CHAPTER-VII
ANTI POVERTY MEASURES AND POLICIES PRESCRIPTIONS
Since poverty and inequality are inseparable in the case of India, the policy measures for reducing inequalities in income and wealth are equally applicable for the removal of poverty. In fact, the problems of poverty and inequality are so interwoven that when one is solved, the other is simultaneously resolved. As pointed out by the Indian Planning Commission, "Our professed goal of removal of poverty requires that the growth strategy must seek not only a higher rate of growth than observed in the past but also reduced inequality in the distribution of income and consumption. The composition of growth must be such as favours the rural and urban poor. This calls for efforts in several directions. The pattern of production must lay emphasis on food and other articles of mass consumption, there must be massive employment generation which will sustain and will be sustained by greater availability of wage goods. It is also essential to augment social consumption and investment with a view to maximising the efficiency and productivity of vast numbers as well as to improve the quality of their life. The institutional reform and the fiscal policy must be oriented to reduce inequality alongside increased productivity. The backward regions and classes have a high incidence of poverty. Their development must receive high priority. Every effort must be undertaken to carry family planning to the strata who need it most".  

---

1 Draft Fifth -Five Year Plan, Planning Commission, New Delhi
"Progressive reduction in the incidence of poverty". This is one of the objectives of the Sixth Five Year Plan. "The Sixth Plan has launched its frontal attack on poverty through a dual policy of economic growth and redistribution of income. While an increase in overall rate of growth in the economy would create favourable conditions for reduction of poverty, the plan aims at redistribution of income in favour of the poor to reduce the intensity of poverty. A set of policy measures are included in the sixth plan to influence the output of mass consumption goods, more even distribution (regional and class) of output, special attention to stimulate growth in backward areas and also improvement and enlargement of the on-going poverty eradication programmes both in content and coverage".  

The poverty and inequalities can be removed with the undermentioned policies to some extent:

1) Through land Reform,
2) Altering the functional distribution of income through policies designed to relative factor prices,
3) Redistribution of asset ownership,
4) Reducing the income at upper levels through taxes,
5) Increasing the income at the lower level through direct transfer payment,
6) Reducing poverty through distribution of earnings,
7) Through technology
8) Through establishing Industries.

3 See Chapter on " Land Distribution and Rural Poverty".
Abolition of Poverty Through Land Reforms:

The Indian planners desire land reform to provide "the social, economic and institutional framework" for agricultural development. The Second Plan set two objectives for the land reform programme: one to remove such impediments to increase agricultural production as spring from the character of the agrarian structure inherited from the past, and two, to create conditions for evolving as speedily as might be possible an agrarian economy with high levels of efficiency and productivity. The Third Plan replaced this second objective by new "specific" objective, namely, to eliminate all elements of exploitations and social injustice within the agrarian system to provide security for the tillers of the soil, and to assure equality of status and opportunity to all sections of the rural population. It is expected of land redistribution "to the limited extent possible" to afford "relief" to the landless sections of the population.

The Fourth plan also saw "an important link between land reform and amelioration of the living conditions" of the landless labourers. The approach paper on the Fifth plan looked upon the redistribution of land, which is a means of

4 The Second Five-Year Plan, New Delhi, Planning Commission Government of India, P. 177-78
5 The Third Five-Year Plan, New Delhi, Planning Commission, Government of India, P. 220
production, executed with "an appropriate balance" between the farmers with small holdings and landless labourers as a powerful device to supplement the employment generation programmes and to make an impact on the problem of rural poverty.6 Running through all the five year plans is the notion that the benefits of changes in the social and economic structure would be realised fully only when production and employment expand.7 The objectives of the land reform policy over the successive plans have been to remove such impediments to agricultural development as arise from the agrarian structure inherited from the past and to eliminate exploitation and social injustice within the agrarian system so as to ensure equality of tenurial status and opportunities to all. The main objectives of the land reforms policy have been five-fold, viz (i) abolition of intermediary tenants (ii) tenancy reforms conferment of ownership rights on tenants (iii) Ceiling on land holdings and distribution of surplus land (iv) updating of land records (v) Consolidation of holdings.

The main strategy of land reforms under the Sixth Five-Year Plan, therefore, would be to ensure effective implementation of the already accepted policies.6

6 The Fourth Five Year Plan, New Delhi, Planning Commission, Govt. of India, p. 180; and Approach to the Fifth Five Year Plan, New Delhi: Planning Commission, Govt. of India, pp. 7-8.

7 The Fifth Five Year Plan, New Delhi: Planning Commission, Govt. of India, p. 185.

8 The Sixth Five Year Plan, New Delhi: Planning Commission, Govt. of India, p. 114-115.
Land reform may affect production directly by influencing the incentives and motivations of the farmers and indirectly by influencing the distribution of income and power in the rural sector. The indirect effects of land reform will be felt much later than the direct effects. Production will increase if the capacity and the will to produce of those who benefit from land reform increase. Capacity to produce will be greater when investment increases, when modern innovations are adopted and when available resources are used efficiently.

If increased investment and adoption of modern innovations have to wait for increased agricultural production, then increased intensity of resource use will be the only means open to the beneficiaries of land reforms for raising their production. However, when both can be financed in the early years of the reform by other sources, such waiting may not be necessary. Also, the will of the beneficiaries to invest and to innovate out of the existing real income may improve and lead to increased investment and increased dependence on modern agrarian technology. Therefore, the changes that occur in the attitudes of the farmers towards consumption and investment will have to be considered in the present

Again, by assuming that there is no effort to alter the unit of operation and management through consolidation and cooperation, we can analyse the effects of land reform on production from two points of view. First, effects on production by the farms the ownership of which vests at present in the erstwhile sharecroppers and oral tenants. In this case, there is no change in the size of the farms. Second, effects on production by the farms which have been redistributed to the erstwhile landless labourers and small farmers.

There is no general consensus among economists regarding the effects of land reform on production. After analysing the problem, Marbo\(^\text{11}\) concluded that "the likely effects of a successful land reform are increased yields, and, therefore, total production, higher rural incomes and a fuller utilization of family labour". Others like Hoselitz, Papelasis\(^\text{12}\) and Enke\(^\text{13}\) conclude

---


11 Marbo, R. "Employment and Wages in Dual Agriculture" Oxford Economic Papers, Nove. 1971


that there is every likelihood that the immediate impact of land redistribution among the tillers might be a decline in overall agricultural production. They contend that the government efforts to satisfy land hunger may result in fragmented holding. In so far as the big holdings are fragmented into larger plots than the small holding, redistribution will tend to reduce the size of the plots unless combined with consolidation and effective action against future fragmentation to retain the economies of scale for the plots.\textsuperscript{14} The decrease in the scale of size of farm production may reduce production by reducing the economies arising from certain indivisibilities.

The process of farm atomisation which provides a larger number of families with small strips of land with poor facilities may not raise agricultural productivity.\textsuperscript{15} Land redistribution will increase the number of uneconomic holdings, and the landless labourers who receive land will be lifted into the category of small, uneconomic and non-viable farmers. The newly created holdings will be far worse because the surplus land which will be surrendered and redistributed will, in general, be of a much

\begin{flushleft}
\textsuperscript{14} Lipton M., "Strategy for Agriculture: Urban bias and Rural Planning in The Crisis of Indian Planning," P. Streiten and M. Liptons (eds), Bombay, 1968, P. 124
\end{flushleft}
inferior quality. Economists, such as Dandekar and Rath, assert that the cultivation and development of such small holdings cannot be made economically viable even if every possible credit facility is advanced by banks and non-bank financial institutions. "A patently uneconomic proposition cannot be sustained by law," they write. "It is not entirely for doctrine that the communist countries, after redistribution of land have immediately proceeded to collectivise them into large cooperatives."

The Draft outline of the First Five-Year Plan had warned against any proposal to put ceilings on the existing holdings. "On the larger farms, production will fall, and for a period at any rate, on the other farms also, and it may well be that the decline in production may have serious effect on the well being and stability of rural society as a whole. It is possible that any large-scale and sudden attempt to break up existing holdings may make it extremely difficult to bring about the very transformation in the organisation of agriculture which is needed.... It is, therefore, necessary to ponder carefully over the practical results of a policy of ceiling on individual holdings."

16 Dandekar, V.M. and Rath, N., Poverty in India, Gokhale Institute, Poona, 1971, PP 87-88
17 Draft outline of the First Five Year Plan, Op. cit, P. 102
However, in the case of India the conclusion at which different studies arrive is that no definite productivity and cost relations on farm sizes can be identified.\textsuperscript{18} The absence of any consistent relationship to the size of the farms implies that agricultural productivity is a function of many variables. A family can raise as much output per unit of a given inputs other than land per unit of land can be suitably varied. The economies of scale are not obtained in the same measure in all operations which constitutes farming. There are large economies in some of them, such as land improvement, irrigation, purchase of inputs, sale of output, raising of funds. But economies in the other operations, for example, ploughing, tilling, harvesting are not so large.\textsuperscript{19}

The Indian farm management studies have revealed that labour input per unit of land (and sometimes also the yield) tends to increase as the size of the holdings decrease. This indicates that yields per acres are inversely related to farm size. The logical implication of this then is that output and productivity can be maximized if the ceiling on the land holding is imposed at a sufficiently low level and the surplus land distributed among


the small farmers. The popular explanation for a relatively high gross output per acre on the small farms is that this group of farms gets more inputs per acre and therefore more output as well. Besides, the small farms which have surplus family labour make a very intensive use of it irrespective of whether the wage rate falls as the size gets smaller. This yields a higher output per acre. The farm management studies point the small holdings in favourable colours, no doubt, but they are "sketchy" and their quantitative base is "very shaky" and as much the conclusions reached by them cannot be taken to be typical of the general situation.

While comparing the small and the big farms from the standpoint of efficiency, it should not be forgotten that, unlike the latter, the former cannot take resource to the new agricultural technology because of lack of resources. This adds a further dimension of disparity and threatens the emergence of a sharp polarisation of the more privileged and less privileged classes in the rural sector, the privilege in this instance relating to the resources and the foods of development. Further, it should not be forgotten that the benefits of cooperation and community development projects go mostly to the upper strata.


of the village hierarchy. The masses of small peasants, share croppers and agricultural labourers generally benefit the least from these projects.22

\[ B: \text{Altering the Functional Distribution of Income Through Policies Designed to Relative Factor Prices:} \]

This is the traditional economic approach. It is argued that as a result of institutional constraints and faculty policies, the relative price of labour, basically, the wage rate, is higher than that which would be determined by the free interplay of forces of supply and demand. For example, the power of trade unions to raise minimum wages to artificially high levels, that is, higher than that which would result from supply and demand, even in the face of widespread unemployment is often cited as an example of the 'distorted' price of labour. From this it is argued that measures designed to reduce the price of labour relative to capital e.g. through lower wages in public sector, public wage subsidies to employers, etc. will cause employers to substitute labour for capital in their production activities. Such factor substitution increases the overall level of employment and ultimately raises the income of the poor, who typically possess only their labour services.

On the other hand, it is often also correctly pointed out that the price of capital equipment is 'institutionally' set at an artificially low level, that is, lower than what supply and demand would dictate, through various public policies such as investment incentives, tax allowances, subsidized interest rates, overvalued exchange rates and low tariff on capital goods, imports such as tractors, automated equipment etc. If these special privileges and capital subsidies were removed so that the price of capital would rise to its true 'scarcity' level, producers would have a further incentive to increase their utilization of the abundant supply of labour and lower their use of very scarce capital. Moreover, owners of capital, both physical and financial, would not receive the artificially high economic returns that they now enjoy. Their personal income would thereby be reduced.

Since factor prices are assumed to function as the ultimate signals and incentives in any economy, getting these prices right, i.e. lowering the relative price of labour and raising the relative price of capital, would not only increase the productivity and efficiency but would also reduce inequality by providing more wage paying jobs for currently unemployed and underemployed semi-skilled and unskilled workers. It would also lower the artificially high incomes of owners of capital. Removal of such factor-price distortions would, therefore, go a long way towards combining more growth efficiently generated, with higher employment, less poverty and greater equality.
We may conclude that there is much merit to the traditional factor-price distortion argument and that 'getting the price right' should contribute to a reduction in poverty and an improved distribution of income. How much it actually contributes will depend upon the degree to which firms and farms switch to more labour-intensive production methods as the relative price of labour falls and the relative price of capital rises, that is, on the elasticity of factor substitution.

C: Modifying the Size Distribution Through Progressive Redistribution of Asset Ownership:

The ultimate case of the very unequal distribution of personal incomes is the very unequal and highly concentrated patterns of asset ownership. The principle reason why less than 20 percent of population receives over 50 percent of the national income is that 20 percent probably own and control well over 50 percent of the productive resources, especially physical capital and land but also human capital in the form of better education. Correcting factor prices is not certainly sufficient to reduce income inequalities substantially nor to eliminate widespread poverty where physical asset ownership and education skills are highly concentrated.

It follows that the more important line of policy to reduce poverty and inequality is to focus directly on reducing the concentrated control of assets, the unequal distribution of power and the unequal access to educational and income-earning opportunities. A classic case of such redistribution as it relates
to the rural poor who comprise 70 to 80 percent of the
target poverty group, is land reform. The basic purpose
of land reform is to transform tenant cultivators into
small holders who will have an incentive to raise production
and improve their incomes.

The Government could transfer a certain proportion of
annual savings and investments to low income groups so
as to bring about a more gradual and perhaps politically
more acceptable redistribution of additional assets as
they accumulate overtime. This is what meant by the
expression 'redistribution from growth'.

D: Modifying (Reducing) the Size Distribution at the
Upper Levels Through Progressive Income and Wealth Taxes:

Any national policy attempting to improve the living
standards of the bottom 40 percent must secure sufficient
financial resources to transform paper plans into programme
realities. The major source of such development finance is
the direct and progressive taxation of both income and
wealth. Direct progressive taxation focuses on personal
and corporate incomes with the rich required to pay a
progressively larger percentage of their total income in
taxes than the poor. Taxation on wealth, that is, the
stock of accumulated assets and income, typically focuses
on personal and corporate taxes but may also include
progressive inheritance taxes. In either case, the
burden of the tax is designed to fall most heavily on the
upper income groups.
Progressive tax structure on paper often turns out to be 'regressive' in practice, that is to say the lower and the middle income groups pay a proportionately larger share of their incomes or expenditures, but withholding taxes from wages, general poll taxes or indirect taxes levied on the retail purchase of goods such as cigarettes and beer. On the other hand, the rich derive by far the largest part of their incomes from the return on physical and financial assets which often go unreported. They have the power and ability to avoid paying taxes without fear of government reprisal.

E: Increasing the Size Distribution at the Lower Levels Through Direct Transfer Payments and at the Public Provision of Goods and Services:

The direct provision of tax-financed public consumption goods and services to the very poor is another poten

The direct provision of tax-financed public consumption goods and services to the very poor is another potentially very important instrument of a comprehensive policy designed to eradicate poverty. Examples include public health projects in rural villages and urban fringe areas, primary school lunch and pre-school nutritional supplementation programmes and the provision of clean water and electrification to remote rural areas. Moreover, direct money transfers and subsidized food programmes for the urban and rural poor as well as direct government policies to lower the price of essential foodstuffs represent additional forms of public consumption subsidies. All of these policies have the effect of raising the real personal income levels of the very poor beyond their actual market derived monetary incomes.
From the standard marginal-productivity perspective, altering the distribution of earnings is straightforward in principle, although it may be difficult in practice. To alter the distribution of earnings, it is necessary to alter the underlying distribution of personal productivities, which in turn depends upon the distribution of human-capital investments. Thus, if the distribution of earnings is to be made more equal, then the distribution of human capital investments must also be made more equal.

Equalizing human-capital investments, especially education investment, is at the heart of many of the economic and social policies that have been adopted over the past fifteen years. However, much as they may differ on other matters, the left, the centre, and the right all affirm the central importance of education (human investment) as a means of solving our social problems, especially poverty. To be sure, they see the education system in starkly contrasting terms. The left argues that the inferior education of the poor and of minorities reflects discriminatory efforts to keep them from competing with better education groups and to force them into menial, low income jobs. The right argues that the poor are poor because they have failed to work hard and get the education that is open to them. Moderates usually subscribe
to some mixture of these arguments: the poor are poor because they have gotten bad educations, partly as a result of inadequately funded and therefore inferior school system, but partly as a result of sociological factors (e.g. disrupted families) that prevent poor children from absorbing the education that is available. Let us assume that 'if the poor or the minorities were better educated, they could get better jobs and higher incomes'. Any increase in the educational level of low-income workers or minorities will have three powerful and beneficial effects.

1. An education programme that transforms a low-skilled person into a higher-skilled person raises his productivity and therefore his earnings.
2. It reduces that total supply of low-skilled workers, which in turns leads to an increase in their wages.
3. It increases the supply of highly-skilled workers, and thus lower their wages.

The net result is that total output rises, because of the increase in productivity among formerly undereducated workers, the distribution of earnings becomes more equal, and each individual is still rewarded according to merit.

G: Reducing Poverty Through Technology:

Technologies can also be important means through which poverty can be successfully eradicated. However, for this
purpose, it should not be conventional run-of-the-mill technology which has given more power to the powerful persons and more riches to the already rich people. The technology to achieve this objective should be appropriate to the situation for the poor. It should be the role of appropriate science and technology to use modern knowledge to bring forth its human face for alleviating the homeless condition of the poor people, viz, the unemployed, the landless labourer, the marginal farmers, the impecunious craftsmen and artisan.

Poverty and employment are the two sides of the same coin. The main cause of poverty is that people do not get enough income from their work. They are unable to keep their body and soul together. Poverty in the developing world has become synonymous with misery and degradation. Technology is one of the important means through which employment can be created for the masses and productivity of their work can be so increased that it could raise their level of income and extract them from the jaws of poverty. The conventional modern technologies are only for those who are already rich and powerful. For the poor people, who have to start from something which is inexpensive, small, simple and capital-saving. To achieve this, we need certain machines, tools, processes and organisation, which taken together, constitute technology. Appropriate technology does not mean only the hardware in its narrow sense, viz, machines, equipment, plants, tools etc. but
also includes software like preparational surveys, feasibility studies, arrangement for raw materials, transport, setting up of the infrastructure for arranging funds, management and marketing. The appropriate technology which is exclusively for the poor should, therefore, concentrate on the following to achieve its objectives:

1. Preparation of the priority in which goods should be manufactured and produced in poor the man’s sector;

2. The cost of equipment and machinery per work-place should be between Rs. 2,000 and Rs. 5,000 rather than between Rs. 50,000 and one lakh.

3. It should be small and simple, easily understood, handled and managed and maintained by common people.

4. It should be able to improve the quality of products and increase the efficiency and productivity of the worker.

Since agriculture relates to production of food which is the most important thing for survival after air and water, it is also, by far, the largest employer in the country at present. Appropriate technology should, therefore, manipulate agriculture in such a way that it could benefit the poorest of the people as well.

During the last two decades, importance has been given to a sophisticated agricultural technology through which the
'Green Revolution' has been achieved. It has not helped the marginal farmers but the wealthy ones instead. There is no doubt about the fact the agricultural technology which depends upon high capital intensive equipment like tractors, combine harvesters run with diesel oil, special varieties of seeds, high doses of chemical fertilisers and intensive use of pesticides and irrigation water can be used only by the rich farmers who are able to pay for this high technology.

There are various processes in agriculture and cultivation viz, (a) seed-bed preparation (b) Irrigation (c) sowing (d) Weeding and interculture (e) harvesting (f) processing (g) storage and (h) transport. The most suitable technologies for the situation of poverty for each of these items should be devised in such a way that agricultural labour is not displaced but utilised to the maximum, getting a higher income and return for their work. Some of the processes like sowing and harvesting which create a peak demand for labour, could be replaced by simple animal-drawn newly invented equipment to relieve the monotony and drudgery of labour and yet carry out these important functions with maximum speed and efficiency.

There is a need for developing appropriate technology for processing of agriculture in such a way that they can rehabilitate the rural areas and make them economically viable. Mini-rice mills have been designed on a basis which can take care of the paddy production of a village.
and this provides a higher income to the producer as well as creating avenues of employment without, in any way, sacrificing the quality of the product or efficiency of production.

H. Reducing Poverty Through Rural Industries:

Although agriculture is the main source of employment in the rural areas, it is not possible to sustain the increased population of our country on agriculture alone and, therefore, alternative sources of employment have to be found to absorb usefully, a large number of people who cannot find employment in agriculture. It is a matter of great concern and regret that the percentage of village artisans have dropped from 18 in the year 1910 to 7 in the year 1971. This means that a large number of professions and industries which sustained the rural population have disappeared from the rural scene, shifting to the urban areas and using large-scale methods of production. There is a need for bringing these industries back to the villages and rehabilitating them with higher income and productivity. In addition to this, new products and consumer goods will have to be produced in the rural areas.

A judicious selection of products from the list of new and old consumers will have to be made which can be produced efficiently and economically in the rural areas. Now the question arises—what is being produced, who is producing it and where it is being produced? The obvious answer from the situation of poverty, is that the goods being produced should
not be for the tiny majority of affluent people but for those who are living mostly in rural areas at present below the starvation level. The obvious place where these should be produced is the rural area which has been deprived of its production activities.

The main problem will be whether a large enough market can be found for these products if they are produced on a large scale in the villages. For example, at present, only 5 percent to 10 percent of the population consumes white granulated sugar; everybody else uses only gur. If white granulated sugar were refined on a large scale, would it be possible to sell it? This is to ignore the fact that it may not be desirable for such a large population to eat white crystal sugar for their general health. Similarly, tooth paste sells well, but if produced on a large scale in the villages, could it find an easy market? If manufacture was started on such a large scale, would it not be responsible for increased incidence of dental caries? The rural alternative to the tooth paste is a twig of neem, but these twigs do not give a substantial return to those who sell them. Thus, it has to be decided what products should be selected for village industries, bearing in mind that they should give a substantial return to the producers and should promote healthy consuming habits based on natural needs and not on artificially stimulated needs.

There cannot be any doubt about some of the items, notably clothing, as this is the next important item after food. As far as the food industry is concerned, agricultural processing,
milk, products based on animal husbandry, vegetable oils, poultry etc. can be mentioned. No one can dispute that these products will create healthy consuming habits in the population and may give a higher income to the people who produce them. A range of other consumer products could be listed with their importance varying according to local conditions and requirements.