamilnadu was able to reduce its poverty by 10 % points followed by West Bengal, Gujarat & Rajasthan. During 1999-2000 to 1993-94, Haryana was the best performer followed by Tamilnadu and Karnataka.

A proper understanding of the various aspects of the complex phenomenon of poverty is necessary in order to design effective anti-poverty policies. It is essential to know who & where the poor are and how they can be helped. Different sections of the poor face different structural & institutional impediments, and require different approaches for poverty reduction. In the rural areas, though 37.24% of the population was below the poverty line, the percentage of the poor who were either self employed in agriculture and non agriculture was less than 37.27%.

**Table 2. 6 Incidence Of Poverty By Nature Of Employment**

nature of work	rural poverty ratio
self employed in agri	29.05
self employed in non agriculture	31.45
agricultural labourer	56.78
other labourer	39.6
other households	22.48
Source; Hashim(1999 )	

In rural areas the incidence of poverty is the highest among agricultural and other labour (as high as 47 % and 29 % respectively in 1999-2000) followed by self-employed in non-agriculture & self-employed in agriculture in that order. However from the distribution of the total poor across different groups it is seen that the largest fraction of the poor in rural areas belongs to 'agriculture labour followed by the self-employed in agriculture' category. Information on distribution of the poor across different socio-economic groups can indicate the type of poverty reduction strategies that are likely to work. For e.g., since the majority of the poor in rural areas are agricultural labour development of the chain of value addition through better roads, storage, transport and other marketing infrastructure is likely to generate rural form and non-form employment for them.

Similarly, since a substantial proportion of the poor is self employed in agriculture and tend to be vulnerable to fluctuations in yield due to bad weather, pests etc., agricultural research that helps in diversification of income sources (e.g., livestock & horticulture) would aid the poor farmers in managing risk.

In the rural areas ( which are pre dominantly agricultural ) there is a very strong relationship between landholding size and poverty . the study carried out by the Planning Commission (2000) showed that the poverty ratio among the persons without land and those with land up to one hectare was above the then national rural poverty ratio. (37.27%), the situation being the worse in the class with land holdings of 0.40hectares or less. The point of immediate concern is that the latter segment is increasing consistently(the poverty ratio declines sharply as possession of land rises from 1 hectare). The table below gives the changing pattern of the land holding size from 1971-72 onwards. As may be seen the segment of landless and marginal landholders has increased from 60.3% in 1971-72 to 69.6% in 1991-92.

TABLE 2. 7 percentage distribution of household operational holding (rural )

Category	1971-72	1981-82	1991-92
Nil	27.4	26.1	21.8
marginal(, 1ha)	32.9	41.1	48.3
small (1to2he)	16.4	14.5	14.2
semi medium(2 to 4 hec)	12.9	10.6	9.7
medium (4to 10)	8.1	6.3	4.9
large (>10hec)	2.2	1.4	1.1

Various factors ,viz increase in the percentage of casual and contract workers and small operational holdings are dfirectly or indirectly contibuting inperpetuating poverty, the main cause of which is underemployment. At the same time it neds to be stressed that it may not be desirable (even feasible ) to do away with. Incidence of poverty is found to be the highest among small farmers and least among large farmers (owing greater than one hectare of land ) . Small formers are poorer than the land less-a possible reflection of the fact that the latter are not tied to their land and are face to seek employment form, off farm & in urban centres.

**POVERTY AMONG SOCIAL GROUPS :-** The schedule caste and schedule tribes were socially deprived & alleviated for ages. They were not allowed to work for jobs outside their social strata.

**Table 2. 8 : Poverty Ratio Among Social Groups :-**  
**Rural 1999-2000 / 1993-94**

STATES	1999-2000		1993-94		1983-84		1977-78	
	ST	SC	ST	SC	ST	SC	ST	SC
Andhra Pradesh	23.98	16.62	25.99	25.07	48.4	51	72.16	59.34
Assam	38.92	44.55	43.59	43.95	25.5	21.9	43.37	57.12
Bihar	59.00	59	69.09	70.72	64.9	71.1	68.2	77.75
Gujarat	28.01	15.57	30.39	29.31	52.1	39.9	81.56	51
Haryana	-	17.02	-	45.05	-	27.9	-	36.65
Karnataka	24.86	25.67	36.38	46.29	59.9	54.1	64.45	75.25
Kerala	25.04	15.61	44.44	40.40	36.1	43.9	68.84	63.93
Madhya Pradesh	57.14	41.21	58.47	44.21	58.7	55.9	80.89	71.77



Maharastra	44.22	32.02	48.72	46.87	67.1	59.3	73.31	74.84
Orissa	73.52	52.53	70.81	49.97	68.9	54.1	86.38	80.05
Punjab	16.64	12.39	30.41	22.98	15.4	21.8	15.79	23.64
Rajasthan	24.83	19.32	46.47	33.65	63.7	44.9	55.2	41.41
Tamilnadu	44.58	32.40	48.06	44.93	50.9	59.4	66.05	75.29
Utter Pradesh	34.68	43.38	41.56	59.55	45.8	57.3	55.89	64.93
All India	44.45	35.48	52.2	-	58.4	53.1	72.43	64.64

*Source :- BASIC RURAL STATISTICS And calculated from NSS rounds.*

For ages ,the Indian society has been very rigid in its occupational structure and it was very difficult to find occupation outside one's own classified occupation. It was very difficult to establish a separate identity. Due to this , the schedule caste and the schedule tribes suffered social and economic alienation. They form a large part of the people falling below poverty line.

However, many legislations have enacted to improve their social & economic conditions of the SCs/STs, the impact is yet to be seen. The SCs % STs forms a large part of the people below poverty line. For our analysis, we have taken two time periods 1993-94 & 1999-2000 [Table V]. In 1993-94 more than 70 % of ST population in Orissa was below poverty line. States like Bihar, West Bengal, Madhya Pradesh also have more than 60 % of ST population below poverty line. These states have a high incidence of poverty for among the SCs , Bihar has the largest SCs population below poverty line followed by Uttar Pradesh and Orissa where more than 50 % of the SC population is below poverty line. The situation has remained more or less the same in 1999-2000. As for as STs are concerned Orissa still has more than 70 % of its STs population below poverty line. Infact, the percentage has increased 3 % points from 1993-94. In all other states, poverty among the ST group has come down between 1993-94 & 1999-2000. The maximum reduction is in Rajasthan followed by West Bengal, Karnataka and Bihar. among the SC, Bihar still has the highest percentage of people below poverty line, but as compared to 1993-94, the percentage has come down considerably. In states like Haryana, Karnatake, UP, Rajasthan, Maharastra the plight of SCs population has improve as the percentage of people among SC below poverty

line has declined to a great extent. On the other hand, Assam recorded an increase of 0.6 % SC population. Whereas Orissa recorded a 3 % increase in SC population below poverty line.

**Table VI shows the percentage of rural persons in different states below specified MPCE levels separately for SC & ST groups. The MPCE levels chosen in roughly the 10<sup>th</sup> percentile of the all-India rural MPCE distribution for both 1993-94 & 1999-2000. Barring a few states, the MPCE position of the SC & ST groups in every states was consistently poorer than of the general population of the state, as evidenced by proportion of person falling in the lowest 10 percentile MPCE range. Among the states with large ST populations, the ST group was specially depressed ( relative to the general population ) in Orissa & MP. In Maharastra, Bihar, Gujarat, Rajasthan and Andhra Pradesh percentage of ST population in the lower MPCE range were of the same order as corresponding percentages of SC population, & high compared to the general population. During 1993-94. Assam had smaller percentage of persons in the low MPCE ranges than the general population of the state. In West Bengal the association between poverty and social group was much less noticeable. The MPCE class of Rs. 140 in 1993-94 almost corresponds to the APCE of the poor in the states. Same with the MPCE class of Rs. 255 in 1999-2000. During 1999-2000. Assam continued to have a smaller percentage of SC & ST population as compared to the general. In Orissa , MP, Bihar and Tamilnadu, STs continued to be relatively more poor than the other social groups. There has been no improvement in the conditions of SC/STs between the two period except in Kerala where the percentage of STs in the lowest 10 percentile has come clown significantly. Other states which have shown an improvement are Karnataka & Rajasthan. Among Scs, Gujarat, Haryana, Karnataka, Maharashtra, Rajasthan and UP have shown a considerable decline**

#### **2.4 Household Land Possessed In Rural Areas And Poverty:**

Land scarcity and poverty are expected to remain closely linked in rural India as long as agriculture remains under developed and tradition table 7%1 gives the poverty ratio among different size class of land holding. The proportion of population on without any land below poverty line is highest in Assam, followed by Bihar, Madhya Pradesh and Orissa in 1999-2000. In 1993-94, Assam had the largest proportion followed by Bihar, UP, Maharashtra Orissa and West Bengal. Most of these states recorded a decline in the proportion of landless falling below poverty line except in Assam and Rajasthan, where there is actualy and increase of 8% and 2% respectevly. Karnataka achieved a 34% reduction of poverty among the landless followed by Maharashtra, Haryana & Tamil Nadu which recorded a decline of 28, 27 & 25 percentage point respectively. This decline of poverty among the landless can be attributed to a growth in non-farm employment. People holding 0.01 to 0.4 heetares of land has the largest proportion of its population below poverty line-In 1999-2000 ity was highest in Orissa (50%) followed by Assam & Bihar. As compared to 1993-94 there is reduction in the incidence of poverty in this class for all the states under consideration .The highest being in Haryana followed by Rajasthan & Kerala. In the next land holding group, (0.41 to 1.00) in 1999-2000, Orissa had the largest propotion of population below poverty line. In the second place was Madhya Pradesh followed by Bihar. All states have recorded a decline between 1993-94 & 1999-2000 with Haryana recording the largest decline followed by Bihar & Rajasthan. Among the small formers (1.00 t 2 Hectare ). Punjab had the least percentage of small formers below poverty line in 1999-2000 followed by Haryana and Karnataka. Orissa on the other hand had the largest proportion of small formers below poverty line. In 1993-94, Bihar occupied the first place but it was able to reduce its poverty among small formers considerably (21.1) during 1993-94 and 1999-2000. Gujarat and Haryana also made a huge improvement during the period the relation between poverty and land scarcity appears to the strongest in Assam, Karnataka, Maharashtra. Incidence among landless is much less than

the incidence among small & marginal farmers in most of the states. Maharashtra & west Bengal where the lowest size class is especially poverty stricken ( 1993-94) Poverty appears to be less strongly associated with small land holdings in Andhra Pradesh and Tamil Nadu ( and in Gujarat & Rajasthan where its incidence is, of course, lower).

**Table 2. 9 Percentage of Population of SC & ST groups below selected MPCE levels [ lowest 10 percentile group].**

1993-94 ( up to Rs 140)				1999-2000 ( up to Rs 255)				
STATE	ST	SC	ALL	APCE Rs.	ST	SC	ALL	APCE Rs.
(Poor)	(Poor)							
AP	13.1	13.4	7.9	134	21.1	13.9	9.3	215
Assam	1.0	1.8	3.1	189	7.2	10.1	11.1	292
Bihar	24.3	25.0	16.4	159	27.4	26.3	16.3	269
Gujarat	7.7	7.7	4.2	167	10.1	4.9	4.6	262
Haryana	22.8	5.4	2.9	187	---	3.3	1.2	304
Karnataka	10.8	23.3	11.0	148	8.7	10.4	6.6	259
Kerala	13.1	2.0	2.8	190	1.8	2.5	1.2	314
MP	25.5	15.6	14.9	148	30.9	21.7	19.3	250
Maharashtra	18.2	20.5	13.4	148	22.1	13.8	9.6	257
Orissa	35.8	16.8	18.5	147	49.8	26.8	26.4	248
Punjab	0.0	0.0	0.4	195	0.0	1.5	0.6	317
Rajasthan	8.3	8.9	4.2	174	6.0	3.9	2.2	291
Tamil Nadu	14.4	14.4	10.1	153	28.7	15.2	9.3	248
UP	12.5	20.4	11.3	161	16.6	15.0	9.5	274
W Bengal	4.5	6.4	4.1	171	12.9	11.2	8.9	281
All India		14.6	18.2	9.9	161	21.9	14.4	10.2
265								

Source NSSO 50<sup>th</sup> & 55<sup>th</sup> round.

**TABLE 2. 10 Percentage of population of SC & ST groups below selected MPCE levels.**

[lowest to percentile group]

State	ST		SC		All	
	1993-94	1999-2000	1993-94	1999-2000	1993-94	1999-2000
	Upto Rs. 140	Upto Rs. 255	Upto Rs. 140	Upto Rs. 255		
AP	13.1	21.1	13.4	13.9	7.9	9.3
Assam	1.0	7.2	1.8	10.1	3.1	11.1
Bihar	24.3	27.4	25.0	26.3	16.4	16.3
Gujarat	7.7	10.1	7.7	4.9	4.2	4.6
Haryana	22.8	-	5.4	3.3	2.9	1.2
Karnataka	10.8	8.7	23.3	10.4	11.0	6.6
Kerala	13.1	1.8	2.0	2.5	2.8	1.2
MP	25.5	30.9	15.6	21.7	14.9	19.3
Maharashtra	18.2	22.1	20.5	13.8	13.4	9.6
Orissa	35.8	49.8	16.8	26.8	18.5	26.4
Punjab	0.0	0.0	1.0	1.5	0.4	0.6
Rajasthan	8.3	6.0	8.9	3.9	4.2	2.2
TN	14.4	28.7	14.4	15.2	10.1	9.3
UP	12.5	16.6	20.4	15.0	11.3	9.5
WB	4.5	12.9	6.4	1.2	4.1	8.9
All India	14.6	21.9	18.2	14.4	9.9	10.2

Source :- Calculated from NSSO 50<sup>th</sup> & 55<sup>th</sup> round

**TABLE 2. 11 Poverty ratio Among different size class of land holdings households; 1999-2000 size class of land possessed (in hectares)**

State	Nil	0.01to 0.4	0.41to1.0	1.01to2.0	2.01to4.0	>4.0
AP	8.18	12.3	11.85	6.94	8.85	6.19
Assam	73.8	50.66	31.3	28.09	18.26	33.66
Bihar	58.8	49.96	35.6	32.48	20.16	18.18
Gujarat	13.03	17.29	16.21	7.84	2.86	1.82
Haryana	6.28	13.09	3.56	2.52	-	-
Karnataka	7.69	19.53	19.75	16.09	13.9	10
Kerala	3.88	10.99	3.25	0.99	-	-
MP	41.93	46.60	44.55	34.91	30.28	18.66
Maharashtra	23.3	27.95	23.19	21.24	21.06	12.01
Orissa	39.29	50.99	51.09	42.01	37.37	38.06
Punjab	7.97	9.78	1.05	1.01	-	2.2
Rajasthan	17.12	16.67	18.61	13.38	10.02	7.98
Tamilnadu	16.04	22.37	20.7	16.54	6.32	1.06
UP	29.5	40.04	28.71	23.97	13.68	7.07
W. Bengal	31	34.47	22.33	25.44	31.74	24.18
All India	28.62	31.44	26.44	22.16	16.95	10.55

**Table 2. 12:- For 1993-94**

State	Nil	0.01to 0.4	0.41to1.0	1.01to2.0	2.01to4.0	>4.0
AP	15.12	17.01	15.15	13.25	14.22	9.74
Assam	65.77	56.78	44.37	37.88	27.21	6.47
Bihar	64.22	67.73	54.09	50.13	31.68	20.57
Gujarat	21.16	21.99	29.59	23.42	10.52	8
Haryana	33.96	37.78	23.50	23.05	23.64	7.9
Karnataka	42.57	30.15	31.50	30.88	22	20.5
Kerala	13.6	29.56	12.07	7.33	6.54	8.92
MP	46.47	53.68	48.58	42.1	36.1	23.24
Maharashtra	52.07	35.08	35.02	35.64	35.03	24.37
Orissa	46.16	57.27	52.30	44.29	34.68	20.24
Punjab	20.84	17.99	7.89	3.7	3.1	0.67
Rajasthan	14.82	35.74	35.63	28.4	22.03	14.8
Tamilnadu	32	36.42	34.33	23.06	17.78	6.25
UP	55.14	57.80	42.41	36.62	26.75	21.55
W. Bengal	47.53	48.87	35.71	22.59	13.48	27.6
All India	40.35	43.38	38.05	33.42	25.86	17.83
Source :- NSS 50 <sup>th</sup> & 55 <sup>th</sup> Round						

**Table 2. 13 Poverty Ratio among Agricultural Labourers, Cultivators and all Agriculturists. [ 1993-94 & 1999-2000]**

States	Agricultural Labourer	Cultivation	All Agriculture	A.L.	Cultivators	All Agri.
AP	21.47	10.53	16.62	15.25	7.08	12.12
Assam	66.57	40.01	48.13	67.06	29.81	41.44
Bihar	77.26	45.54	60.14	59.17	31.3	44.8
Gujrat	34.76	13.03	23.90	20.17	6.42	13.28
Haryana	57.46	19.3	29.41	19.22	1.2	7.01
Karnataka	46.4	21.71	32.93	-	11.03	18.28
Kerala	36.12	13.3	25.87	19.37	3.59	12.13
M.P.	59.24	32.9	42.61	53.58	27.11	38.56
Maharashtra	56.61	24.95	41.54	36.55	16.2	28.19
Orrisa	65.26	40.65	49.96	63.93	40.89	54.08
Punjab	30.59	3.22	14.78	15.06	0.91	7.2
Rajasthan	42.78	19.54	22.55	27.1	11.25	13.15
Tamil Nadu	49.20	22.31	39.48	29.63	10.53	24.05
Uttar Pradesh	63.35	36.72	41.69	50.91	24.2	31.17
W. Bengal	60.74	29.0	44.74	44.99	20.75	35.85
All. India	53.13	29.67	38.89	39.95	19.72	28.85

Between the above 2 household types, the proportion of the poor is the highest among “agricultural labourer” households in all the states. In 1993-94 the least incidence of poverty in agricultural labour class was in Andhra Pradesh (21%). Followed by Punjab and Gujarat. The highest incidence was in Bihar followed by Assam & Orissa. By 1999-2000 Bihar’s position improved a little and now the highest incidence is in Assam followed by Orissa. The lowest incidence in 1999-2000 is in Punjab & Andhra Pradesh followed by Haryana & Karnataka. Among the cultivators. The incidence was highest in Bihar Assam & Orissa in 1999-2000, the position of Bihar improved but there was not much change in Assam & Orissa where still more than 30% of cultivators are below poverty line.

## CHAPTER 3

### SELF-EMPLOYMENT PROGRAMME, IRDP

#### 3.1 Introduction

IRDP was one of the major poverty alleviation programmes of the government of India. It was launched in mid seventies as a self employment programme for rural poor in 2300 blocks. The programme was later extended to cover the whole country with effect from 2<sup>nd</sup> October, 1980 on uniform basis. The draft sixth plan (1978-83) had visualized the IRDP as total development plan for rural areas with the community development block as the unit of planning. The individual beneficiary oriented schemes for the rural poor were to be part of this plan. But block planning is a time-consuming process. Therefore, as an interim device, it was decided to concentrate attention on the identified rural poor and prepare plans for the development of these beneficiaries and call this the IRDP. This is, in effect a name which was appropriate only for the whole programme was given to a part of it. With effect from 1<sup>st</sup> April, 1999 IRDP was discontinued and a new single self employment programme the Swaran Jayanti Gram Swarozgar Yojana (SGSY) was launched. The genesis of this programme is more or less similar to the IRDP.

IRDP was essentially a physical and/or human resource development programme directed specifically at the poor households. It aimed at raising the economic viability of the poor household in self-employment oriented programmes by providing them productive assets or by raising the productivity of existing assets with the help of term credit from the financial institutions and government subsidy. The main focus of the programme was to help the poorest of the poor. Household was taken to be a basic unit of planning for the purpose of the programme and not individual beneficiary. The criterion for the eligibility of the beneficiary household was income level of household from all sources below a prescribed minimum norm and not the land holding size as in the earlier programmes. Earlier this limit was fixed at Rs. 3500/-per annum (or



Rs. 700/- per capita income) which was later raised to Rs. 6400/- per annum. However, since the aim was to target the poorest of the poor, the operating limit for identifying the household for assistance was fixed at a lower rate of Rs. 4800/- per annum. The income level was later revised by the Planning Commission to Rs. 11000/- at 1991-92 prices. Priority was accorded to the rural families with annual income below the poverty line of Rs. 8500/-. However, from April 1994, any family having income below the poverty line of Rs. 11000/- was assisted provided the beneficiary had the necessary motivation, skill and aptitude for taking up and sustaining income generating projects.

The target groups of the programme consisted of small farmer, marginal farmers, agricultural labourers and rural artisans having annual income below Rs. 11000/- per annum.

**Small farmer:-** A cultivator with land holding of two hectares or below is small farmer. Where a farmer has class-1 irrigated Land as define in the State Land Ceiling Legislation with one hectare or less, he is considered as small farmer. Where land is irrigated but not of the class-1 variety a suitable conversion ratio could be adopted by the state government with the ceiling of two hectares.

A person with a land holding of one hectare or below is marginal farmer. In case of class-1 irrigated land, the ceiling is 0.5 hectare.

A person without any land other than homestead and deriving more than 50% office income from agricultural wages is a agricultural labourer.

In addition to the types of the persons covered under the target group, the programme also provided for the inclusion of the socially disadvantaged sections of the society like the scheduled tribes/ scheduled castes, physically handicapped and women. It was stipulated that at least 50% of the assisted families should be from SC/ST and at least 40% should be women. Two-third of the beneficiaries should be covered by the schemes broadly falling in the area of agriculture and allied activities and one-third in village and cottage industries and service sector. In 1998-99 around 50% of the IRDP investments

were concentrated in the secondary and tertiary sector based on local resources and local requirements.

The programme was financed through a mix of budgetary subsidy and institutional credit. The subsidy was given on the basis of economic and ethnic status of the beneficiary household and also on the nature of the activity. The pattern of the subsidy was 25% for non-SC/ST small farmers, 33% for the non-SC/ST marginal farmer, agricultural labourers and the rural artisans and 50% of SC/ST beneficiaries as also the physically handicapped and cooperative registered societies of the beneficiaries. The ceiling on the subsidy was Rs4000/- in non- DPAP/DDP areas, Rs5000/- in DPAP/DDP areas and Rs6000/- for families belonging to SC/ST and physically handicapped persons. In the case of irrigation schemes, there was no monetary ceiling on subsidy, but assistance was limited to the percentage of the subsidy prescribed above. The major part of the cost of the programme suggested to the beneficiaries was met through credit given at concessional rate of interest. These loans were treated as medium term loans and were repayable within a period of three and half years. IRDP provided credit to acquire income generating assets like milch animal, drought animal, sheep goat, pump set, fish pond, sewing machine, agricultural tools and equipment and many others.

With the objective of further strengthening the IRDP there were few allied/subsidiary programmes as well. The scheme for Training Rural Youth for Self employment (TRYSEM), started in August 1979, was intended to take care of the training requirements of the people who were selected and assisted under the IRDP. Another programme which focused mainly on the rural poor women (DWCRA) was started in 1982-83. Another sub scheme namely, Supply of Improved Toolkits to Rural Artisans (SITRA) was started in July 1992 to look after the modernization and improvement of efficiency and productivity of the poor rural artisans. In order to focus on the land-based activities, particularly, the irrigational requirement of the small and marginal farmers, another sub-scheme of the IRDP, known as Ganga Kalyan Yojana (GKY) was introduced in 1996-97. The GKY, however, had some operational problems in

its implementation and was discontinued from 1998-99. These programmes were supposed to work in unison with each other to achieve a larger objective of poverty alleviation, but over the years they started operating as separate entities and the desired linkage was missing.

### **3.2 Organizational Structure of IRDP**

IRDP was a Centrally sponsored programme and the funding pattern of subsidy was 50:50 between the Centre and the States. The funds were allocated to the states by the Central Government in accordance with the extent of poverty in the states i.e. the proportion to the percentage of families below the poverty line in the States. The administrative structure had 3-tier.

At the Centre, Ministry of Rural Development reviewed and monitored the programme through periodical reports, field visits, review of meetings and conferences.

At the State level the Department of Rural Development was responsible for the planning, implementation, monitoring and evaluation of the programme. For this purpose a State Level Coordination committee (SLCC) with chief Secretary/Agricultural Production commissioner/Development Commissioner as the Chairman was constituted. The Committee was assigned the functions of seeking coordination between different departments and linkages for the programmes, considering the needs and changes in the administrative set up, reviewing physical tools and modifying the same keeping in view the overall objectives, monitoring and evaluation of the programme and providing guidance to the District Rural Development Agencies (DRDAs).

In the Districts, IRDP was implemented through District Rural Development Agency/Zilla Parishad. DRDA is an autonomous body registered under the Registration of societies Act. The governing body of DRDA provides guidance and direction to DRDA. The DRDA is in overall charge of planning, implementation, monitoring and evaluation of the programme in the district. At the field level, block machinery was entrusted with the responsibility of the programme as per the approved plan. The village level administration formed a

critical component of IRDP because it was at this level that the poor were identified, given viable projects and provided with well coordinated linkages to enable them to cross the poverty line.

On 1<sup>st</sup> April 1999, the IRDP and allied programmes, including the Million Wells Scheme (MWS), were merged into a single programme known as Swarnajayanti Gram Swarozgar Yojana(SGSY). The SGSY is conceived as a holistic programme of micro enterprise development areas with emphasis on organizing the rural poor into self-help groups, capacity- building, planning of activity clusters, infrastructure support, technology, credit and marketing linkages. The important features of the programme are as mentioned below:-

“1. SGSY is conceived as a holistic programme of micro enterprise development in rural areas;

2. Social mobilization of the poor in the rural area is an important feature of the SGSY. SGSY believes in social mobilization of the poor before providing them assistance to take up economic activities.

3. The programme covers all aspects of self employment viz- organization of the rural poor into self help groups (SHGs) and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing

4. SGSY has an inbuilt strategy to get rid of the deficiencies of the earlier programmes through integration of various agencies- DRDAs, bank, Line departments, PRIs, NGOs and other semi-governmental organizations- which are required to work together.

5. The programme provides special safe guards for the weaker sections. 50%of the groups formed should be exclusively of women. 40% of the Swarozgaris assisted should also be women. Similarly, SC/ST constitutes 50% and disabled should constitute 3% of the Swarozgaris assisted.

6. The subsidy allowed under the programme is uniform at the rate of 30% of the project cost subject to a maximum of Rs7500/-per individual swarozgari, 50% of the project cost subject to a maximum of 10,000/-. In case of SC/ST swarozgaries, 50% of the cost of the scheme subject to a ceiling of

1.25lakhs for group project. Monetary ceiling on subsidy is not applicable to irrigation projects.

7. The funds for the SGSY are shared on 75:25 ratio between Central and State governments”<sup>1</sup>.

Implementation of the programme between 1999-2000 and 2001-02 has highlighted many areas of concern. While the IRDP concentrated on individual beneficiaries, the SGSY laid greater emphasis on social mobilization and group formation. However, the DRDAs, responsible for administering the programme did not have the requisite skills in this process, were also not in place. The programme, therefore, suffered in the initial years. The levels of the utilization of funds, credit disbursement per family and credit subsidy ratio was also low. Central releases were substantially lower than the allocation which could be provided financial assistance. Also utilization of subsidy depends on the availability of the credit. Inadequate delegation of power to the banks branches to sanction loans beyond a certain amount has been a obstructing factor in the progress of the SGSY. Another related problem is banks demand collateral security for loans beyond Rs50000/-. With emphasis shifting to group approach, the size of the loan/investment has increased. A group now may require an investment of more than Rs2.3lakhs. Inadequate availability of credit has adversely affected average per family investment and credit subsidy ratio during first two years of the programme. Against a target of Rs9611crs of credit, the achievement during the last three years has been only Rs3235crs i.e. 33.66% of the target. In the last three years of the ninth plan, 767141 self help groups were formed. While 934000 individuals were assisted in 1999-2000, 1030000 individuals were provided support in 2001-02. The coverage was considerably lower than around 2.2million beneficiaries under IRDP every year during the 8<sup>th</sup> plan Period. The subsidy ratio during 1999-2000 was 1.95:1 against the target 3:1. The achievements in respect of per family investment was Rs17113/- against the target of Rs25000/-. In 2001-02 the credit to subsidy ratio increased to 2.08 but was still lower than the target. The average per family investment increased to Rs20787/-. As far as States are concerned

during 1999-2000, the percentage of utilization to allocation was more than 100% in states like A.P (121.12), Haryana (106.91), Punjab (110.65) and Rajasthan (131.87). The worst performer was U.P (22.12) followed by Bihar (37.06) and W. Bengal (53.6)

### **3.3 Performance of IRDP: An Inter-State Analysis**

The IRDP aimed at raising the income earning capacity of the beneficiary households sufficient to lift them above poverty line. Thus the best indicator for judging the performance of the IRDP would be the proportion of the beneficiary households lifted above the poverty line. At macro level, however, it is difficult to find out the number of the beneficiaries crossing the poverty line. The information which we have are about the number of beneficiaries assisted under the programme, the proportion of SC/ST beneficiaries among the total beneficiaries, the plan funds utilized in relation to the funds allocated, the term credit mobilized, and as a derived magnitude the investment or financial resource flow per beneficiary. These data are published by the Ministry of Rural Development. We shall analyze the performance of IRDP at state level using these data. In assessing the performance of IRDP we have used the methodology used by K.Sundaram and S.D.Tendulkar in 'Integrated Rural Development Programme in India: A Case Study of a Poverty Eradication Programme'.

The number of beneficiary household considered in relation to the number of poverty household enables one to assess the coverage of the programme. Further, the proportion of SC/ST beneficiaries may be used as a proxy for the extent to which the poorest among the poor are covered under the programme on the presumption that the Scheduled castes and scheduled tribes are among the poorest.

Centre and State governments provided funds on 50:50 basis. However, the actual release of central funds depended on the funds actually provided by the state governments. Thus one factor causing divergence between allocation and utilization is the ability and willingness of the state government to mobilize

and make available resources for the programme. This divergence between allocation and utilization may also arise due to inability of the administration to identify the beneficiaries and most importantly to coordinate with the financial institutions to ensure that the loan applications sponsored by the administration are in fact successful. Utilization to allocation ratio may, therefore, be regarded as an indicator of effectiveness of the programme.

The investment flow per beneficiary, would determine the income-increment that is made possible by the investment as resource flow. The income increment made possible by the resource flow judge in relation to the income gap needed to be bridged in order to lift the household above the poverty line, would indicate whether or not the programme succeeds in lifting the households above the poverty line. Here we have taken average investment per beneficiary, but poorest among the beneficiary tend to received even less than the average and, therefore, the income increment calculated using average investment per beneficiary would tend to over estimate the income increment. However rough, it enables one to judge the ability of the programme to lift the beneficiary above the poverty line. Before going into inter-state analysis this study analyses the all India performance.

### **3.4 The All India Performance**

It considers detailed performance of IRDP at the all India level since 1980-81 onwards, with emphasis on the 90's. India started its reforms in 1991 & there was a policy shift towards measures aimed at accelerating economic growth and on creating an environment for ensuring a spread effect, therefore, it becomes important to know how far the IRDP has been successful during the nineties. More than 50 million households have been covered under the IRDP. However, the number of families assisted during the 80's was 347.39lakhs which is more than the total number of families assisted during the 90's. Till date, a total of Rs13856.08/-crs has been allocated to the programme out of which Rs 13706.16/- crs have been utilized which comes to 98.92%. Total expenditure on the programme during the 80's was Rs4976.95/-crs which

increased to 8729.17/-crs in the 90's. Overall the average annual growth in expenditure is around 12% but the average annual growth in expenditure was 4.6% in the 90's which is much less than that in 80's (19%). However if we consider real expenditure, the 90's actually recorded a negative annual growth of -4.5% Real expenditure for the entire period increased at annual growth rate of 3%, which is actually due to an impressive increase in expenditure during the 80's.. For AP and Maharashtra, the current expenditure remained constant at 11 % for both the periods but at constant prices it has dipped from 4 % in 1980-89 to just 2 % in 1989-99. Thus reducing the growth rate for the over all period. Barring Karnataka, for all other sates the growth rate in the current expenditure has declined from 1980-89 to 1989-99. The maximum decline was recorded foe West Bengal followed by Orissa , Bihar and Assam, and marginal decline was recorded for Gujrat Rajasthan , Haryana etc. If we evaluate at constant prices, as again Kamataka was the only state recorded an increase in the growth rate during the nineties as compared to the eighties. All other States showed a decline in the growth rate during the nineties. In the nineties there was actually a fall in real expenditure in most of the states, especially Haryana, Punjab , Gujrat , Kerala, Rajasthan . Tamil Nadu and West Bengal. If we look at the over all period , the range of growth varied from minus 7% in Punjab to as high as 21 % in Assam and 10 % in West Bengal. In some states like Punjab and Haryana recorded a negative growth for the overall period despite having a good coverage of poor people and resource utilization. This could be due to the changing priorities and emphasis being shifted to other social security programmes like the Age Old Pension Scheme etc(Sheila Bhalla,1995) The proportion of SC/ST beneficiaries in total has also increased steadily from 28.64% in 1981 to 46.27% in 1988-99 which shows the coverage in terms of poorest of the poor has increased over the years. The proportion of women beneficiaries has increased from 9.9% in 1985-86 for 34.44% in 1988-99. A total credit of Rs22548.52/-crs was mobilized by financial institutions and the subsidy extended by government was Rs. 11414.76/-crs. The subsidy to credit ratio has also increased from 1:1.82 in 1980-81 to 1:2.47 in 1988-99. Coverage



of the IRDP beneficiaries was maximum under the primary sector that is, 93.56% in 1980-81. It came down to 41.81% in 1987-88 but again increase to 52% in 1997-98. On the other hand coverage of the tertiary sector by the IRDP has increase steadily from 4% in 1980-81 to 31.4% in 1997-98. Even the coverage under the secondary sector has increase from 2.3% in 1980-81 to 16% in 1997-98. Investment per family has also increase over the years.

**State Level Analysis:** In terms of financial indicators, variations in the efficiency of the programme among the states are reflected in ratio of plan fund utilized to the fund allocated under the programme. Viewed in this light, during the 80's Punjab & Haryana had more than 100% utilization of their resources. States like Andhra Pradesh, Gujarat, Kerala, Tamilnadu & Uttar Pradesh had a close to 100% utilization. On the other hand West Bengal, Assam & Bihar recorded a very low percentage of utilization of resources. Punjab & Haryana continued to perform efficiently even during the 90's. Other states, which recorded more than 90% utilization of resources, were Kerala, Tamilnadu & Andhra Pradesh. Bihar, West Bengal & Orissa had a very low percentage of utilization.

In order to determine the coverage in terms of number of beneficiary household, we have to consider the extent of poverty in base year. We have taken three base years, 1977-78, 1987-88 and 1993-94. In order to find out household below poverty line in each state the number of people below poverty line will have to be translated into the number of households below the poverty line. For this the average household size in the rural areas of each state as revealed by the 1981 census has been taken for 1977-78 and 1987-88 and for 1993-94, 1991 Census has been used.

**TABLE 3. 1 Coverage of beneficiaries and utilization of Resources under the IRDP for the period 1982-1986-87**

	household	Beneficiaries	% household	% utilisation	Total Expen-
STATE	BPL(Lakh s	covered	BPL covered	of resources	diture
	1983	1982 to 1986-87	by IRDP	1982 to 1986-87	(1982-1987)
Andhra Pd	24	15	63	110	19858
Assam	12	4	31	82	6131
Bihar	70	22	32	74	25345
Gujarat	13	9	73	95	10674
Haryana	3	5	169	102	4729
karnataka	17	9	53	115	11587
Kerala	14	7	46	105	7934
Madhy Pd	38	19	48	88	22189
Maharashtra	36	12	34	94	16616
Orissa	31	11	36	73	12474
Punjab	3	5	175	107	6134
Rajasthan	16	9	53	94	11952
Tamil Nadu	39	17	43	104	20672
Uttar Pd	79	43	55	95	46816
West bengal	47	10	20	47	11539

*Source: Calculated on the basis of data collected from Ministry of Rural Development*

During the first period, the assisted beneficiaries as a percentage of households below poverty line were more than 100% in Punjab and Haryana. Apart from Gujarat and Andhra, rest were able to cover less than 55% of their population below poverty line. West Bengal had the lowest coverage. Other states with less than 35% coverage was Assam, Bihar, Maharashtra and Orissa.

During the period 1987-88 to 1993-94 the maximum coverage was again by Punjab (76%) followed by Haryana and Andhra Pradesh. The lowest coverage was by Assam, West Bengal and Orissa.

**TABLE 3. 2 : Coverage of beneficiaries and utilization of Resources  
under the IRDP for the period 1987-99 to 1993-94**

	household	Beneficiaries	% household	% utilisation	Total Expend-
STATE	BPL(Lakh s	covered	BPL covered	of resources	iture (Rs in lakhs)
	1987-88	cum(1987-94)	by IRDP	1987-1994	1987-1994)
Andhra Pd	20	13	63	84	32538
Assam	13	3	22	39	4430
Bihar	62	21	35	53	40497
Gujarat	13	6	44	81	13105
Haryana	3	2	70	105	4397
karnataka	17	7	40	53	12869
Kerala	11	4	38	74	9379
Madhy Pd	36	16	45	66	33851
Maharashtra	35	11	32	58	23766
Orissa	28	8	27	54	14855
Punjab	3	2	76	115	4298
Rajasthan	18	8	42	67	16049
Tamil Nadu	35	11	32	78	27563
Uttar Pd	75	31	42	74	75642
West bengal	39	10	27	56	22877

*Source: Calculated on the basis of data collected from Ministry of Rural Development*

. However, for the period after 1993-94 , the percentage of the poor household covered declined considerably and none of the states had more than 40% coverage. Among the states the highest coverage was by Andhra Pradesh and lowest by Assam and Bihar. The variation in the extent of poverty household assisted is partly a reflection of the variation in the efficiency of the development administration in identifying the poor household and affecting the transfer of assets to then in coordination with financial institution. In cases where there is more than 100% coverage implies that some families above the poverty line were also covered by IRDP. Further there might be double counting as some of the old beneficiaries getting renewed assistance.

**TABLE 3.3 : Coverage of beneficiaries and utilization of Resources  
under the IRDP for the period 1993-94 to 1998-99**

STATE	household BPL(Lakhs ) 1993-94	Beneficiaries covered (lakhs) cum (1994-98)	% household BPL covered by IRDP	% utilisation of resources 1993-1999	Total Expenditure (Rs in lakhs) 1993-1999
Andhra Pd	17	6	35	83	33828
Assam	16	2	12	72	10848
Bihar	74	9	12	49	43146
Gujarat	11	2	19	77	11475
Haryana	6	1	15	109	4919
karnataka	17	4	25	70	19370
Kerala	11	2	17	81	8582
Madhy Pd	38	7	19	73	39624
Maharashtra	37	7	19	73	34306
Orissa	27	4	16	67	23484
Punjab	3	0	16	95	2707
Rajasthan	16	3	19	70	15188
Tamil Nadu	28	8	27	89	32618
Uttar Pd	81	14	18	65	69779
West bengal	38	5	14	60	23490

*Source: Calculated on the basis of data collected from Ministry of Rural Development*

More than 100% of the allocated resources were utilized in States like Punjab, Tamil Nadu, Haryana, Karnataka and Kerala. All other states showed a good utilization except for west Bengal (47%). During 1987-88, the resource utilization was again highest for Haryana and Punjab (more than 100%). Other states like Andhra Pradesh, Gujarat also showed a high percentage utilization. Assam had less than 40% of its resources utilized. During 1993-94 the maximum utilization was by Haryana followed by Punjab. Lowest was in Bihar. All other states had more than 60% coverage of the funds. A comparison of the share of different states in the all India poverty and the beneficiary covered under the IRDP and the fund allocated show a very high degree of correlation during all the periods implying the states with higher incidence of poverty have larger number beneficiaries covered and greater amount of fund allocated to them. The correlation between poverty and beneficiaries assisted for the period 1983 was .872 (significant at 0.01 level), which increased to .944 during 1987-88 and was .908 in 1993-94 (significant at .01 level). correlation was also high

between the expenditure incurred and the number of poor below poverty line . this shows that resources were allocated according to the number of poor in each state.

**TABLE 3. 4 : Percentage Share of Beneficiaries in each State in Relation to it's share in poor Population**

STATE	% share of population BPL(1983)	% share of beneficiaries	% share of population BPL(1987-88)	% share of beneficiaries 1988-1994	% share of population BPL(1993-94)	% share of beneficiaries (1994-98)
Andhra Pd	5	8	4,8	8	4	8
Assam	3	1	3	2	4	3
Bihar	15	11	14,6	14	17	12
Gujarat	3	3	3	4	3	3
Haryana	1	1	0,65	1	1	1
karnataka	4	3	4	4	4	6
Kerala	3	2	2,6	3	2	2
Madhy Pd	8	8	8,5	11	9	9
Maharashtra	8	6	8,2	7	8	9
Orissa	7	4	6,7	5	6	6
Punjab	1	1	0,65	1	1	1
Rajasthan	4	4	4,2	5	4	4
Tamil Nadu	9	6	8,3	7	6	10
Uttar Pd	17	16	17,9	20	18	19
West bengal	10	5	9,3	7	9	7
All India	100	100	100	100	100	100

*Source: Calculated on the basis of data collected from Ministry of Rural Development*

Tables show the percentage of beneficiaries in each state and the proportion of the poor in that state. For example the percentage of population below poverty line was 14% of the total, the number of beneficiaries was also 14% of the total beneficiaries covered. Uttar Pradesh had 17% of population below poverty line but it covered 20% of the beneficiaries. During 1993-94 Bihar, Orissa and West Bengal had less beneficiaries covered as compared to the proportion of poor in the total.

### **Resource-Flows & Income Increments per beneficiary**

The IFMR study presented a general formula on the volume of investment required by each family to cross the poverty line. If Y\* be the

income of any given poor family before assistance, (poverty line –  $Y^*$ ) is the distance the family has to cover to cross poverty line.

Let  $I_i$  be the investment made for the family.

$K_i$  be the ICOR of the scheme, which has been offered to the family.

$I_i/K_i$  is the additional income generated by investment.

$I_i/K_i > (PL - Y^*)$ , then the investment has succeeded in pushing the family above the poverty line.

In other words, at least one of the following three conditions has to be fulfilled if the family were to cross the poverty line :

1. High investment ( $I_i$ ).
2. Family income being very near the poverty line that is, smaller ( $PL - Y^*$ ).
3. Low capital-output ratio ( $K_i$ ).

Since according to the IRDP guidelines, those family whose ( $PL - Y^*$ ) is the highest have to be chosen for assistance, chances of these families crossing the poverty line would be dependent on higher values of  $I_i$  and/or low values of  $K_i$ . Since very little can be done in the short run to manipulate or influence  $K_i$ , the only variable well within the control of planners is  $I_i$ . Thus by fairly high investment can be hope to push the families “well above the poverty line”.

In our analysis we have calculated investment per beneficiary at 1991-92 prices. A part of the plan funds utilized for IRDP goes for strengthening the development, administration and provision of certain infrastructural facilities at block level. On an average 20% of the total funds (derived from all India analysis) is spent on infrastructural and administrative development. Subsidy is only 80% of the total expenditure thus this subsidy and the term credit mobilized constitutes the total volume of investment under the programme. There are several leakages between amount shown as investment and the actual flow of resources in the hands of the beneficiary. In the analysis we have assumed there are no leakages and, therefore, the income increment which we get is an inflated one. Using 1991-92 CPIAL as a deflator, the financial resource flow per beneficiary at constant 1991 prices is given in the table. It is obvious that the income increment that accrues to beneficiary would depend upon the particular scheme given to the beneficiary, the management capability

of the beneficiary, the arrangement governing the purchase of the inputs required and the market for the products emanating from the scheme. It is very difficult to calculate these variables. Therefore, we have taken ICOR as a proxy for these variables. The incremental capital-output ratio (ICOR) is a summary expression for the existing technical conditions and structural configuration of the economy, which captures the relationship between investment and additional productive capacity. Since most of the beneficiaries belong to agricultural and allied activities, ICOR for the agricultural sector is taken as a proxy. The ICOR for the agricultural sector varied from 1.5 in the sixth plan to 4.05 in the ninth plan. We therefore, take 2.5 as ICOR to find out income increment per family. The calculated income increment per family at 1991-92 prices is given in the table 3.4.

At the all India level one notices a steady though not smooth rise in the real income increment (an in the under lying investment) per beneficiary, at the state level the trend is the same. In 1980-81 Maharashtra recorded the highest income increment followed by Karnataka, Kerala & Andhra Pradesh. States like Assam, Bihar, West Bengal, Orissa & M. P. had a very low-income increment per beneficiary.

**Table 3. 5 : Income Increment Per Beneficiary (Rs)**

year	80-81	1987-88	1993-94	97-98
state				
Andhra Pd	2488	3095	2531	3811
Assam	940	2104	2057	3573
Bihar	1522	2317	1921	4338
Gujarat	1806	2073	2846	4676
Haryana	1785	2833	3454	5290
karnataka	2485	2971	2359	3773
Kerala	2372	2621	2412	4328
Madhy Pd	1543	2440	2088	5606
Maharashtra	3020	3083	3176	4934
Orissa	1284	1590	2477	3238
Punjab	1339	2536	3394	5980
Rajasthan	1783	1942	2202	4475
Tamil Nadu	1476	2472	2791	3005
Uttar Pd	477	2510	4297	5155
West bengal	1141	2480	2967	3066

*Source: Calculated on the basis of data collected from Ministry of Rural Development*

By 1997-98 income increment per beneficiary has increased for all the states it was highest for Punjab followed by Haryana & M. P. It is lowest for West Bengal, Andhra Pradesh, Assam & Karnataka. The poverty line at 1991-92 prices is Rs11000/- but the poor who were assisted had to belong to a even lowest income group. During the eighties, the income increment was around Rs2000/- in almost all the states. This is a very meager amount and was not enough to raise the poorest of the lot above the poverty line. Suppose a, poor beneficiary had an income of Rs6400/-, he needed an increment of atleast Rs3600/- to cross the poverty line. None of the states recorded that much increment during the 1980's. Even during the 90's, only a few states were able to generate incremental income of more than Rs3600/-. These states were Punjab, Haryana, Maharashtra and Madhya Pradesh. So whether the beneficiaries crossed the poverty line is a big question mark.

**Table 3. 6 : Credit-Subsidy**

state	80-81	1987-88	1993-94	97-98
Andhra Pd	1,9	2,0	1,6	1,7
Assam	1,4	1,6	1,3	1,1
Bihar	1,6	2,2	1,1	2,1
Gujarat	0,9	1,6	1,5	1,8
Haryana	2,0	2,0	1,5	2,5
karnataka	1,0	2,3	1,9	2,1
Kerala	1,0	2,3	1,7	3,4
Madhy Pd	1,0	2,4	1,5	2,1
Maharashtra	1,4	2,3	1,9	2,5
Orissa	4,3	1,3	1,2	2,1
Punjab	1,7	2,7	1,6	1,6
Rajasthan	2,3	1,5	1,3	4,2
Tamil Nadu	1,9	2,3	1,7	1,9
Uttar Pd	1,8	2,1	2,7	2,8
West bengal	1,4	2,2	0,9	1,9

*Source: Calculated on the basis of data collected from Ministry of Rural Development*

Provision of term-credit by the financial institutions to the beneficiaries for the acquisition of assets is central to the IRDP. How these institutions perform and the access of the poor to these institutions are critical for the success of the programme. The financial institutions in question are: the



Commercial banks, the co-operative banks and the Regional Rural Banks. The commercial Banks have played a major role, especially during the 80's, in disbursing credit for the IRDP. During the 80's more than 80% of the term credit was provided by the commercial banks, the share has come down considerably in the 90's but it still constitutes more than 50% of the total term credit disbursed in all the states. The share of the cooperative and RRBs has increased over the years. The financial institutions suffer from limited technical, managerial and organizational capabilities. The financial institutions suffered from the problem of overdues as the loans extended under the IRDP were to financially non-viable section of the society. They were also expected to provide technical guidance to the beneficiaries as well as monitor the progress of the end use of the credit. Thus financial institutions had a major role to play under the IRDP. The expected subsidy to credit ratio was 1:2 but in most of the states this was not fulfilled. Subsidy formed a greater part of the loan extended. Subsidy to credit ratio remained around 1.5 to 1.8. Only few states had more than 2 and these states were relatively better off states, Haryana(2.5), Karnataka(2.1), Maharashtra(2.5) and other states like Rajasthan(4.2), U.P and Bihar.

**Table 3. 7 : % Of Sc/St Beneficiaries (Irdp)**

Year	1980-81	1987-88	1993-94	1998-99
State				
Andhra Pd	41	50	48	48
Assam	17	31	36	34
Bihar	20	40	55	44
Gujarat	49	41	50	55
Haryana	13	34	46	48
karnataka	9	25	38	41
Kerala	14	30	48	29
Madhy Pd	36	46	57	48
Maharashtra	21	37	37	39
Orissa	33	49	60	45
Punjab	47	52	51	62
Rajasthan	48	51	53	45
Tamil Nadu	17	45	49	48
Uttar Pd	17	47	52	44
West bengal	28	31	45	35

*Source: Annual Reports of Ministry of Rural Development*

There is a general presumption that the SCs and STs specially among the poor belong to the poorest group. Following this presumption, the proportion of SC/STs among the beneficiaries, is taken as the indicator of the coverage of the poorest of the poor. Gupta ,Datta and Singh in their analysis of the 32<sup>nd</sup> round of NSS had show that one fourth of the population among the poor were SC/ST and they reflected a much higher incidence of poverty. According to the 55<sup>th</sup> nss round , barring a few states, the MPCE position of the SC/ST groups in every state was consistently poorer than of the general population of the state as evidenced by the proportion of persons falling in the lower MPCE ranges as dealt in the second chapter. Among the states with large St population, the ST group was specially depressed (relative to the general population. None of the states had 50% of beneficiaries as SC/STs. Highest coverage was in Gujarat(49), followed by Rajasthan and Punjab. The lowest coverage was in Karanataka. During the second period 50% of SC/ST were covered in States like Andhra Pradesh, Punjab and Rajasthan. Lowest was again in Assam and West Bengal. In the next period the coverage of the SC/ST beneficiaries has increased . 62% of the beneficiaries in 1998-99 were SC/ST in Punjab, which is the highest among all the states. Other states with high proportion are Haryana, Andhra Pradesh, Karnataka and Tamil Nadu. Kerala had only29% of its beneficiaries as SC/ST. the proportion was also low in West Bengal and Assam. In the next period the postion improved in the states like Bihar,Gujarat, Madhya Pradesh, Orissa and Uttar Pradesh where the coverage of beneficiaries was more than 50% of the total.

### **3.5 Conclusions.**

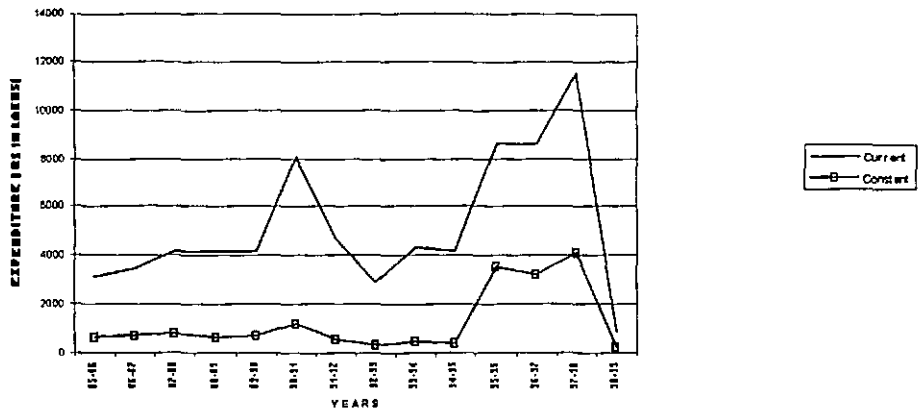
From the analyses of the IRDP following conclusions can be drawn. The expenditure on the IRDP programme had decreased considerably during the ninties as compared to the eighties . due to this most of the states recorded a negative real growth in real expenditure. The states which recorded negative growth were Punjab and haryanaIn terms of coverage of population below poverty line Punjab and Haryana had maximum coverage in all three periods.

States like Gujarat, Rajasthan, Andhra Pradesh and Tamil Nadu have also done well in terms of coverage of poor and utilization of resources. On the other hand, states like Bihar, Orissa, Assam and West Bengal showed a poor coverage throughout. Bihar and Orissa have a very high incidence of poverty and also low per capita income. The programme has not been satisfactory in poor states. On the other hand states with high per capita income and low incidence of poverty has performed well both in terms of coverage as well as resource utilization.

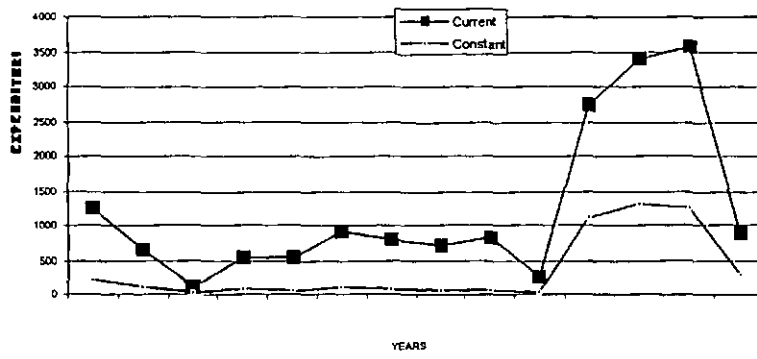
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<sup>1</sup> Tenth five year plan, Sectoral policies and Programmes, Planning Commission, GOI

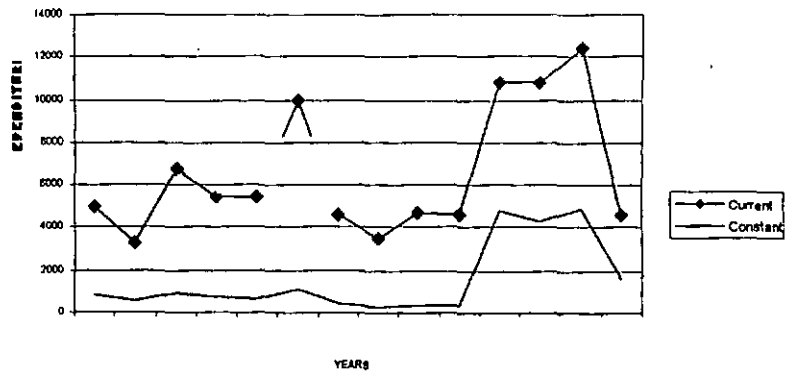
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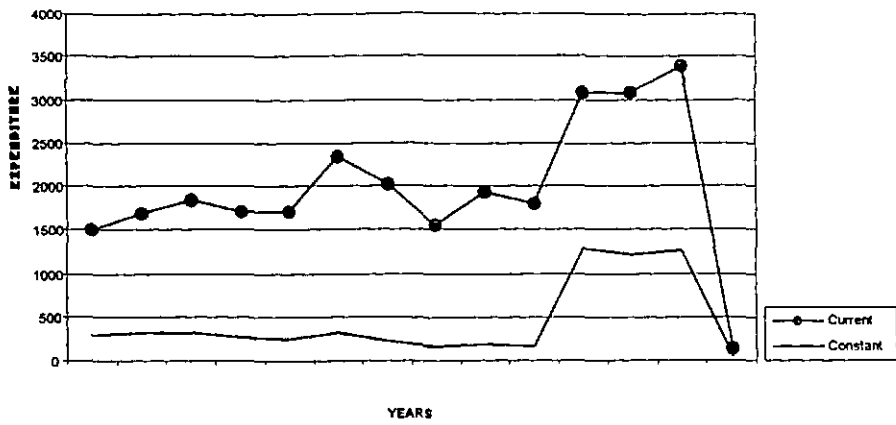
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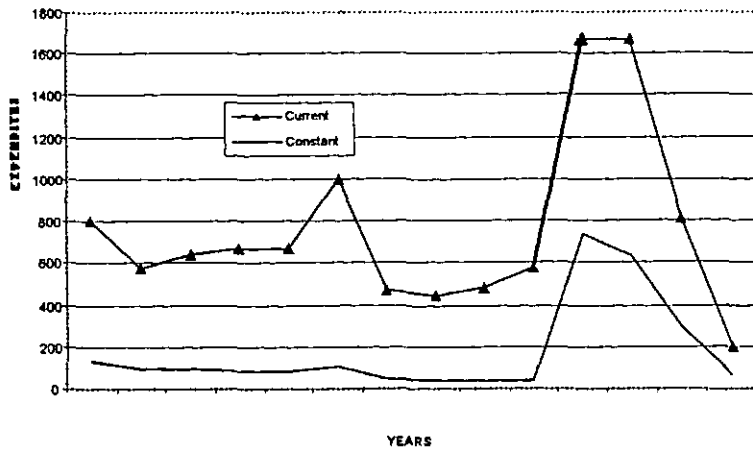
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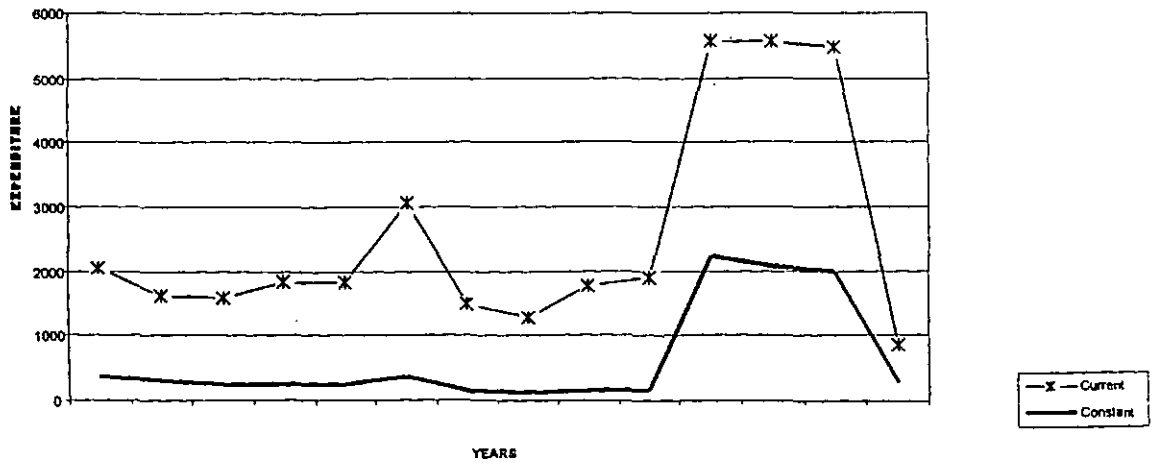
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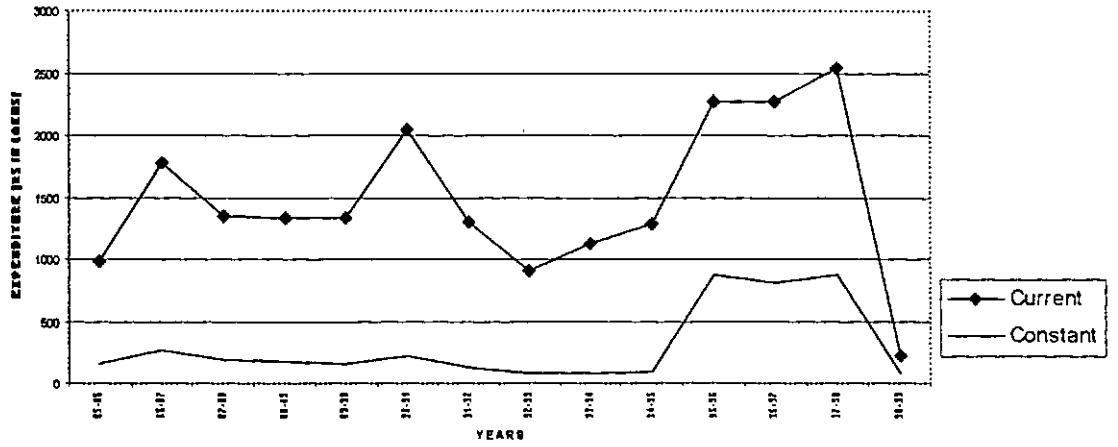
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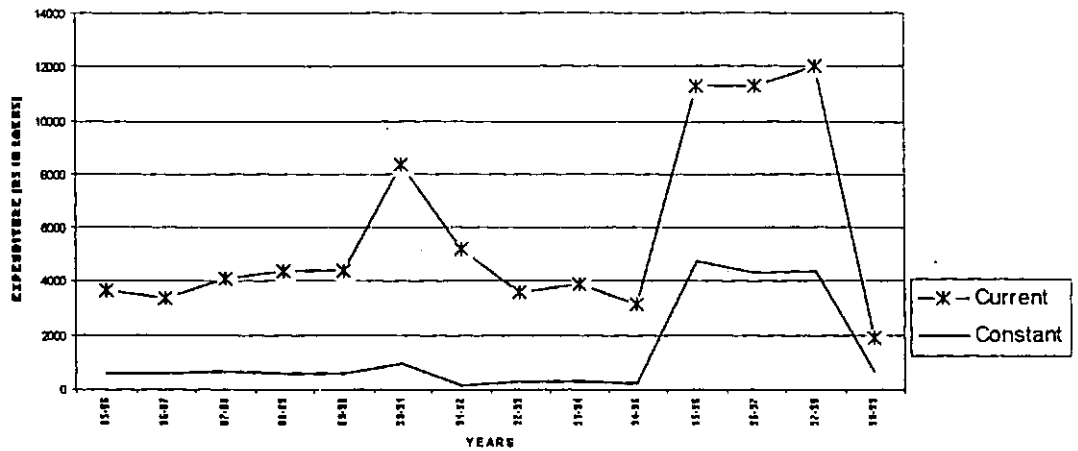
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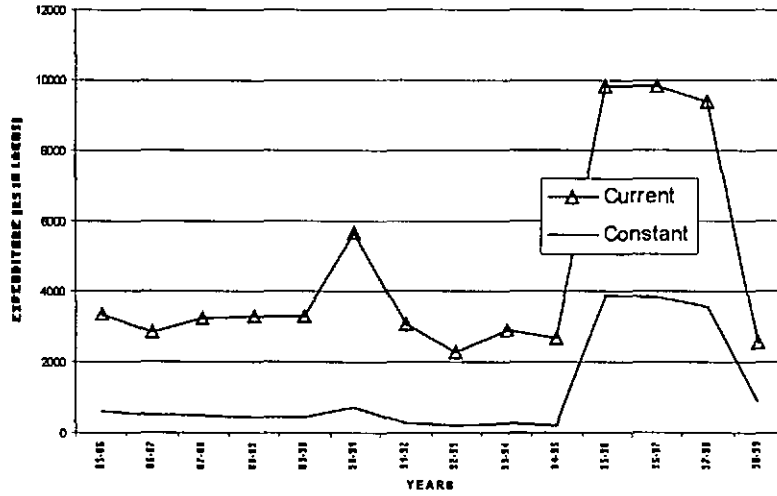
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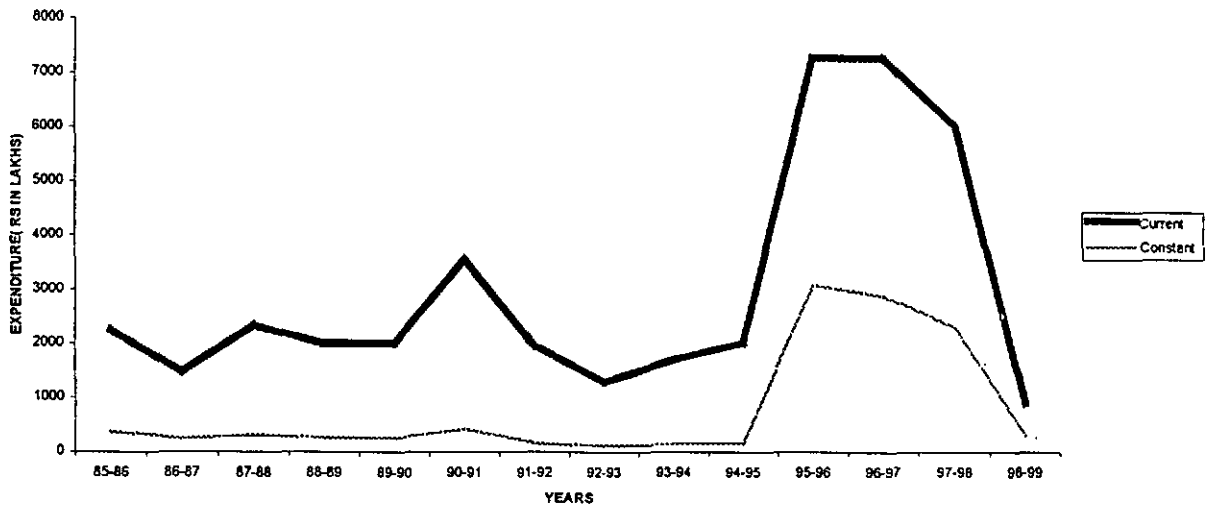
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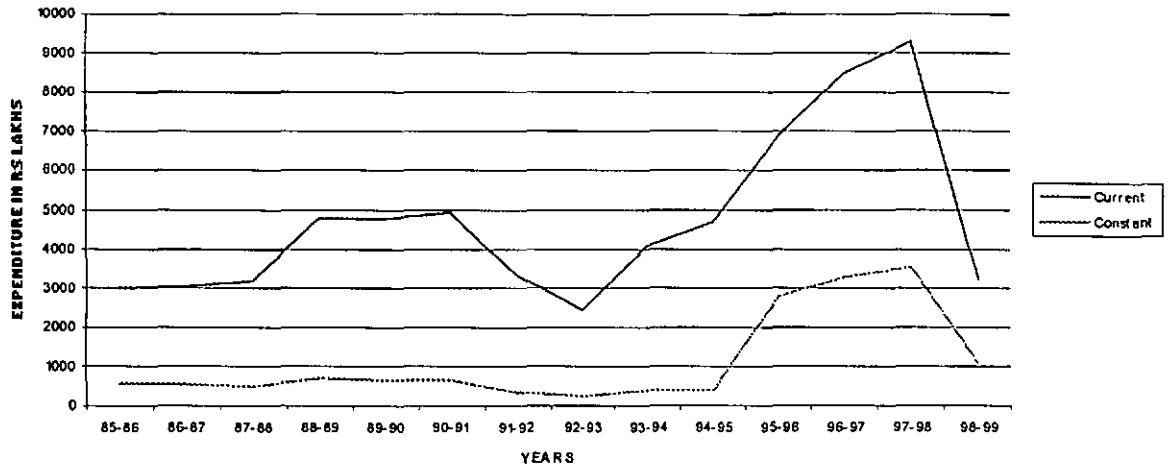
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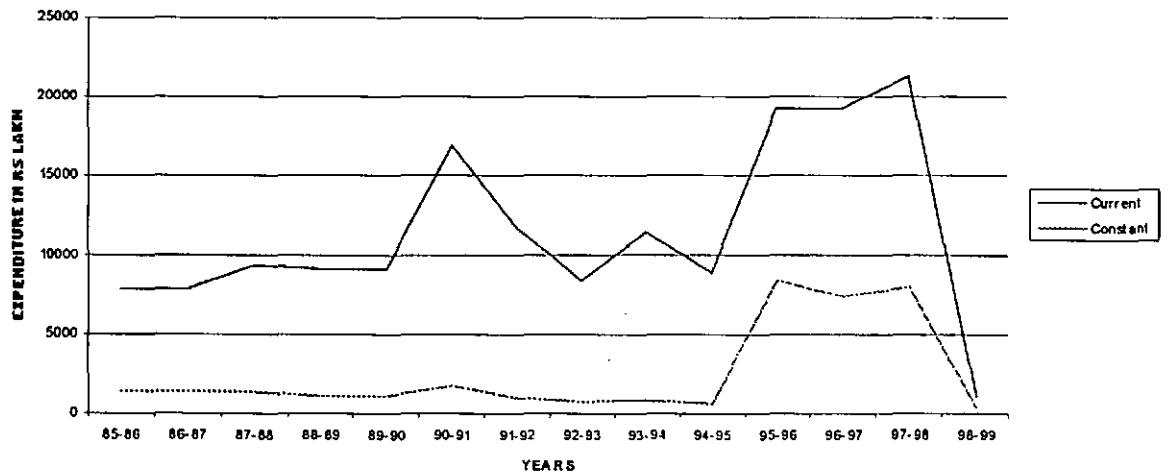
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### TAMIL NADU

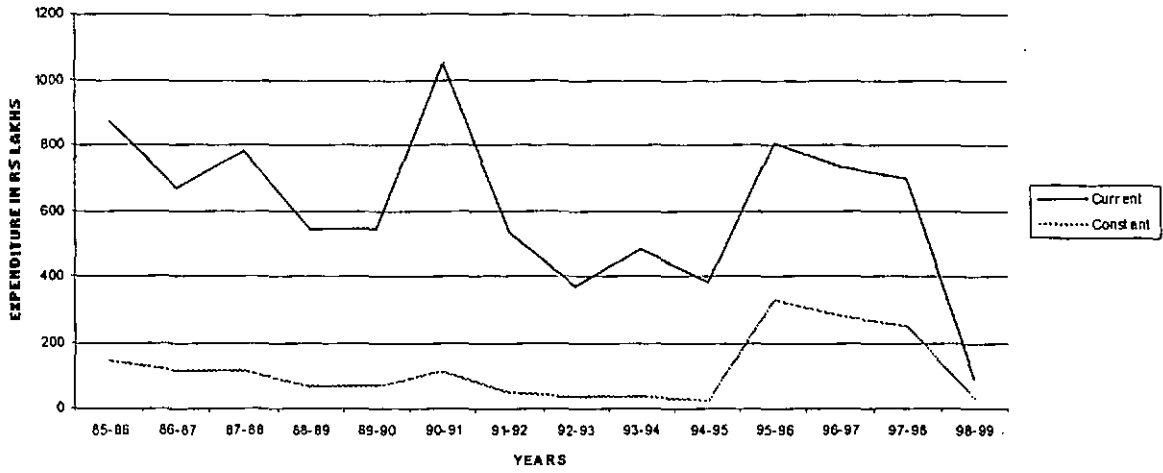


### UTTAR PRADESH

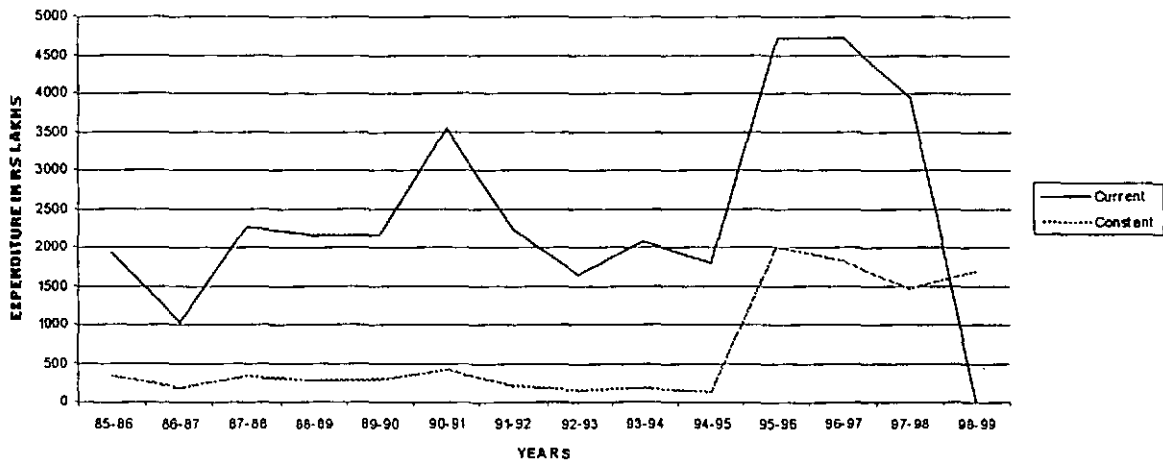




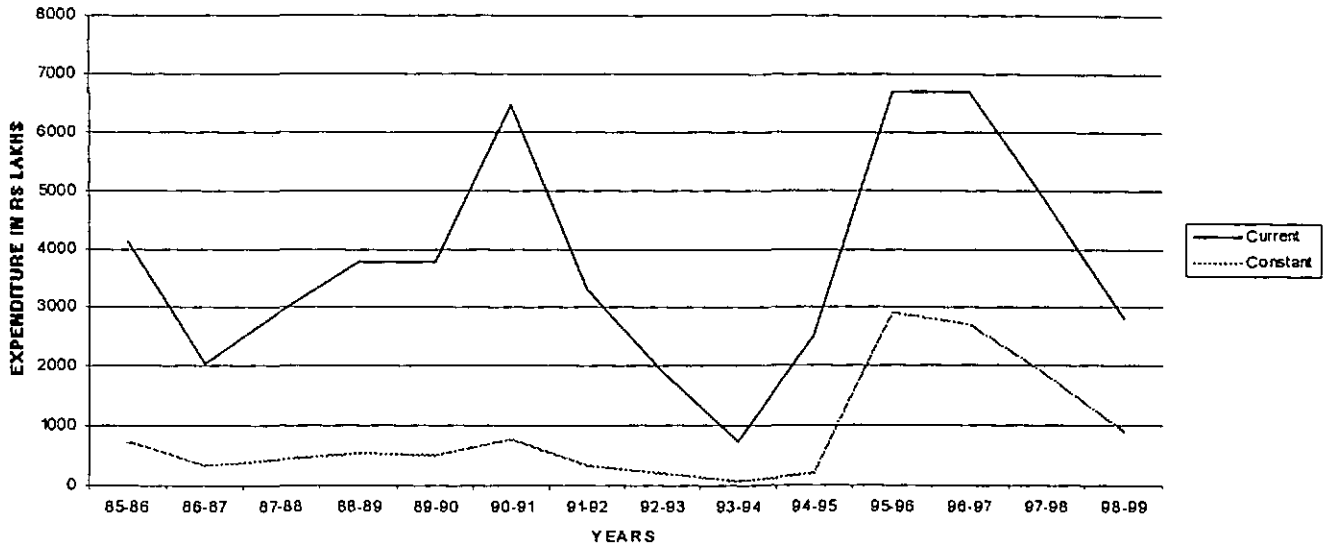
PUNJAB



RAJASTHAN



WEST BENGAL



## CHAPTER-4

# EXPANDING EMPLOYMENT OPPORTUNITIES FOR WAGE EMPLOYMENT ON PUBLIC WORKS

### 4.1 Introduction

Every year we add about ten million people to the labour force. Providing employment to this additional labour force and as well as the existing labour is a daunting task for the government. India faces the problem of not only unemployment but also underemployment. Most of the people who are unemployed fall below the poverty line. A person is said to be employed if he is working for 273 days in a year. Another way to tackle poverty is to provide wage employment to the unemployed. Wage employment programmes forms and important component of the anti-poverty strategy. They sought to achieve multiple objectives. They provide relief to the unemployed poor and have an impact on aggregate unemployment as well as on labour market. They increase labour absorption capacity through investment in durable and income generating public assets. They create rural infrastructure, which supports for the economic activities. Such programme helps in creating public goods and externalities, example through social forestry. These programmes also put an upwards pressure on market wage rates by attracting people to public works programmes, thereby reducing labour supply and pushing up demand for labour.

While public works programmes to provide employment in times of distress have a long history, major thrust to wage employment programmes in the country was provided only after the attainment of self-sufficiency in food grains in the 1970. It was realized that economic growth alone will not generate employment to meet the growing labour force. Therefore, some special employment generating programmes were taken up from 1960 onwards.

The Rural Main Power Programme was taken up towards the end of 1960-61 in 32 Community Development Blocks on pilot basis the programme

was later extended to 100,000/- blocks by 1964-65. The emphasis was on the construction of civil works of a permanent nature, as it would contribute to the mitigation, if not eradication, of the scarcity condition in the areas concerned. The aimed at providing 100 days employment to at least 2.5 million persons by the end of last year of third plan especially in areas exposed to pronounced seasonal unemployment. However, only 137 million mandays of employment was created mainly due to resource crunch. The programme was taken off by the end of 1968-69.

The Crash Scheme for Rural Employment (CSRE) was launched for period of three years from April 1971 with an annual outlay of Rs. 500/-crs. It had two fold objective, one to provide employment to atleast thousand persons in each of 350 districts of the country every year and second to create durable assets. The various types of projects including schemes relating to minor irrigation, soil conservation and afforestation, land reclamation, flood protection and anti-water logging pisciculture, drinking water and construction of roads. Though the programme achieved its immediate objective of providing employment opportunities, it lacked considerably in creating assets as most of the assets were of non-durable nature. The actual employment generation was 315.9 million mandays against requirement of 315 million mandays.

A Pilot Intensive Rural Employment Programme was started in November 1972 in 15 selected Community Development Blocks for a three years period. The objective was to provide additional employment opportunities for un skilled labourers and creation of such assets which lead to generation of new job opportunities on a continuous basis. The project was completed in 1975 and it generated an additional 18.16 million mandays of employment.

Drought Prone Area Programme (DPAP) was started as Rural Works Programme (RWP) in 1970-71 in 54 DPAP units spread over 13 states in country. It initially aimed at mitigating severe drought conditions by generating labour intensive and production oriented works. To wards the end of the 4<sup>th</sup>

plan the programme change to area development with development of rural poor as a part of it.

Other important schemes, not specially employment oriented, such as SFDA and MF & AL were introduced to improve the conditions of small farmers marginal farmers and agricultural labourers. The emphasis in both the scheme was on self employment through diversification of farm economy. Families were to be assisted with subsidized credit support for agricultural and subsidiary occupations like dairy, poultry, fishery, piggery-rearing, horticultural operations, etc.

In April 1977, the government of India introduced "food for work programme". It was started basically to augment the funds of the state governments for maintenance of public works. The programme did not perform well in the beginning and therefore, it was extended to all on going plan and non plan works and items of public and community works. The basic objectives of FWP were:

- "1. To generate additional gainful employment to a large number of unemployed and under employed persons, both men & women, in the rural areas this will improve their incomes and consequently their nutritional levels.
- "2. To create durable community assets and strengthen the rural infrastructure which will result in high production and better living standard in rural areas.
- "3. Utilization of surplus food grains for development of resources".

The programme became very popular. A total employment of 979.32 million mandays was generated during the year 1977-78 to 1979-80 (Sept.). However, there was a number of deficiencies in the programme such as "erratic disbursement of foodgrains as wages, non durability assets were created, inadequate technical supervision works and lack of supervision which led to dilution of technical requirement of the projects. Since the programme was implemented on a year to year basis, state governments were not able to provide the needed technical and administrative support. In other words, there was lack of initiative on the part of state governments to finance the material

components of work and hence a number of non-durable assets were created such as kucha road.

Hence it was decided to revamp and restructure the programme and accordingly it was named National Rural Employment Programme (NREP).

The National Rural Employment Programme was launched in October 1980. The Programme was implemented as a centrally sponsored programme with 50% central assistance. Additional employment of the order of 300-400 million mandays per year of the unemployed and underemployed was envisaged. Under the NREP the outlay for the sixth plan was Rs. 1620/-crs. Including state's matching share. The second objective was to create community assets for strengthening rural infrastructure. These included drinking water wells, community irrigation wells, village tanks, minor irrigation works, rural roads, schools and balwadi buildings, Panchayat Ghars etc. Another objective was to raise the nutrition standard of the rural poor. The total expenditure on implementation of NREP was Rs. 1873/-crs. against the outlay of Rs. 16204/-crs. including the state share. The target of employment generation as envisaged under the plan was also achieved. A total of 1775.18 million mandays were created. The sixth plan midterm appraisal making a critical assessment of the project under taken brought out the following shortcomings.

Works implemented through NREP were not coordinated with requirements of families identified under IRDP. Non-durable assets like kucha road, earth excavation works, old famine relief works were undertaken. There was also a tendency to go in for building construction with high material components, which was against NREP objective of utilizing local resources, both in terms of materials and manpower to wards the generation of moral employment. There was decline in foodgrain utilization due to several factors such as inadequate arrangements of distribution, availability of food grains at lower price in the open market compared to issue price, preference of works for coarse grains rather than wheat/rice which was supplied under NREP. Keeping this in view, the government decided to distribute foodgrains at subsidized rates

from January 16<sup>th</sup>, 1984. But this led to only a marginal improvement in foodgrain utilization.

The seventh plan earmarked 25% outlays for social forestry, 10% for works of direct benefits to SC/St. For ensuring the durability of assets created, the ratio of wage and non-wage expenditure was prescribed to be maintained at 50:50.

National Institute of Rural Development, IIPA & Gandhi labour institute criticized the programme that it created employment for a very short duration and was not able to make an impact on the levels of livings of the rural poor. The wages paid under NREP are often lower than the market wage rates. The selection of beneficiary was not proper as many people above the poverty line were selected. There was a need for more direct attack to cover the poorest of the poor especially the landless labourers. It was aimed that at least one member from each land less household should be provided employment up to 100 days in a year. With this end in view, the Rural Land Less Employment Guarantee Programme (RLEGP) was launched in August 1983. This programme was fully funded by the central government. The programme was implemented in addition to NREP in covered the entire country. The resources were allocated to the state/UTs on basis of the prescribed criteria giving 50% of weightage to number of agricultural labourers, marginal farmer and marginal workers and 50% to incidence of poverty. Wages were paid to the workers under the schedule of employment in the minimum wages act. A part of wages was required to be paid in form of subsidized foodgrains. It was stipulated that the wage component on a project should not be less than 50% of the total of expenditure on the project. 10% of the allocation was earmarked exclusively for SC/ST. As a result of RLEGP's Social forestry programme, a 5.2lakh hectare of land was covered and 533 million plants were planted. Besides this, 4.27 lakh houses at a cost of Rs. 425.5/-crs were constructed up to December 1988. The cost of per dwelling unit works out to Rs. 9954/-. Under these two programmes about 2631.94 million mandays were generated with a total expenditure of Rs. 5351.85/-crs. This may appear to be an impressive figure

and the annual outlay for the order of employment generation is roughly about 1500crs. This however, has to be compared to the total requirement of employment for providing 100 days per one member of 44.4 million per rural household which works out to 4440 million person days.

The over all assessment of the two employment programmes NREP & RLEGP is similar. One of the major criticism of the programme that they provided short terms employment which was not continuous and therefore, did not have much impact on the living conditions of rural poor. On the other hand such programmes tended to strengthen the asset base of the rural well to do and thus increased the existing disparity. In the Gujarat study, Hirway<sup>1</sup> has mentioned that these shortcomings are as a result of the poor design of the programmes, particularly the planning component. According to Hirway, there are three factors responsible for the weaknesses in the NREP, namely, the poor design of the programme the administrative constraints and weaknesses of the administration. In the first category because there was no guidelines to plan for the NREP, poor not rehabilitated. Moreover, the creation of durable assets, which is one of conditions for achieving growth of rural economy rather than an objective, has been treated as one of the aims in both the programmes. Though, in the final analysis this implies that durable income should result from such assets it is not a sufficient condition for creating permanent employment. Though both these programmes were supposed to form a part of the strategy of poverty alleviation they did not focus on the logical target group, namely, the rural poor. It may of course be argued that there was no need to specify a target group for an employment programmes as those who would seek employment would largely be from the asset less and the poor. However, in order to manage the programme more effectively, especially to match the demand with the availability of work in a meaningful manner it is necessary to restrict the target group to a smaller, clearly defined one of the chronically unemployed. While the NREP had not explicit target group, the RLEGP by specifying the target groups as the rural landless had left out other segments of the rural poor who were also chronically unemployed or under



employed such as the marginal farmers with nominal land holdings & the rural artisans who as a result of pauperization have lost their traditional skills.

A related problem was the inadequacy of the wage income to enable a family of to cross the poverty line even if there was full employment. To illustrates this point N. J. Kurian “ Anti poverty programme: A reappraisal “ took an example of a family with no income other than wage income & one worker who is fully employed i.e. for 270 days by normal agricultural wage labour supplemented by NREP/RLEGP works. The statutory minimum wages for agricultural workers fixed by the state vary from Rs. 10 to Rs. 15 for most of the states & the same was paid under5 NREP/RLEGP. Assuming the higher minimum wage of Rs. 15, the total annual income of a one-worker-household comes to only Rs. 4050, well below the poverty line of Rs. 6,400 at 1984-85 prices. At minimum wage rate of Rs 10, even if two members of a family were fully employed throughout the year, the family income worked out to only Rs5200, again well below the poverty line

Another important criticism is that many states had opted for rural roads, primary school building construction etc, in preference to directly productive activities such as soil conservation and water shed management. But some studies like that of Bingswanger, et al (1989) pointed out a significant positive impact of rural infrastructure (markets and roads ) to be no strong argument for discouraging rural infra structure building on the grounds that they are not productive.

The objective of both NREP and RLEGP was to create long term employment by productive use of labour intensive method. In fact, the necessity of having two separate programmes with the same objective came under severe criticism. In effect, these two programmes were modified and combined in the Jawahar Rozgar Yojana with effect from 1989-90

#### **4.2 Jawahar Rozgar Yozana**

The JRY as an independent scheme came into operation from April 1989(i.e. last year of the seventh plan) when two wage employment programme namely NREP and RELGP were merged to form the JRY. The

primary objective of the programme was to generate additional gainful employment for the unemployed and under employed persons both men and women in the rural areas through creation of rural economic infrastructure, community and social assets, particularly, in favour of the rural poor and more so, with the aim at improving quality of life in the rural areas. The scheme was implemented with the funding pattern of 80:20 between the centre and the states. In case of UTs , the entire resources under the scheme were provided by the centre. The scheme was administered by the village Panchayats. Apart from the main objective of generating gainful employment, JRY had several secondary objectives.

1. Creation of sustained employment by strengthening the rural infrastructure.
2. Creating community and social assets such as social forestry, soil conservation works, minor irrigation works, construction of community sanitary laterins, construction of houses for SC/STs and freed bonded labourers, constructing community centres, constructing school buildings, land development and reclamation of waste lands, construction of rural roads
3. Creating assets in favour of the poor for their direct and continuing benefits
4. To produce positive impact on the wage level
5. To bring about overall improvement in the quality of life in rural areas

JRY specially targeted the people below the poverty line. Preferences was given to SCs and STs and freed bonded labourers. At least 30% of the employment was to be provided to women under the JRY. In 1993-94, JRY was modified and there were three streams of implementation

The first stream was based on the existing pattern. Initially, the JRY also included the IAY and the Million Wells Schemes. Both these schemes were made independent schemes in 1996.

The second stream: an intensified JRY in 120 identified backward districts with an additional allocation

The third stream Special and innovative projects were undertaken. The DRDA/Zilla Parishads utilized the funds for different programmes on the following guidelines.

1. Economically productive Assets-35%
2. Social Forestry-25%
3. Individual beneficiary schemes for SCs and STs- 22.5%
4. Other works including roads and buildings.

It was stipulated that 22.5% of the allocation was meant for the direct benefits of SC/STs. No diversion was permitted. However, there was flexibility permitted in other sectoral allocations.

Wages under JRY was paid at the rate notified for the prescribed schedule of employment under the Minimum Wage Act for the relevant works and was paid partly in foodgrains and partly in cash. However, the payment of wages in foodgrains was made optional from September 1993.

The JRY was revamped from 1st April 1999 as Jawahar Gram Samridhi Yojana (JGSY). It now became a programme for the creation of rural infrastructure with employment generation as a secondary objective. The 60:40 wage: material ratio in the JRY is now relaxed. The programme is implemented by the Village Panchayats and provides for specific benefits to SC/STs, the disabled and the maintenance of community assets created in the past. Since inception it has generated 27 crs. Mandays of employment each year (on an average), a substantial drop from 103 crs mandays generated under JRY in the year 1993-94.

Under the erstwhile Jry, some of the basic activities and assets created since inception of the programme till 1998-99 are indicated below:

1. Over 8.56 lakh kms of rural roads have been constructed involving an expenditure of Rs 4568.60 crs.
2. Over 8.40 lakh hectare have been covered under social forestry involving an expenditure of Rs 755.94 crs

3. Over 1.27lakh village tanks/ponds have been excavated involving an expenditure of Rs393.00crs
4. Over 10.97lakh hectare land has been developed involving an expenditure of Rs135.37crs
5. Over 6.55lakh drinking Water Wells have been dug involving an expenditure of Rs530.21crs
6. Over 2.45 lakh school buildings have been constructed involving an expenditure of Rs1108.50crs
7. Over 0.71 lakh Panchayat Ghars have been constructed involving an expenditure of Rs350.65crs
8. Over1.75lakh hectares have been covered under soil conservation activities involving an expenditure of Rs143.13crs

Year wise detailed financial and physical achievements under the JRY will be dealt later in the chapter

### **4.3 Employment Assurance Scheme**

On the model of the Employment Guarantee Scheme of Maharashtra (introduced in 1972-73), the government introduced Employment Assurance (EAS) with effect from 2nd Oct 1993 in rural areas in 1778 blocks of 261 drought prone, desert, tribal and hill area districts. It was later extended to all other blocks. Prior to 1/4/99 it was a demand driven scheme. The EAS was designed to provide employment in the form of manual work in the lean agricultural season. The works taken up under the programme were expected to lead to the creation of durable economic and social infrastructure and address the felt-needs of the people. The schemes prohibited construction of buildings for religious purposes, monuments, memorials, welcome gates, panchayats buildings, government office buildings and buildings for higher secondary schools and colleges. It also provided for the maintenance of assets created in the past under the scheme. Initially, the scheme was demand driven but from 1999, resources were allocated to states based on the incidence of poverty. Allocation of funds to districts is based on the index of backwardness namely,

the proportion of SC/ST population of the district and the inverse of agricultural production per agricultural worker.

EAS is a centrally sponsored scheme with the centre providing 75% of the funds and states 25%. The Zilla Parishads and Panchayat Samities were the implementing agencies. The central assistance under the scheme was released directly to the District Rural Development Agency (DRDAs)/Zilla Parishads. DRDAs released 30% of the district allocation to Zilla Parishads and 70% to Panchayat Samitis. The Zilla Parishad was the implementing authority for the funds released to both Zilla Parishad and Panchayat Samitis and was responsible for the overall coordination and supervision of works taken up with the Panchayat Samiti component. The implementing Authority of the district had to prepare an annual plan every year. All the works under the EAS were executed departmentally only by the respective implementing agencies. All works started under the EAS had to be labour intensive and a wage material ratio of 60:40. Priority was given to the works of soil and moisture conservation, minor irrigation, rejuvenation of drinking water sources and augmentation of ground water, traditional water harvesting structures, works related to watershed schemes, construction of rural roads

While 10,719.59lakh mandays of employment were generated during the eighth plan, 4717.74lakh mandays of employment were generated in the first year of the ninth plan. Employment generation went down in the subsequent years of the ninth plan because watershed projects taken up for implementation under the EAS programme before April 1999 were transferred to Integrated Watershed Development Programme.

The food for Work Programme was started in 2000-01 as a component of the EAS in the eight notified drought affected States of Chattisgarh, Gujarat, H.P, M.P, Orissa, Rajasthan, Maharashtra and Uttaranchal. The programme aimed at augmenting food security through wage employment. Foodgrains are supplied to the states free of cost. However, against an allocation of 35.31lakh

tones of foodgrains, only 21.26 lakh tones were lifted by the target states up to January 2002.

Since the objects of the JGSY, EAS and Food for Work programme were same, they were revamped and merged under the New Sampoorna Gramin Rozgar Yojana (SGRY) scheme from September 2001. The basic aim still remains the same that of generating wage employment, creation of durable economic infrastructure in the rural areas and provision of food and nutrition security to the poor. The amalgamation of the earlier schemes has led to an augmentation of resources for this programme. The works generated are labour intensive and workers are paid the minimum wages notified by the states. Payment is partly done in cash and partly in foodgrains (5kgs of foodgrains). The centre and the states share the cost component of the programme on a 75:25 basis. An allocation of Rs3750crs was made for the programme in 2001-02.

The programme for wage employment has come under severe criticism. The 10<sup>th</sup> plan stated “Though the creation of community assets has an important spin offs for the rural poverty and development, the impact of these programmes on employment and income has been limited. The universalisation of the scheme severely eroded its basic objective of providing assured employment in areas of extreme poverty and chronic unemployment. Allocations were based on a fixed criterion that did not specifically provide for regionally differentiated needs”<sup>ii</sup>. There has been considerable debate whether these programmes were meant for creating employment or for creating productive assets. The 60:40 wage material component shows that creating employment was more important. This imposed a constraint on the creation of durable and productive infrastructure assets which are needed most for rural areas. If good assets were created, additional employment generated would have created additional employment opportunities. Poverty eradication is not possible without creating sustainable employment. The primary objective of the employment generation got neglected in most states, as concentration was on assets that require more capital, such as construction of panchayat ghars,

housing etc. Works like soil conservation, watershed development and afforestation, which create opportunities for further employment, have been neglected in most of the states. Even in EGS, public pressure was for construction of roads. It was pointed out, for example in the case of Andhra Pradesh, that greater emphasis needs to be placed on the development of irrigation and the efficiency of its use. In locating the programme adequate weightage is not given to communities with poor water base and dependence on low employment intensive coarse cereals (Parthasarthy). On the other hand, projects for creating private assets, e.g, setting up dug wells for small and marginal farmers, proved to be successful. One of the major failings of wage employment programme is weak linkages with other development programmes of the region. This has led to choice of inappropriate projects, high material costs and staff inappropriate timings etc.

There has always been some controversy about the impact of minimum wages on the labour market. The consensus of opinion is around the view that where market imperfections are rampant and interlocking of markets not very uncommon, state intervention in terms of declaration of minimum wage rate helps in rationalizing market processes. In some states viz. Andhra Pradesh, Kerala, Maharashtra , Tamil nadu, there was disparity in the average wage paid per day to male and female unskilled workers. In many cases employment was provided for less than 31 days against an objective of providing employment of 100mandays. This was true especially in the backward regions where there was a greater need for employment. In many states, work taken up was not labour-intensive. Cases of bogus reporting and fudged muster rolls have been reported. The efficacy of the programme was also affected by faulty project selection and the absence of a coherent plan which integrated EAS projects in a long-term development strategy.

In spite of their many shortcomings, wage employment schemes have proved beneficial in some respects. They have created much needed rural infrastructure. The programmes are self targeting in the nature since only poor come to work at a minimum wage rate. The various work undertaken created

demand for unskilled labour and exerted upward pressure on wage rates. The programmes have played a major role in protecting consumption patterns of the rural poor during natural calamities. A study conducted in four major drought-affected districts of Rajasthan found that the consumption of foodgrains was higher in the drought years compared to the normal years due to the wage employment programmes.

#### **4.4 Performance of Wage Employment Programmes : An Inter State Analysis**

The objective of the wage employment programmes is to provide gainful employment to the poor so that they can improve their living conditions. The analysis is for the two decades of performance of wage employment programmes, the eighties which were dominated by the NREP and the RELGP and the nineties when JRY and EAS were prominent. For the analysis we have data on total funds allocated to different programmes, the funds utilized, the no of beneficiaries, the proportion of SC and ST beneficiaries in the total. On the basis of these data we have analyzed the performance of wage employment programmes. These data are published by the Ministry of Rural Development.

At the all India level, the combined expenditure of NREP and RLEGP was Rs5352crs and it created 2631 million mandays. During the nineties 8990million mandays were created which was less than the total no. of mandays created during the eighties. A total expenditure of Rs45476crs was spent which was 78% of the allocation. The expenditure on the wage employment programmes, in real terms, during the 90's has come down considerably. The annual growth in the real expenditure was negative (-3.2) for the period. At the state level too, the real expenditure on the programmes has fallen. However, the 80's record a very high growth rate in real expenditure on the programmes, except for West Bengal. In the 90's expenditure by West Bengal and Tamil Nadu has declined. This shows that the relative importance of wage employment programmes has declined in comparison to other poverty



alleviation programmes as the total expenditure on rural development programmes has increased steadily over the years.

The divergence between utilization and allocation show the efficiency of the programmes as well the state's ability to mobilize resources to create additional employment for the poor. During the 1983 the percentage utilization of resources was highest in Punjab, followed by MP. Orissa had the lowest percentage of its resources utilized (48%). In 1987-88, the percentage of utilization was more than 100 % in states like AP, Gujarat Rajasthan and Bihar. During this year resource utilization was good for all the states. This may be because 1987-88 was a drought year and therefore there was no need to create additional rural works employment. Relatively the percentage utilization of resources was low in UP and W. Bengal. During 1993-94, Tamil Nadu had utilized 93% of its allocated resources. On the other hand, Orissa and Rajasthan had utilized less than 40 % of the allocated resources. In 1998-99, Tamil Nadu W. Bengal and Assam had less than 50% of its resources utilized.

**TABLE 4.1**

% of SC/ST beneficiaries (JRY&EAS)				
Year	90- 91(jry)	97- 98(jry)	94- 95(eas)	97- 99(eas)
<b>State</b>				
Andhra Pd	43.19	48.13	60	60
Assam	43.87	46.67	57	51
Bihar	62.3	61.3	68	57
Gujarat	64.7	65.62	64	69
Haryana	57	61.87	67	55
karnataka	37.9	38.6	35	38
Kerala	38.18	38.4	41	36
Madhy Pd	66.6	63.1	69.7	64
Maharashtra	44.89	48.6	47.7	47
Orissa	67.19	68.3	73	68
Punjab	77.2	78.9		
Rajasthan	62.68	65.1	59	61.5
Tamil Nadu	51.9	51.5	53	47
Uttar Pd	56	50.3	43	50
West bengal	49.2	53.9	60	51.7

Source : Annual reports of Ministry of Rural

## Development

In the context of rural India there is a general presumption that SC/STs are the poorest of the poor. On the basis of this presumption, the proportions of the SC/ST beneficiary in the total indicate the coverage of the poorest of the poor. In 1993-94 the percentage of SC/ST beneficiaries was highest in Orissa (72%) followed by Madhya Pradesh, Bihar and Gujarat. Karnataka, U.P and Maharashtra had a very low coverage of SC/ST beneficiary. In 1998-99, the share of SC/ST beneficiary was above 60% in Andhra Pradesh, Gujarat, Madhya Pradesh, Rajasthan but low in Karnataka and Kerala. The proportion of landless labourers is more than 60% in Karnataka and Kerala (1998-99). In most of the states the share of landless beneficiaries has come down between 1989-90 and 1998-99, e.g, Andhra Pradesh, Bihar, Haryana, Punjab and U.P. coverage of landless under EAS has been impressive in states like Kerala, Haryana, Tamil Nadu. In Bihar only 6% of the beneficiary was landless, followed by U.P (15%), Rajasthan (12.5%) and Orissa (20.5%)

It would be interesting to see whether the state wise distribution of mandays of employment generated is correlated with the distribution of the poor. The correlation was high and statistically significant in all the four periods indicating states which had larger no of poor were able to generate more mandays and also had a higher expenditure on the programme

Coverage of wage employment programmes, In order to determine the number of mandays are first converted into the number of employment generated. A person who is works for 273 days in a year is said to be employed. Thus the total number of mandays divided by 273 gives the total no. of employment generated.. The coverage in 1983 was high for states like Rajasthan Andhra Pradesh, and Maharashtra . States like Assam , haryana , Orissa and Bihar were able to cover a very low percentage of their population below poverty line. During the 1987-88, Andhra Pradesh was able to cover 2% of its rural poor. Other states which did well in 1987-88 were Rajasthan Karnataka and Madhya Pradesh, Assam didn't perform well in terms of

coverage (only 0.3%), Bihar, west Bengal Punjab and UP did not show much improvement. During the 1990's Andhra Pradesh was the best performer in terms of coverage. In 1993, apart from Andhra, Tamil Nadu, Rajasthan and Karnataka also showed a good coverage. On the whole Assam showed the least coverage of the poor under the programme.

The wages given under the programme is the minimum wage fixed by the Minimum Wage Act. Wages are kept low so that relatively better off people or people who are above the poverty line are not attracted to these programmes. But this minimum wage which a worker gets under the programme is not sufficient to raise him above the poverty line. At 1991-92 prices poverty line for a family is Rs11,000/-. Now supposed the wage given under the programme was Rs17/- in 1991-92. If one person of a household is employed by the programme, he is able to increase his income by Rs4641/- which is much below the poverty line. Thus, how many beneficiaries were able to cross the poverty line is ambiguous.:

**TABLE 4. 2 Poverty, Employment generated and Expenditure pattern**

1983	Poverty	Emp generated	expd	% of poor covered	% reso Utilisation	% of pov in total	%m days in total	% of expd in total
	(in lakhs)	(in lakhs)	(lakhs)					
Andhra Pradesh	114,34	1,63	7654,76	1,4	75	4,6	7,2287	9,6
Assam	73,43	0,32	1897,59	0,4	64	2,9	1,4463	2,4
Biahr	417,7	2,96	11495,88	0,7	70	16,6	13,115	14,5
Gujarat	72,88	0,56	2580,39	0,8	76	2,9	2,4889	3,3
Haryana	22,03	0,11	715,23	0,5	73	0,9	0,4886	0,9
Karnataka	100,05	1,35	5641,7	1,4	73	4,0	6,0124	7,1
Kerala	81,62	0,7	3717,92	0,9	72	3,3	3,1172	4,7
Madhya Pradesh	215,48	1,67	5694,92	0,8	93	8,6	7,407	7,2
Maharashtra	193,75	2,05	6717,07	1,1	53	7,7	9,0827	8,5
Orissa	164,65	1,18	1741,45	0,7	48	6,6	5,2502	2,2
Punjab	16,79	0,17	1130,6	1	94	0,7	0,7746	1,4
Rajasthan	96,77	2,05	2450,08	2,1	70	3,9	9,0856	3,1
Tamil Nadu	181,61	2,18	10862,26	1,2	85	7,2	9,6726	13,7
Uttar Pradesh	448,03	3,51	13954,17	0,8	80	17,8	15,545	17,6
West Bengal	268,6	1,58	3711,45	0,6	63	10,7	7,0078	4,7

**Table 4. 3 Poverty , Employment generated and Expenditure pattern**

1987-88	Poverty (in lakhs)	Emp generated (in lakhs)	Expendt (lakhs)	% of poor covered	% reso Utilisation	% of pov in total	%m days in total	% of expd in total
Andhra Pradesh	96,38	2,02	12987,49	2,1	174	4,15639	8,176	9
Assam	73,53	0,25	2231,54	0,3	79	3,17098	1,0317	2
Biahr	370,23	3,1	23289,43	0,8	101	15,9662	12,551	16
Gujarat	74,13	1	6612,37	1,3	106	3,19686	4,045	5
Haryana	18,86	0,15	1458,54	0,8	95	9,75534	10,784	17
Karnataka	96,81	1,51	6952,95	1,6	84	4,17493	6,146	5
Kerala	61,64	0,67	5027,32	1,1	79	2,65823	2,7274	3
Madhya Pradesh	200,02	2,9	13333,03	1,5	87	8,62586	11,74	9
Maharashtra	186,89	1,84	8068,57	1	90	8,05963	7,4606	6
Orissa	149,98	1,51	7296,8	1	82	6,46789	6,1255	5
Punjab	17,09	0,14	1416,49	0,8	82	0,73701	0,5828	1
Rajasthan	104,97	1,61	7771,2	1,5	103	4,52683	6,5343	5
Tamil Nadu	161,8	2,22	11487,2	1,4	87	6,97763	8,9951	8
Uttar Pradesh	429,74	3,91	23586,67	0,9	73	18,5325	15,845	16
West Bengal	223,37	1,19	7838,59	0,5	73	9,63283	4,8268	5

**Table 4. 4 Poverty , Employment Generated And Expenditure Pattern**

1993-94	Poverty (in lakhs)	Emp generated (in lakhs)	Expendt (lakhs)	% of poor covered	% reso Utilisation	% of pov in total	%m days in total	% of expd in total
Andhra Pradesh	79,49	1,16	10730,85	1,5	3,257413	41	6,928927	6
Assam	94,33	0,3	2766,32	0,3	3,86554	41	1,79251	2
Biahr	450,86	3,25	38879,23	0,7	18,47575	61	19,41179	22
Gujarat	62,16	0,42	4748,94	0,7	2,547249	45	2,5305	3
Haryana	36,56	0,09	1673,47	0,2	1,498189	55	0,543437	1
Karnataka	95,99	0,95	7989,98	1	3,933565	44	5,711113	5
Kerala	55,95	0,24	3909,51	0,4	2,29277	67	1,435757	2
Madhya Pradesh	216,19	1,66	21869,66	0,8	8,859229	50	9,949307	12
Maharashtra	193,33	1,37	8539,08	0,7	7,922452	41	8,211883	5
Orissa	140,9	0,85	9433,08	0,6	5,773928	35	5,105594	5
Punjab	17,76	0,03	491,25	0,2	0,727785	41	0,217724	0
Rajasthan	94,68	0,9	8112,3	1	3,879883	39	5,41207	5
Tamil Nadu	121,7	1,52	13156,83	1,3	4,987133	93	9,078628	7
Uttar Pradesh	496,17	2,96	30796,99	0,6	20,3325	52	17,71416	10
West Bengal	209,9	0,99	12453,01	0,5	8,601472	42	5,956599	5

**Table 4. 5 Poverty , Employment generated and Expenditure pattern**

1998-99	Poverty	Emp generated	Expendt	% of poor	% reso	% of pov	%m days	% of expd
	(in lakhs)	(in lakhs)	(lakhs)	covered	Utilisation	in total	in total	in total
Andhra Pradesh	58,13	0,41	11347,55	0,7	3,00813	87	4,093807	7,282099
Assam	92,17	0,28	7106,2	0,3	4,769642	45	2,853603	4,560284
Biahr	376,51	6,51	29690,69	1,7	19,48376	63	64,97493	19,0535
Gujarat	39,8	0,08	4222,85	0,2	2,059583	71	0,861893	2,709943
Haryana	11,94	0,02	1974,47	0,2	0,617875	56	0,205056	1,267083
Karnataka	59,91	0,36	8512,37	0,6	3,100242	80	3,597433	5,46267
Kerala	20,97	0,1	4187,81	0,5	1,085162	62	1,030397	2,687456
Madhya Pradesh	217,32	0,48	19837,12	0,2	11,24594	85	4,848602	12,73014
Maharashtra	125,12	0,24	10129,95	0,2	6,474749	73	2,460305	6,500724
Orissa	143,69	0,25	7526,91	0,2	7,435716	78	2,49247	4,830267
Punjab	10,2	0,04	2153,78	0,4	0,527833	56	0,427657	1,382152
Rajasthan	55,06	0,12	4094,81	0,2	2,849262	94	1,213156	2,627775
Tamil Nadu	80,51	0,24	10594,7	0,3	4,166257	31	2,450436	6,79897
Uttar Pradesh	412,01	0,61	24026,73	0,1	21,32082	73	6,128282	15,41875
West Bengal	180,11	0,23	10422,08	0,1	9,320389	48	2,36198	6,688194

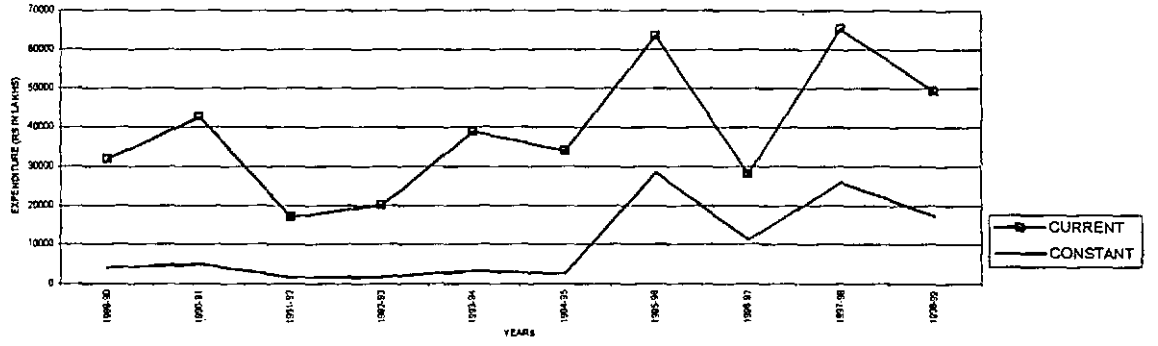
### Conclusions:

The wage employment programme has performed reasonably well in terms of coverage of poor people in states like Maharashtra , aaaaAP, Rajasthan , Karnataka throughout the period. On the other hand, Assam Bihar West Bengal Punjab and Haryana have not done equally well in terms of coverage. Except for punja and haryana , the states form a continuous belt in east india. These states have also recorded alower reduction in their poverty ratio for the said period. On the other hand punjab and haryana are developed states and have a very low incidence of poverty. In states like bihar and orissa this low coverage is amatter of concern as they have high incidence of poverty and low per capita incomes.

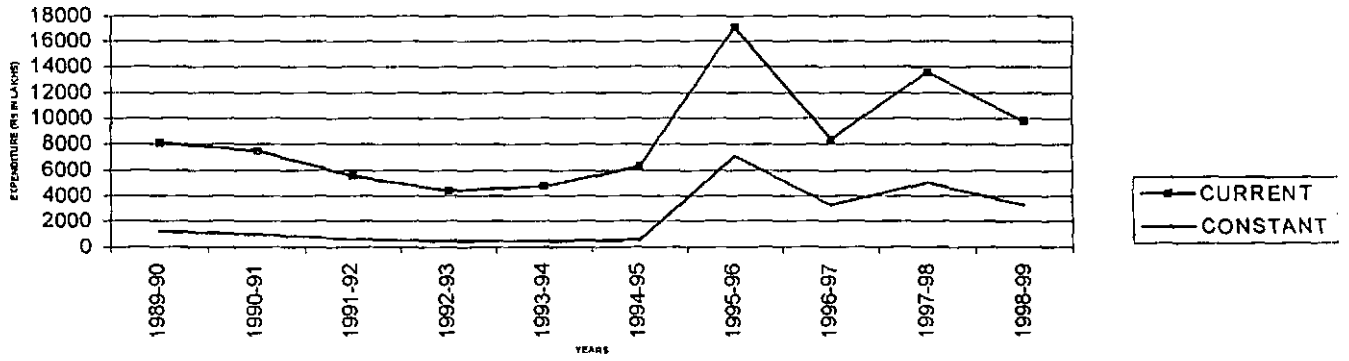
<sup>i</sup> Tenth Five Year Plan2002-2207 VolII, Sectoral Policies and Programmes, Planning Commission, Government of India

<sup>ii</sup> Tenth Five Year Plan2002-2207 VolIII, Sectoral Policies and Programmes, Planning Commission, Government of India.

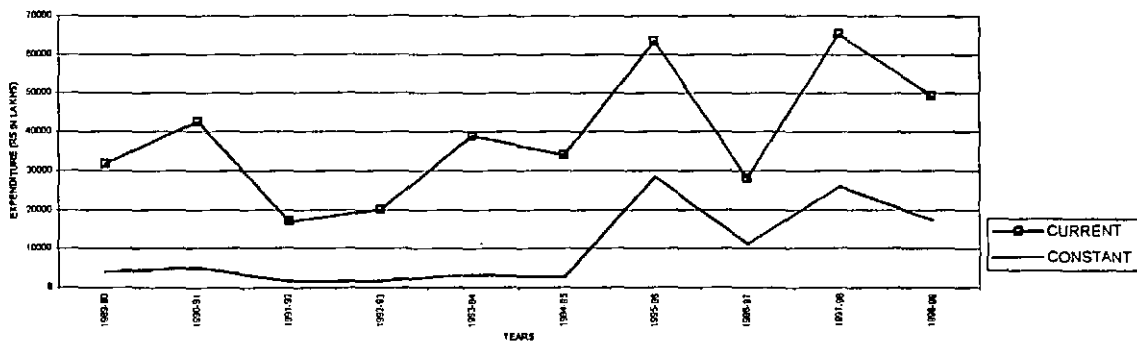
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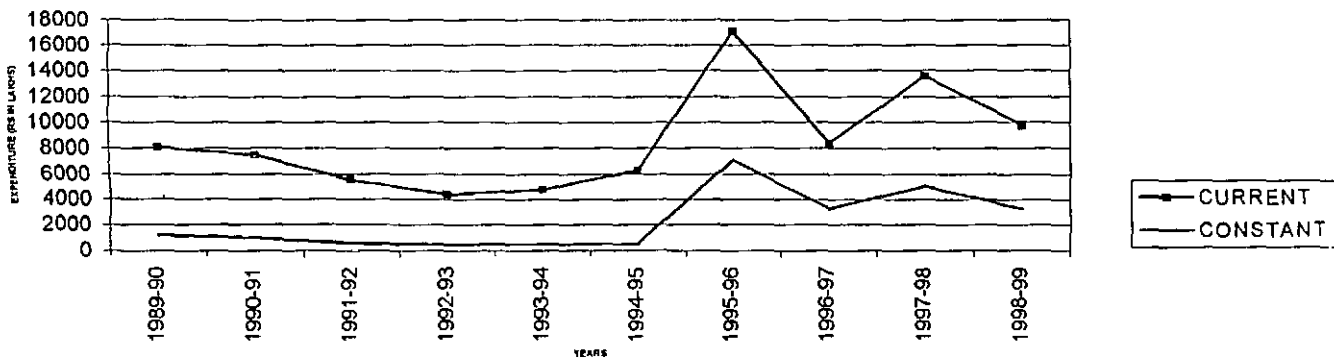
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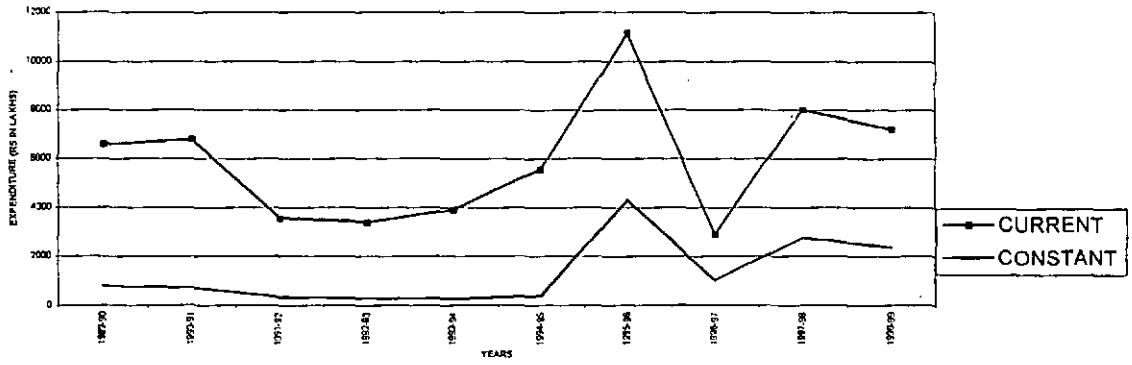
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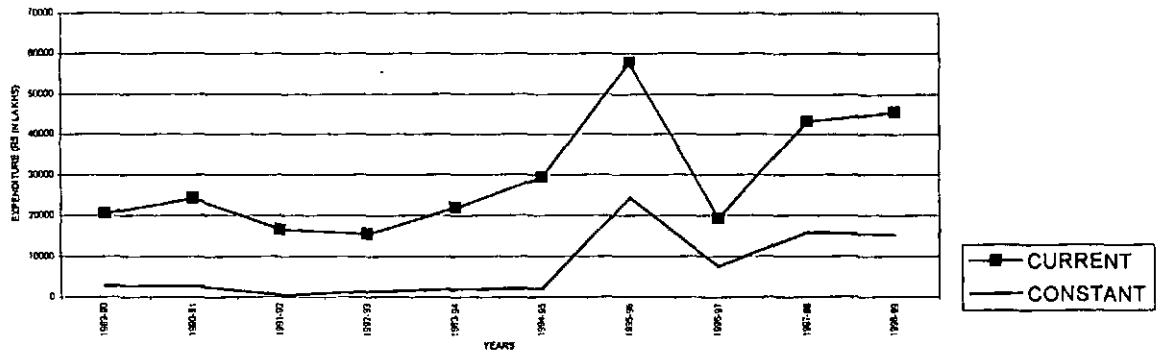
### GUJRAT



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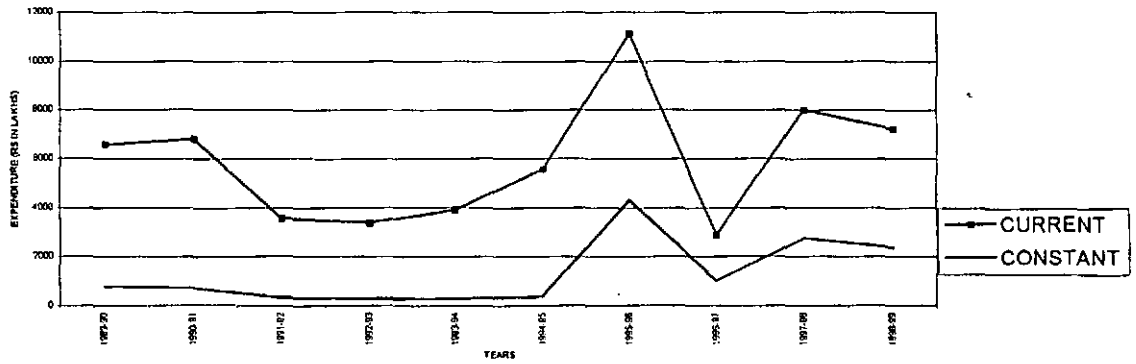


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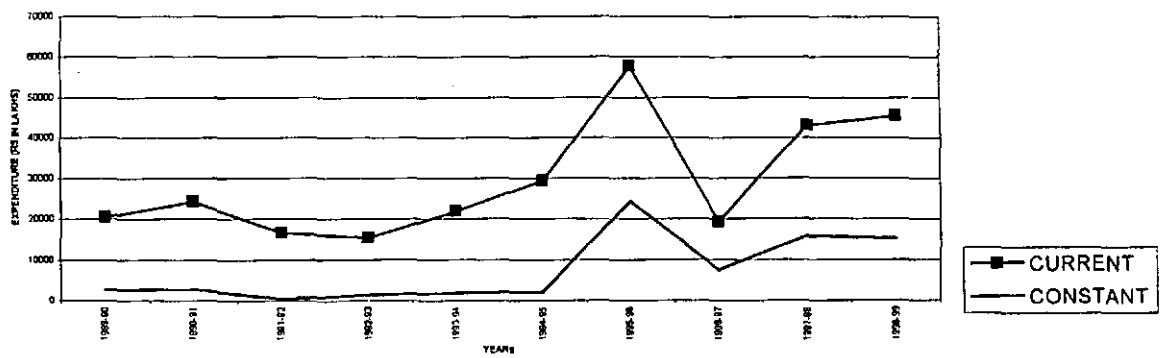




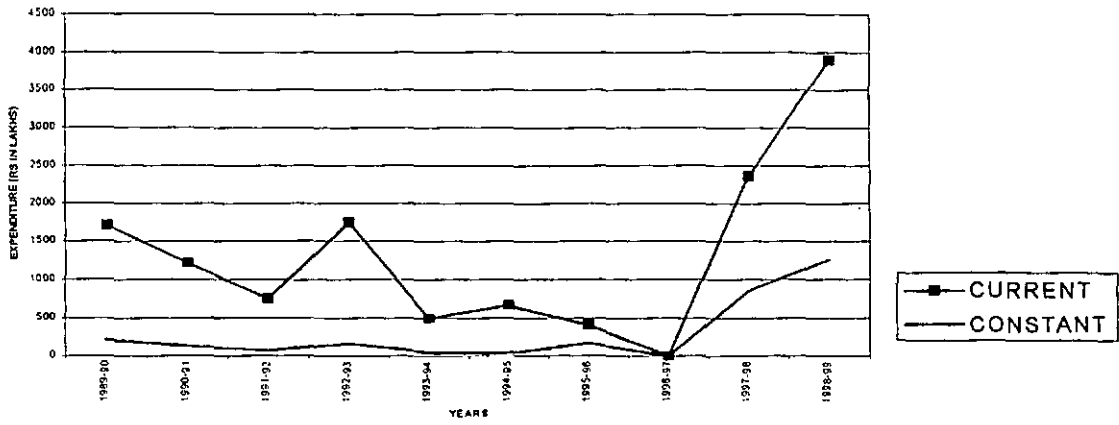
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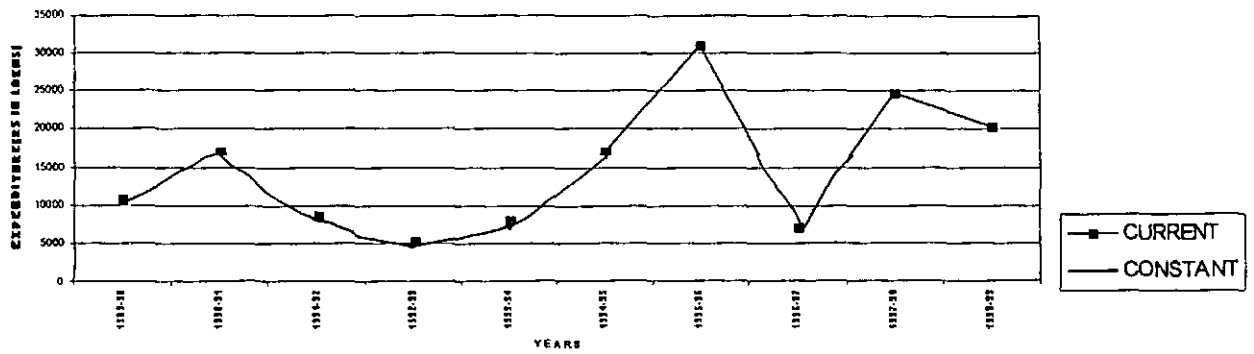
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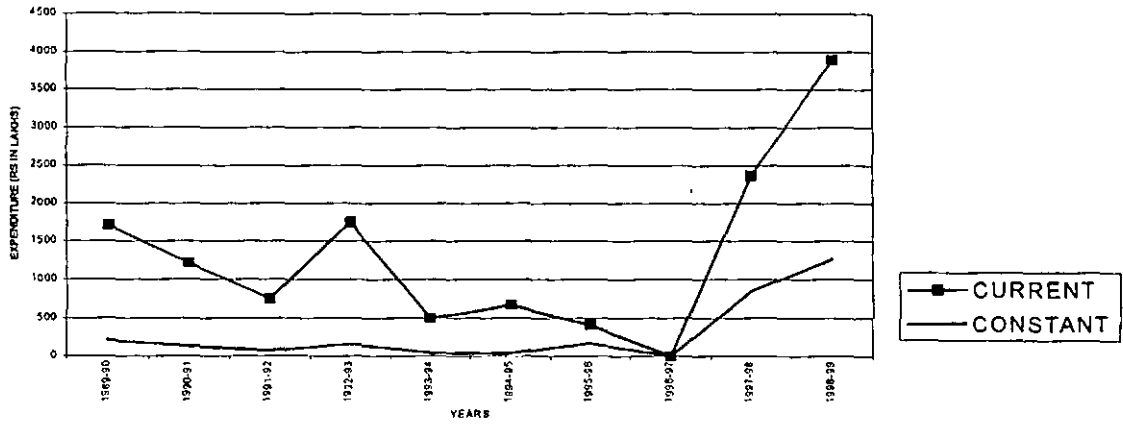
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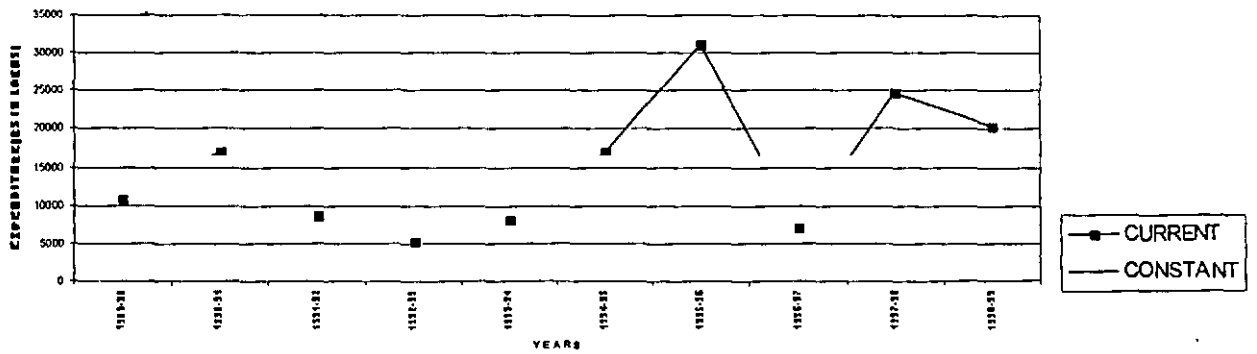
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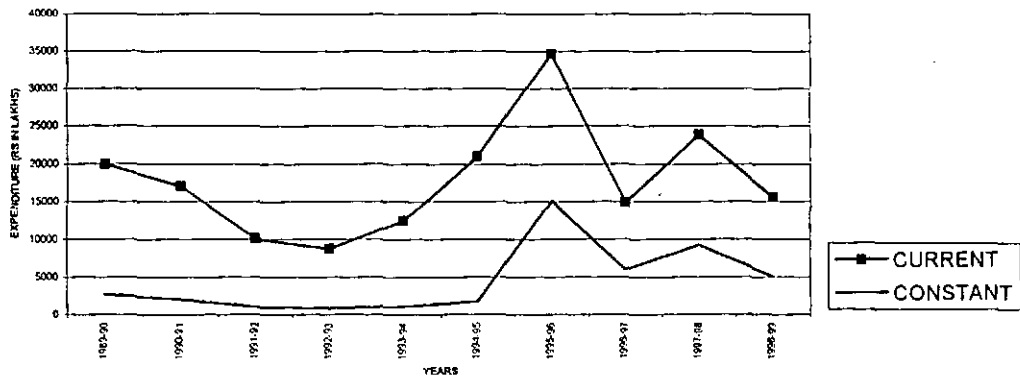
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### RAJASTHAN



### WEST BENGAL



## CHAPTER 5

### DETERMINANTS OF POVERTY

#### 5.1 Introduction

It is evident in rural India, asset poor households & those with relatively large families & a high proportion of children are far more prominent among the poor than those with land, self-employed in non-agricultural activities & those with little education. Scheduled casts/tribes households, being disadvantaged on all these counts, have a considerable higher incidence of poverty than other groups [ Visaria 1978, 1979, Lipton 1981]. More detailed analysis using household level data from NCAER Survey [ Gaiha 1988] suggests that the social & economic infrastructure of the village, agricultural technology and demographic and other feature of a household determines whether it is poor or not. The effect of agricultural technology and the household characteristics influence the incidence of poverty among cultivator households more than other categories. The relative importance of factors varies between different groups.

Further demographic pressure on land also affects the incidence of poverty. Tendulkar & Sundaram (1988) constructed a model to assess the impact of demographic pressure on land and showed that poverty incidence tends to be lower in regions with relatively low demographic pressure ( low land-man ratio) and high equal distribution of these assets.

The most important determinants of trend in rural poverty are agricultural production and prices. Ahuwalia (1978) found that at the all India level there was a significant negative relation between the value added by agriculture per head of rural population and rural poverty ratio. However, this inverse relation between agricultural production and poverty was found to hold in several but not all states. Agricultural growth may not automatically reduce poverty for the new patterns of technology and production trends in agriculture adversely affect small & marginal farmers and the growing class of wage labourers among which poverty ratio is high. Relatively small farm cannot

afford the resources needed to make effective use of the new technology. The new technology does not generate employment opportunities needed to absorb the growing labour force, especially the wage labourers thus leading to increased unemployment, reduced real wages and worsening inequalities in rural area. Agricultural employment has increased much slower than agricultural output. On the other hand, the share of wage labour in total rural labour force has increased. But the real wage rates have risen every where as non-farm employment has increased at a surprisingly rapid rate since 1970's. This has led to broadening the scope of the explanatory hypothesis regarding determinants of rural poverty to include the extent of non-agricultural employment, commercialization, real wage rates and public development expenditures.

Agricultural labourers are the poorest strata of our society. Trends in their wages thus reflect to some extent the conditions of the poor. In India, the prevalence of poverty remained unchanged from 1950-51 to the mid-70's. There were year to year fluctuations, but no long term trend, either upwards or downwards. In years of good harvests poverty went down, in years of rising food grains prices poverty went up & simultaneously real wage went down. It was established that the level of agricultural output & food grains prices were the main determinants of year to year variation in poverty & in real wage rates.

Then from the mid-70's onwards poverty in India declined continuously up the end of the 80's, reaching its lowest point ever, in 1989-90. It increased slightly in 1990-91 but subsequently started declining & it fell to 27% in 1999-2000. This during the early 90's the absolute no of poor people rose despite the facts that the performance of agriculture has been consistently good except in 1992 & that capturer incomes generally have increased albeit at a modest rate. This delinking from agriculture performance of poverty, especially rural poverty trends, is new to India event when per capita growth rates place but at the same time if the income distribution weakens, poverty will not declined the rural wage rate of the poorest category of labour i.e. rural casual agricultural labourers, remained constant until after the mid-70a. Real wages started

moving up exactly when rural poverty started falling they followed the same pattern as poverty, only inversely. When poverty fell fast, rural wages moved up substantially. When poverty declined slowly, real wages rose more slowly, as in the 1990s actually fell.

Studies of the period after mid-60s shows that there is very little relation between labour productivity in agricultural and real wages. In the early years of 70's late 60's when labour productivity had increased, real wage remained stagnant. After the mid-70's, real wage increased everywhere, even in states where agricultural labour productivity had declined like Bihar. Increase in real wage was associated with increase in the share of the work force in non-agricultural employment in each state. It was also established that the rise of non-agricultural employment reduced the incidence of bonded labour in rural area opportunities for non-farm work was responsible for an effective decline in rural poverty however dual opportunities collapsed in 1990s, in terms of time periods, the timing of the decline in the share of the work force engaged in rural non-farm activities exactly matches the timing of the rise in rural poverty real wage rates in agriculture even in the most recent period are still inversely related to poverty, & directly related to the availability of non-farm employment (Sheilla Bhalla, "trends in poverty, wages, and employment in rural India" )

Poverty is a multi dimensional phenomenon. So far we have looked at only income poverty. Non-economic indicators like education, health nutrition etc are also important determinants of poverty. The levels of human development indicators are quite low in five states viz Bihar MP, Orissa Rajasthan and UP. If Public Policy concentrates on these five states, India's human development would increase considerably. Some of the well being indicators are poorly correlated with income indicators for example, the poverty ratio for UP and Kerala are almost the same but literacy rates are quite different. Similarly, Punjab and Haryana have the highest per capita incomes, but literacy rates are relatively lower in Haryana and sex ratio is very low in some of the districts of Punjab and Haryana. " The point is that many factors

are involved , which tend to weaken the simple correlation between income and health (or other aspects of well being ) , when these other factors are not themselves well correlated with income,”.(Dreaze and Sen,1995). Thus apart from income poverty , one has to look at non income poverty indicators like health and education and qualitative changes in the conditions of the poor for understanding the various facets of poverty .

A part from these, government spending on direct poverty alleviation programmes such as IRDP, JRY EAS SGSY ..... etc also play an important role in poverty reduction. Over the years, the functioning of these programmes and their impact on the poor has attracted a great deal of numerous studies several government and names more based on independent surveys micro studies and analyses of available data have highlighted their achievements as well as weakness as questions have been raised regarding cost effectiveness and its impact on the poor.

Difference in the outcomes of the poverty alleviation effects in different states in India are largely explained by performances of these states in terms of the chosen approaches. An attempt, though a tentative one is made in the subsequent paragraph to examine the efficacy of various approaches in poverty alleviation. Our attempt is to examine, which variables play an important role in alleviating poverty. The impact of the poverty alleviation programmes, as especially the self-employment and wage-employment are dealt in the next two chapters. The paper has taken the time period 1993-94 to 1999-2000 to explain the relative impact of the indicators on poverty alleviation. In order to understand the impact of economic growth on poverty alleviation, the rate of growth in per capita net state domestic product for each state is taken. Further the change in food grain yield / hectare for the period is also taken as an indicator of agricultural growth. In recent years the impact of real wage on poverty has been emphasized. So we have taken the change in real wage rate and non-farm employment as other important indicators. To capture the qualitative dimensions of poverty, HDI is taken as an indicator. To see the impact of government expenditure on poverty alleviation, real per capita on IRDP is



taken as an indicator. Another indicator taken is the total no of mandays created under JRY & EAS.

For the present analysis , we have taken three important indicators of poverty . First is the growth rates of NSDP in India ,real wages of the agricultural labour and cumulative expenditure on self employment programmes and wage employment programmes .

## **5.2 State-Wise Analysis Of Growth Rates Of Nsdp In India**

We briefly examine the growth rates of NSDP ( at constant prices) in all-India as well as 15 major states for pre and post-economic reforms periods (Table 7). Following are the main points emerging from our analysis.

First, the annual compound growth rate of total NSDP for all-India seemed to be somewhat high during the post-reforms period as compared to the pre-reforms period. It is found that total NSDP in all-India grew at the rate of 5.50 per cent per year during post-reforms period (1993-94/1999-00) as compared to 5.06 per cent growth rate recorded during the pre-reforms period ( 1983-84/1993-94). It however, needs to be mentioned that, at the all-India level, the growth rates of NSDP accruing from primary and secondary sectors actually lower during the post-reforms period than the growth rates during the pre-reforms period. It is the higher growth rates of NSDP in the tertiary sector during the post-reforms period that is responsible for higher NSDP growth rate during the same period in all-India.

Secondly, during the pre-reforms period, the growth rate of NSDP appeared to be the highest in Maharashtra, followed by Haryana, Rajasthan, Tamil Nadu, Karnataka, Kerala, Punjab, Madhya Pradesh , Gujarat, West Bengal, Uttar Pradesh, Andhra Pradesh, Assam, Orissa and Bihar ( in descending order of growth rate of NSDP). During the post-reforms period, while Rajasthan occupies the top most position in respect of the growth rates of NSDP, the other states to follow ( in descending order of growth rate of NSDP) were : Karnataka, West Bengal, Gujarat, Tamil Nadu, Haryana, Uttar Pradesh,

Maharashtra, Andhra Pradesh, Bihar, Punjab, Madhya Pradesh, Kerala, Orissa and Assam.

Thirdly, in nine out of the 15 major states of India, growth rates of total NSDP turned out to be high during the post-reforms period as compared to the pre-reforms period. These states were: West Bengal, Gujarat, Bihar, Karnataka, Rajasthan, Uttar Pradesh, Tamil Nadu, Andhra Pradesh and Orissa. On the other hand, the growth rates of NSDP declined during the post-reforms period as compared to the pre-reforms period, in the states of Maharashtra, Kerala, Assam, Punjab & Haryana.

**TABLE 5.1 State-wise Annual Growth Rates of NSDP in India**

Growth rate during pre-reforms period (%)			Growth rate during post-reforms period (%)		Percentage point change in growth rate(%)	
State	Total NSDP	Per capita NSDP	Total NSDP	Per capita	Total NSDP	Per capita NSDP
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	4.40 (12)	2.31	4.86 (9)	3.55	0.46 (8)	1.24
Assam	3.12 (13)	0.88	1.97 (15)	0.30	-1.15 (13)	-0.58
Bihar	2.21 (15)	0.10	4.38 (10)	2.71	2.17 (3)	2.61
Gujarat	4.68 (9)	2.89	7.01 (4)	5.38	2.33 (2)	2.49
Haryana	6.14 (2)	3.77	5.44 (6)	3.46	-0.70 (11)	-0.31
Karnataka	5.59 (5)	3.85	7.18 (2)	5.62	1.59 (4)	1.77
Kerala	5.23 (6)	3.90	4.08 (13)	2.94	-1.15 (14)	-0.96
Madhya Pradesh	4.75 (8)	2.40	4.24 (12)	2.23	-0.51 (10)	-0.17
Maharashtra	7.25 (1)	4.96	5.21 (8)	3.69	-2.04 (15)	-1.27
Orissa	2.98 (14)	1.13	3.21 (14)	1.93	0.23 (9)	0.80
Punjab	5.07 (7)	3.13	4.21 (11)	2.39	-0.79 (12)	-0.74
Rajasthan	5.89 (3)	3.56	7.27 (1)	5.17	1.38 (5)	1.61
Tamil Nadu	5.67 (4)	4.43	6.22 (5)	5.14	0.55 (7)	0.71
Uttar Pradesh	4.44 (11)	2.29	5.31 (7)	3.16	0.87 (6)	0.87
West Bengal	4.63 (10)	2.47	7.14 (3)	5.53	2.51 (1)	3.06
All India	5.06	3.17	5.50	3.85	0.44	0.68

### Real Wages and Poverty

As Majority of the rural population derive income by way of employment as labourers, the level of wages becomes a crucial determinant of the extent of poverty. Unfortunately, the wage rates are so low in many regions

of the country that agricultural labourers are forced to live below the poverty line.

The working community have to be saved from falling deeper below poverty line or a lower ceiling be imposed for preventing them rolling into poverty-this philosophy has acted for laying down minimum wages for agricultural workers.

### **Minimum Wages as a strategy to prevent Poverty:**

Minimum wages fixed and revised from time to time during 1990s by the different State governments are presented in Table-1. It is explicit from the table that wage rates fixed in Punjab, Kerala and Assam have been comparatively higher than those fixed in Bihar, Gujarat, Karnataka, Tamil Nadu and Maharashtra. The minimum wages fixed in Bihar, Gujarat, Karnataka, Tamil Nadu and Orissa have been very low. These have either not been revised since 1989-90 or 1995-96. There are very wide disparities across States in minimum wage rates fixed by different State governments, the wages rates varied from as low a rate of Rs. 15 per day in Gujarat to Rs. 55-58 per day in Punjab, Such disparities obscure the determination of national minimum wage as well as uniform attack on poverty.

In this contest it is relevant to examine the efficiency of fixing minimum wages at a reasonable level to provide relief to the poor. The following Table-2 gives details of Minimum Wages fixed in 13 major States, the real wage rate during the corresponding period and proportion of minimum subsistence wage of 8 Kgs. Of cereals.

**TABLE 5. 2 Statewise Data on Wages**

States	Min. Wages (1991-92)	Money wage rate per day (1991-92)	Real wage in Kg. of cereals (1991-92)	Proportion in min. subsistence wage of 8 Kgs. of cereals (1991-92)	Min. Wages (1993-94)	Market wage rates per day (1993-94)
1	2	3	4	5	6	7
1. Andhra Pradesh	15.00 - 19.25	21.14	04.14	0.52	16.80-23.40	26.03
2. Assam	32.60	27.19	09.71	1.21	32.60	31.62
3. Bihar	16.50	22.20	05.31	0.66	16.50	25.49
4. Gujarat	15.00	22.64	08.67	1.08	15.00	28.51
5. Karnataka	12.00-17.65	16.84	04.69	0.50	12.00-17.65	22.29
6. Madhya Pradesh	18.43	20.13	05.12	0.64	28.17	24.82
7. Maharashtra	12.00-20.00	22.86	6.22	0.77	12.00-20.00	28.87
8. Orissa	25.00	17.37	04.78	0.60	25.00	21.34
9. Punjab	37.53	43.18	16.28	2.04	40.12	57.12
10. Rajasthan	22.00	31.10	10.80	1.35	22.00	33.21
11. Tamil Nadu	14.00	17.58	03.55	0.44	14.00	25.16
12. Uttar Pradesh	18.00	25.15	09.49	1.18	23.00-25.00	29.52
13. West Bengal	22.88	28.16	06.61	0.83	26.95	37.07

Source : Directorate of Economics and Statistics, Ministry of Agriculture, Agricultural Wages in India, 1991-92.

The table reveals that minimum wages fixed by the States are not always lower than the average market wage rate, as, for example in the States of Assam, Madhya Pradesh and Orissa. Where it was higher than the market wage rates ( 1993-94). The main problem with fixation of minimum wages is that it is not strictly enforced nor regularly revised. In Bihar, Orissa, Rajasthan, Uttar Pradesh, the minimum wages are so low that even if they are implemented, they cannot push the families below poverty line to get over poverty. Even if the minimum wages are brought on par with the average market wages, still the position would remain the same. On the other hand in States like Andhra Pradesh, Punjab and West Bengal, both minimum wages and average market wages are relatively higher so that agricultural labour households could manage to stay above the poverty line.

There are other factors also influencing the wage level .. Among them are : (1) Land-labour ratio,(2) Proportion of child labour,(3) Land productivity,(4) Cropping intensity,(5) Cropping pattern. Higher land-labour ratio, higher proportion of non-farm workers, higher productivity of labour and land, cropping pattern (raising of commercial crops and crops requiring more labor) have positive effect on raising wage-level. Higher proportion of child

labour, however, has the effect of reducing demand for adult labour and thereby depressing wage rates. Thus existence of child labour on large scale is a clear indicator of existence of poverty also on a large scale.

**Real Wages and the issue of Poverty** : From the point of view of poverty, a reflection over wage earning is more important. Real wages are calculated by deflating the money wages with the CPIAL ( Consumer Price Index Number for Agricultural Labours). Like inter-stage disparity in the level of minimum wages, real wages also reflect much disparity in India. Table-2 shows that wages rates vary widely from State to State, the top five States which have higher wages rates include Punjab, Kerala, Haryana, Himachal Pradesh and West Bengal and the bottom five States which have comparatively very low wage rates are Orissa, Karnataka, Bihar, Madhya Pradesh and Andhra Pradesh. It is clear from Table -3, that 1970s witnessed a declining trend in the real wages of agricultural labourers in several States including Punjab, Haryana, Assam, Maharashtra, Uttar Pradesh, Tamil Nadu and Himachal Pradesh and there was only a marginal increase in real wage rates in other States. But in the eighties, it increased substantially in almost all the States. Again in the wake of economic reforms since 1990, there was either a declining or stagnating trend in the real wage rate in most of the States except West Bengal, Tamil Nadu, and Haryana and to some extent, Kerala, Orissa, Bihar and Madhya Pradesh. Also, the real wage rates fluctuated from year to year, thereby indicating instability in the earnings of agricultural labourers.

**Table 5. 3**

**Temporal Changes in Real Wage Rates of Agricultural Labourers during 1970-71 to 1994-95 by State ( Daily Wage, Rupees per Day at 1993-94 Price)**

State	1970-71	1980-81	1985-86	1990-91	1991-92	1992-93	1993-94	1994-95
Andhra pradesh	14.63	16.06	22.68	26.66	23.98	24.00	26.03	26.10
Assam	23.86	21.65	27.11	35.40	32.57	32.50	31.62	31.09
Bihar	15.84	16.52	23.01	27.19	24.60	24.76	25.48	25.91
Gujarat	19.89	21.39	28.53	26.84	25.74	27.71	48.51	28.85
Haryana	44.79	37.47	44.79	49.33	53.24	58.61	55.62	52.52
Himachal Pradesh	26.70	24.10	37.62	41.26	47.04	46.22	42.85	41.89
Karnataka	15.34	16.71	19.19	21.24	17.42	15.77	22.29	22.90
Kerala	29.95	38.12	43.63	48.07	52.37	54.89	53.34	56.13
Madhya Pradesh	12.86	12.91	19.30	23.78	23.49	25.73	24.82	26.04
Maharashtra	16.34	13.75	22.32	26.80	21.96	22.99	28.87	28.85
Orissa	11.70	12.43	16.04	18.99	18.99	21.39	21.34	21.26
Punjab	43.78	35.06	43.15	53.22	53.22	54.62	57.12	56.45
Rajasthan	25.05	24.93	30.00	33.55	33.55	35.93	33.21	30.24
Tamil Nadu	16.70	15.29	18.27	21.04	21.04	22.54	25.16	25.69
Uttar Pradesh	19.91	19.10	5.91	28.25	28.25	29.78	29.52	28.84
West Bengal	16.39	19.29	24.93	34.0	34.78	39.65	37.07	41.16

Source: Calculated using the money wage rates as given in Agricultural Wages in India. Ministry of Agricultural, Govt. of India and the relevant consumer Price Index for agricultural labourers.

It is generally believed that farmers in low productivity regions do not have the capacity to pay higher wages and hence, the wage rates are low and vice-versa.

**Table 5. 4 Growth Rate Of Poverty**

State	Growth Rate			
	1971-81	1981-91	1991-95	1971-95
Andhra pradesh	0.94	5.21	0.07	1.98
Assam	0.96	5.04	4.13	0.91
Bihar	0.42	5.11	2.53	2.59
Gujarat	0.73	2.29	3.96	0.55
Haryana	1.77	2.79	1.58	0.64
Himachal Pradesh	1.02	5.53	0.38	1.82
Karnataka	0.85	2.43	2.69	1.60
Kerala	2.44	2.37	0.68	2.21
Madhya Pradesh	0.04	6.29	1.05	2.66
Maharashtra	1.71	6.90	5.07	1.05
Orissa	0.59	4.89	2.8	2.62
Punjab	2.19	4.04	4.0	0.03
Rajasthan	0.04	3.49	3.68	0.71
Tamil Nadu	0.88	3.18	5.28	1.74
Uttar Pradesh	0.41	4.31	2.61	1.11
West Bengal	1.64	5.83	4.89	3.75

Source : Calculated using the data as given in Table-3

However, Sheila Bhalla (1998) in her study has shown that labour productivity did not have a positive influence on the real wage rates of

agricultural labourers. For instance, in the late sixties and early seventies when agricultural productivity went up, real wages had stagnated while in the following period there was a rise in real wages in all the States including those where labour productivity has been declining over a long period, such as Bihar. Further, Bhalla ( 1998) observed that an increase in the wage-rates significantly influenced the decline in rural poverty rates in most States.

Now, so far as real wage rate is concerned, it does not depend significantly on farm yield (except in case of piece-rate wages paid for harvesting, etc. where due to yield variation earning in kind ( kg. Of grains) may be two-and-half times more in high moving States like Punjab in comparison to slow moving States like Bihar). As per Agricultural Statistics at a glance (1998) farm yield in Bihar was 1560 kg per hectare in 1996-97 and real wage has ranged between Rs. 25-26 whereas in case of West Bengal with yield of 2133 Kg per hectare, real wage has been ranging between Rs 41-42. Comparing yield per hectare and real wage earnings of workers in two States, Bihar and West Bengal, on find that yield per hectare in Bengal has been higher by 36.7% whereas real wage earnings by 64%. It can be safely argued that not only yield, other factors also exercise their impact on real wages and poverty situation. Inflationary situation has its own effects on real wage earnings. To cite an example, the agriculture price index which is used as a deflator in calculating the real wages for the agricultural workers showed in 1991-92 a greater rise to the extent of 14.4% over 1990-91, and so on balance there was a fall in the real wages. On the whole (at all India level) real wages for unskilled agricultural labour declined by 5.3% while it increased by 5.6% in the next year (i.e. in 1992-93).

We have taken three indicators to explain the variations in the poverty ratio across states. These are expenditure, real wages and per capita NSDP. Across sectional regression analysis of 15 states has been done to show the causal relationship between poverty and these indicators for the period 1999-2000. The result show that the poverty ratio is considerably being affected by real wages and per capita NSDP across states. They are significant at 1% and

5% respectively. The expenditure does not explain properly the variation of poverty across states. However, at the overall level 72% of the changes in the poverty ratio across states is being explained by these three indicators.

**Table 5. 5 Regression Results**

Indicators	Coefficients	p- value
Intercept	68.11	0.0002
Expenditure on the prog	-0.0001	0.55
Wages	-0.28	0.06
Percapita NSDP	-0.002	0.005

**Table 5. 6 Regression Statistics**

Multiple R	0.85
R square	0.72
Adjusted R square	0.65
Standard error	8.28
Observations.	15

In order to see the relation between poverty reduction during the nineties (1993-94 to 1999-2000) respectively with growth in the per capita NSDP, growth in real wages and growth in expenditure across states, coefficient of correlation has been calculated. The correlation between the rate of poverty reduction and growth in per capita NSDP is very high (-0.98 ). The correlation is high for poverty reduction and growth rate in expenditure on the self employment and wage employment programmes (-0.96) on the one hand and between poverty reduction and growth in real wages (-0.98) on the other. This means that the states which have high growth in per capita, high growth in real wages and high growth in real expenditure record a higher reduction in poverty ratio.



**Table 5. 7 Poverty Rate Ans Growth Rate Of Nsdp. Real Wages And Expenditure**

States	Poverty rate	Gr of nsdp	real wge gr	exp
Andhra Pd	-4.87	16.61089	6.076913	17.13314
Assam	-4.97	11.98128	2.495157	25.52954
Bihar	-13.91	11.43669	9.126922	3.722352
Gujarat	-9.01	15.87308	6.100884	7.432213
Haryana	-19.75	15.4093	2.615707	13.28251
karnataka	-12.5	18.20733	7.266189	15.0679
Kerala	-16.38	22.10572	8.18316	7.494671
Madhy Pd	-3.58	15.61912	3.220535	12.26132
Maharashtra	-14.21	13.88539	4.810278	14.54768
Orissa	-1.71	13.37524	3.753149	17.55272
Punjab	-5.6	12.44484	7.673205	31.19116
Rajasthan	-12.72	19.67263	6.995082	14.0147
Tamil Nadu	-11.93	18.26057	6.457616	-3.23624
Uttar Pd	-11.06	15.2397	7.008243	14.25366
West bengal	-8.95	18.97836	2.101681	5.969338

Source : Computed from different sources.

## CHAPTER 6

# CONCLUSIONS

Poverty alleviation has been one of the guiding principles of the planning processes in India. The largely uneven reduction in the incidence of poverty by states can be attributed to the choice of the poverty alleviation programmes. The role of growth in providing more employment avenues to the population has been clearly recognised. States which have recorded a high growth in their per capita net domestic products have also recorded a large reduction in poverty.

During the 80,s Andhra Pradesh, Kerala, Haryana, Maharashtra and Assam experienced a sharp reduction in poverty level. Tamil nadu had the highest growth rate for the period followed by Assam, U.P, Andhra Pradesh and Madhya Pradesh. Tamil Nadu, U.P and Madhya Pradesh, despite a very high growth rate were not able to bring down their poverty at the same rate. Rajasthan, U.P, Bihar, and Orissa recorded a very low reduction in poverty. They recorded an equally bad growth rate in their per capita NSDP. The coverage of the poor by the IRDP was best in Punjab, followed by Haryana, Andhra Pradesh and Gujarat and that by the wage employment programme in Andhra Pradesh, Maharashtra, Karnataka and Rajasthan.

During the nineties, kerala, Rajasthan, Tamil Nadu, Gujarat and Punjab recorded the largest reduction in poverty ratio. These states also recorded a very high growth in their per capita net state domestic product. The IRDP and the wage employment programmes (JRY&EAS) performed well in these states. On the other hand, states which experienced low reduction in poverty also had low growth rates. These states are Assam, Madhya Pradesh, Bihar and Orissa. The coverage of poor under the poverty alleviation programmes was also poor.

Thus, states which recorded a low reduction in their incidence of poverty, have also recorded a low growth rate and a poor performance of the poverty alleviation programmes. Tamil nadu is an exception during the first period, which despite a very high growth rate was not able to reduce the incidence of poverty at the same rate. Practically all successful states have made good investment in PAPs. Though faster growth itself did not guarantee a successful outcome but a low economic growth was generally associated with lesser impact on poverty alleviation.

The poverty alleviation programmes have come under severe criticisms for their poor performance in terms of poor coverage of the beneficiaries, bad administration and duplication of programmes. Over the years government had introduced numerous poverty alleviation programmes. They were expected to work in coordination with each other. But in due course, these programme started working as separate entity. A huge amount of resource was allocated to these programmes but there was wastage of resources. Therefore, it was a need to revamp and reduce the no. of programmes so that resources allocated to these programmes could be channelised in a proper direction. The IRDP has been revamped and renamed as Swarnjayanti Gram Swarozgar Yojana (SGSY). Instead of targeting individual beneficiary, emphasis has now shifted to group targeting to encourage self help group to take up micro enterprise. The interrelation between the micro credit and micro enterprise for a sustainable self employment of the poor in rural areas is gaining momentum. Social mobilisaion of the poor through the Self Help Groups (SHGs) can be considered to be an effective means to establish the linkage between the poor and the credit delivery system because poor as an individual has less say in the society and difficult for them to get credit. The SGSY is to be implemented as a programme of social mobilisation of the poor through Self Help Group. The SGSY is an important reflection of the emerging reality.

Similarly, a multiple of wage employment programmes with same objective was proving to be expensive and inefficient therefore, the wage employment programmes were revamped and merged under the new Sampoorna Gramin Rozgar Yojana (SGRY) scheme from sep2001. The amalgamation of the programmes has lead to an augmentation of resources. The emphasis in the future should be on generating such employments which are sustainable in the long run. Creation of assets should also be given emphasis as they help in strengthening the rural areas and thereby creating opportunities for employment. Thus for the success of these programmes, effective implementation is necessary. How far these programmes can be successful can be known only after a few years of their functioning.

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