CHAPTER -II

REVIEW OF LITERATURE
This chapter reviews the available literature on measuring the impact of the Anti-Poverty Programmes (APPs) in terms of beneficiaries' feedback about the programmes.

2.1. Poverty

The word *poverty* is used in two main senses, as a broad blanket word to describe the whole spectrum of deprivation and ill-being, and in a narrow sense for purposes of measurement and comparison where it is defined as low income, or more specifically, as low consumption which is considered more stable and easier to measure. In common parlance, this (the second definition) is known as income poverty. Dreze and Sen (1995) make a similar distinction between ‘poverty’ which they describe “not merely as the impoverished state in which people live, but also to the lack of real opportunity” and ‘economic poverty’ (“low income, meager possessions and other aspects”).

Chambers (1983) makes a further distinction between poverty and other forms of deprivation. He describes poverty as 'lack of physical necessities, assets and income. It includes, but is more than, being income poor. Poverty can be distinguished from other dimensions of
deprivation such as physical weakness, isolation, vulnerability and powerlessness with which it interacts. Chambers (1995) states that deprivation refers to lacking what is needed for well-being, and a full and good life. Its dimensions are physical, social, economic, political and psychological. It includes forms of disadvantage such as physical weakness, isolation, poverty, vulnerability and powerlessness. Well-being is the experience of good quality of life. Thus well-being and ill-being refer to experience, poverty more to physical lack and deprivation to a much wider range of lacks and disadvantages. 'Poverty and deprivation' is short for 'poverty and other forms of deprivation'.

The measurement of poverty itself is fraught with problems. In the Indian context, the currently accepted estimation is based on the recommendations of the Expert Group on Poverty, set up by the Indian Planning Commission. The poor are defined as those who fall below a 'poverty line' level of per capita monthly consumption expenditure, which is benchmarked in real terms to consumption expenditure consistent with a certain minimum level of calories consumption in 1973-74.

2.2. Rural Poverty

The literature on the trends and determinants of rural poverty in India is extensive. The wide fluctuations in the incidence of rural poverty that occurred during the 1950s and early 1960s understandably led to considerable controversy about both the direction of change in rural
poverty and the causal factors. Researchers obtained quite different
trend results depending on the period they chose for their analysis,
particularly the beginning and end points they used for comparison
(Bardhan 1973; Vaidyanathan 1974; Ahluwalia 1978; Gaiha 1989;
Ghose 1989; Griffin and Ghose 1979; Saith 1981). But once the
incidence of rural poverty began, its trend decline in the mid-1960s, a
greater consensus began to emerge in the literature (Ghose 1989;
Ravallion and Datt 1995; Ninan 1994).

Many studies that have tried to analyze the factors responsible for
observed trends in the incidence of rural poverty in India have focused
primarily on the question of whether or not agricultural growth trickles
down to the poor through its indirect effects on income and employment
opportunities. With few exceptions (Bardhan 1973; Griffin and Ghose
1979), most of these studies have found an inverse relationship between
growth in agricultural income and the incidence of rural poverty. Some
economists, inspired by the late Dharm Narain, realized that prices of
commodities consumed by the rural poor are also an important factor in
explaining changes in rural poverty (Saith 1981; Ahluwalia 1985;
Srinivasan 1985; Ghose 1989; Gaiha 1989; Bell and Rich 1994). The
role of the labour market in transmitting the benefits of technical change
and government employment programs to the rural poor was only
recognized recently (Ravallion and Datt 1995; Sen 1997). Despite the
large literature, little attention was paid to the role of government spending in alleviating poverty.

The lack of progress in reducing rural poverty during the 1950s and 1960s is generally attributed to stagnation in the growth of per capita agricultural output (Ahluwalia 1978, 1985). However, this changed dramatically in the late 1960s with the spread of the Green Revolution, which led to a sharp increase in the rate of agricultural growth. The incidence of rural poverty declined markedly in those regions that most benefited from the Green Revolution.

Interestingly, the incidence of rural poverty has also declined in many states that did not benefit so much from the Green Revolution, particularly in the 1980s (Sen 1997; Tendulkar et al. 1990). It also continued to decline at the national level even after the agricultural growth rate slowed.

The significant feature of this later period, however, is that the agricultural wage rate, which had been stagnant until the mid 1970s, subsequently increased sharply in most parts of India, and this appears to have been a major factor in (or a significant explanation of) the decline in rural poverty (Tendulkar et al. 1990; Sen 1997; Mukherjee 1996; Ravallion and Datt 1995). While much recent research recognizes this rise in real wages, explanations vary. Some attribute this rise to yield growth in agriculture (Ravallion and Datt 1995). Others argue that
the increase in the real wage rate during this period far outstripped any increase in agricultural labour productivity. In fact, after the mid-1970s, real wages went up everywhere, even in states where agricultural labour productivity had been declining for some time (Bhalla 1997). It has been argued that the increase in the real wage in agriculture arose mainly from an increase in the share of the workforce employed in non-agricultural activities (Mukherjee 1996; Sen 1997).

Since there is a weak relationship between agricultural growth and the growth of rural non-farm activity in many parts of the country (it is much more significant in agriculturally advanced regions such as Punjab and Haryana [Hazell and Haggblade 1991]), several researchers have suggested that the reason for the expansion of rural non-farm employment lies in an accompanying expansion in government expenditure (Sen 1997). According to these authors, government expenditure has been crucial not only in generating agricultural growth through the creation of capital assets and rural infrastructure, but it has also directly created employment in rural areas by providing jobs, particularly for the implementation of targeted employment and welfare schemes. In so far as rural non-farm employment under the wage employment scheme has been used to develop and improve the land (through land leveling, drainage, and so forth) and water resources (through the Million Well Scheme), it may also indirectly help to improve the agricultural productivity of marginal and small farmers. The 1970s
was marked by an important shift in state policy toward the poor and included a burst of poverty alleviation programs that sought to improve their assets, create employment, and increase their access to basic needs. Unlike agricultural growth, which often reduces poverty only by increasing mean consumption, government expenditure reduces poverty both by increasing mean income and improving the distribution of income (Sen 1997).

Another significant feature of the literature on rural poverty in India is that most of the previous studies have used a single equation approach (Ahluwalia 1978; Saith 1981; Gaiha 1989; Ravallion and Datt 1995; Datt and Ravallion 1997). There are at least two disadvantages to this approach. First, many poverty determinants such as income, production or productivity growth, prices, wages, and non-farm employment are generated from the same economic process as rural poverty. In other words, these variables are also endogenous variables; ignoring this characteristic leads to biased estimates of the poverty effects (van de Walle 1985; Bell and Rich 1994). Second, certain economic variables affect poverty through multiple channels. For example, improved rural infrastructure will not only reduce rural poverty through improved agricultural productivity it will also affect rural poverty through improved wages and non-farm employment. It is difficult to capture these different effects with a single-equation approach.

Even with the latest questionable estimates, India remains the epicenter of poverty, both within South Asia and in the world, with as many as 259 million people below the national poverty line. In terms of the international poverty line of USD 1 per day (measured at 1993 purchasing power parity exchange rates), there are 358 million poor in India. If instead we use the norm of USD 2 per day, almost 80 percent of India’s vast population is below poverty line, (World Bank (2003).

2.3. The Poor, the Very Poor and the Poorest

The ADB’s Participatory Poverty Assessment in Kerala (2002) differentiated between the characteristics of the poor, the very poor and the poorest.

- “Although the poor may have a small plot and a hut to live in, they do not have basic amenities and physical assets.”

- “The very poor... are those who do not have more than one source of income, however irregular that income might be.”

The very poor are frequently engaged in casual labour jobs which do not yield steady income. The very poor include those who have lost everything on account of fire or other
disasters. This type of poverty could be a temporary state, provided the victim has 'social capital' to leverage government and community resources to rebuild their lives."

- "The majority of these communities [poorest] belong to various tribes who live in remote forest areas. There is also a significant proportion of Scheduled Castes who depend excessively on the forests for their livelihood. Families where the head of household is either mentally or physically challenged, or too old or chronically sick to work would fall into the category of the poorest. There are some women-headed households where the dual task of earning a livelihood and managing the family erodes the earning capacity of women. Then we have beggars who are totally destitute and are categorized as the Poorest." (adapted from Long and Srivastava (2002).

### 2.4. De Jure Targeting Design of the BPL census

In 1992, the Ministry of Rural Development, Government of India, undertook the task of identifying "below poverty line" (BPL) households in rural India through periodic (approximately five-yearly) village censuses. The first such census used self-reported household incomes to identify BPL households. However, given the difficulties of measuring income, particularly when incomes come largely from self-employment
in agriculture, the self-reported income approach was abandoned in the 1997 BPL census. In the modified format, a set of five questions--(i) whether operated size of land was more than two hectares; (ii) whether owned a ‘pucca house’ as defined in the Population Census; (iii) whether annual income was more than Rs.20,000; (iv) whether owned any of the following consumer durables: television, refrigerator, ceiling fan, motor cycle/scooter and three wheelers; and, (v) whether owned farm equipment such as tractor, power-tiller, or combined thresher/harvesters - were asked of each and every household in the village. If households answered in the affirmative to any one of the five questions, they were declared to be visibly non-poor. This was done to identify the “visibly poor” from the “visibly non-poor” households in the village relatively quickly and in an inexpensive manner. Visibly non-poor households were excluded from the more extensive BPL survey that collected information on consumption expenditures using an abridged budget-expenditure schedule.

The 1997 BPL census methodology had several shortcomings as well, such as: (i) very stringent “exclusion” criterion whereby households are declared visibly non-poor even if they possessed a ceiling fan; (ii) non-availability of official poverty lines for all states/UTs; (iii) using uniform criteria without allowing for inter-state variations especially for hilly and remote areas; and (iv) not allowing new households to be declared poor in the interim period before the next survey is instituted.
(Sundaram, 2003). Prior to the next survey in 2002, an Expert Group was established to recommend changes in the 1997 BPL identification guidelines to overcome the criticisms.

The Expert Group recommended that rather than rely on welfare measures like incomes or expenditures to identify the poor, socio-economic indicators reflecting the quality of life of households in the village should be used to identify the BPL households. Each household would be given a score of one to four for each of thirteen “scorable” indicators and the scores would be summed to an aggregate index ranging between zero and fifty-two. The thirteen indicators included size of land holding, type of house, availability of clothing per person, food security, sanitation, possession of consumer durables, literacy, status of household in labor force, means of livelihood, status of children between 5-14 years, type of indebtedness, reasons for migration in case of a migrant household, and preference for assistance from among various schemes. Households would be ranked based on the total score that they received and would be categorized as poor or non-poor based on a cut-off score. These cutoff scores could vary locally across districts, blocks or at times even villages, with one constraint that the number of BPL poor was to be the same (or not more than 10 percent) as the number of persons living below the poverty line in that state or union territory as estimated by the Planning Commission for the year 1999-2000.
In the context of measuring welfare in developing countries, household consumption expenditure is considered to be the best measure of permanent income or persistent poverty (Ravallion, 1992; Deaton and Zaidi, 1999). However, collecting information on consumption through household surveys is time-consuming and expensive. Therefore, one is often forced to rely on “shortcuts” like the BPL score method - an imperfect proxy but one that can be more easily and cheaply collected. Targeting shortcuts will inevitably result in targeting errors because some poor are misclassified as non-poor (exclusion errors) or because some non-poor are misclassified as poor (inclusion errors).