CHAPTER 1

INTRODUCTION

“May all the people be happy, may all the people be healthy.
May all see only the good things and nobody should be unhappy.”

– The Old Vedantic saying

“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable”

– (Adam Smith 1776: 96)

Mahatma Gandhi, the father of the nation suggested to wipe out tears from every eye. Pandit Nehru, the first Prime Minister of India aptly said, “Service of India means the service of the millions who suffer. It means the ending of poverty, ignorance, disease and inequality of opportunity. As long as there are tears and suffering, so long our work will not be over”. For Lok Nayak Jayaprakash Narayan it was not enough that the nation attain political freedom. To him, the definition of freedom was freedom from hunger, poverty and ignorance. Thus, sincere efforts need to be made to eradicate poverty and regional disparities.

Adam Smith, widely cited as the father of modern economics was concerned with equity in society. He defined poverty as the lack of those necessities that "the custom of the country renders it indecent for creditable people, even of the lowest order, to be without." That the “far greater part of the members is poor and miserable” cannot be doubted; this is truer even today than it was in 1776.

Poverty is the biggest challenge to development for almost half of the world. At the start of the twenty-first century, almost half of the world’s people suffer in a state of “deep poverty amid plenty” measured as an income of less $ 2 a day.¹ The World Bank estimates that 456 million Indians i.e., 42% of the total Indian population at present live under the global poverty line of $1.25 per day (PPP). This means that a third of the global poor now reside in India. The Human Development Reports and other United Nations/World Bank reports identify South Asia as one of the most deprived regions in the World. South Asia has the largest number of people in the world living in absolute poverty which includes 46 per cent of the developing world’s population. Sixty percent of these are women, with limited access to basic needs. The greatest burden of human deprivation and poverty, illiteracy and health-related problems fall on its women.² In the U.S, the latest figures indicate 15 percent live

below the higher poverty threshold. In the U.K, the proportion is even larger: Over a fifth of
the population including more than a quarter of children, compared with one in seven in 1979
of both children and adults.³

"High levels of inequality contribute to high levels of poverty in several ways. First,
for any given level of economic development or mean income, higher inequality implies
higher poverty, since a smaller share of resources is obtained by those at the bottom of the
distribution of income or consumption. Second, higher initial inequality may result in lower
subsequent growth and, therefore, in less poverty reduction. The negative impact of
inequality on growth may result from various factors. For example, access to credit and other
resources may be concentrated in the hands of privileged groups, thereby preventing the poor
from investing. Third, higher levels of inequality may reduce the benefits of growth for the
poor because a higher initial inequality may lower the share of the poor's benefits from
growth. At the extreme, if a single person has all the resources, then whatever the rate of
growth, poverty will never be reduced through growth".⁴

Sociologist Andre Béteille (2003)⁵ states that though poverty and inequalities are
closely linked, the relationship is fairly complex. As Beteille argues, a decrease in poverty
may be accompanied by an increase in inequality or vice versa. Or "there may be widespread
poverty in a society and very little economic inequality; shared poverty was the common
condition of many isolated and self-sufficient tribal communities." He also points out that
legal equality has been significant in reducing privileges and disabilities inherited from the
hierarchical order; and the "entitlements of citizenship have kept in check the excesses of
inequalities created by the market."

The social problems of contemporary India are the result of a complex nexus between
the factors of exclusion and inclusion rooted in history, values, and cultural ethos. Many of
these problems based on the policy of segregation have not been addressed by the
development strategy launched since independence. Recent policies of globalization have
further undermined the role of larger societal norms as well as the State apparatus that could
counter exclusionary forces. The agenda of social development has remained unfinished,

⁴ Aline Coudouel, Jesko S. Hentschel, and Quentin T. Wodon 'Chapter 1: Poverty Measurement and Analysis'.
⁵ Béteille, Andre(2003), 'Poverty and Inequality', Economic and Political Weekly, October 18.
keeping social tensions simmering. Two third of India’s population are socially, economically and educationally backward, 'On the social plane we have in India a society based on graded inequality which means elevation for some and degradation of others. On the economic plane, we have a society in which there are some who have immense wealth as against many who are living in abject poverty.

1.1 Estimates of Poverty in India

India has a long tradition of rigorously measuring absolute consumption poverty, based on the National Sample Surveys (NSS) that started in the 1950s, under the leadership of the distinguished statistician P C Mahalanobis. As per Planning Commission, Government of India estimates, poverty in India has declined from 54.9% in 1973-74 to 27.5% in 2004-05. Despite, high economic growth, about 301.7 million persons live below the poverty line out of which 220.92 million of them in rural and 80.79 million in urban areas. At the state level, the economy of Orissa is still characterized by high incidence of poverty. As per the estimate of Planning Commission, Orissa continues to be the poorest among all the major States of the country. Orissa shows the highest head count ratio (HCR) of poverty at 46.6 per cent in 2004-05 among the states in the country. The overall percentage of poor has declined by merely 2 percentage points from 48.6 per cent 1993-94 to 46.6 per cent in 2004-05. There is not large difference between rural and urban poverty, in 2004-05, the rural and urban poverty is assessed at 46.9 per cent and 44.7 per cent respectively, thus there is hardly 2.2 per cent difference in the level of poverty in rural and urban areas of Orissa (Table 1.1).

Table 1.1 Percentage of Population Below poverty Line in Orissa and India

<table>
<thead>
<tr>
<th>Year</th>
<th>Orissa</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>66.2</td>
<td>54.9</td>
</tr>
<tr>
<td>1977-78</td>
<td>70.1</td>
<td>51.3</td>
</tr>
<tr>
<td>1983</td>
<td>65.3</td>
<td>44.5</td>
</tr>
<tr>
<td>1987-88</td>
<td>56.5</td>
<td>38.9</td>
</tr>
<tr>
<td>1993-94</td>
<td>48.6</td>
<td>36.0</td>
</tr>
<tr>
<td>1999-2000</td>
<td>47.2</td>
<td>26.1</td>
</tr>
<tr>
<td>2004-05</td>
<td>46.6</td>
<td>27.5</td>
</tr>
</tbody>
</table>


7 The National Sample Surveys provide data on the consumption expenditures, including imputed values for consumption in kind, notably from own farm products, of large random samples of Indian households.
High incidence of poverty prevails among the ST and SC population in Orissa. The head count ratio is as high as 76% among the ST population and 50% among the SC population compared to 37% for OBC group and 23% for others in 2004-05. The ST and SC population account for 60% of the number of poor in the state as a whole while their share in total population is only 43% (25.6% and 17.6% of the total rural population are STs and SCs respectively as per the NSSO estimates in 2004-05). The most important fact that the proportion of ST remaining below the poverty line has increased from 71% in 1993 to 76% in 2004. There is no change in poverty percentage among SC population between 1993 and 2004. The two percentage points fall witnessed in poverty ratio for the entire population is exclusively due to fall in ‘OBC and Others’ categories (Manoj Panda 2008).

Table 1.2 Incidence of Poverty by Social Group in Rural Orissa

<table>
<thead>
<tr>
<th>Social Group</th>
<th>HCR</th>
<th>Contribution to Poverty</th>
<th>MPCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004-05</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST</td>
<td>75.8</td>
<td>41.5</td>
<td>284.0</td>
</tr>
<tr>
<td>SC</td>
<td>49.9</td>
<td>18.7</td>
<td>363.0</td>
</tr>
<tr>
<td>OBC</td>
<td>37.1</td>
<td>31.1</td>
<td>435.0</td>
</tr>
<tr>
<td>Others</td>
<td>23.5</td>
<td>8.7</td>
<td>523.2</td>
</tr>
<tr>
<td>OBC &amp; Others</td>
<td>32.9</td>
<td>39.8</td>
<td>462.0</td>
</tr>
<tr>
<td>All Groups</td>
<td>46.9</td>
<td>100.0</td>
<td>398.9</td>
</tr>
<tr>
<td><strong>1993-94</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ST</td>
<td>71.3</td>
<td>36.0</td>
<td>175.1</td>
</tr>
<tr>
<td>SC</td>
<td>49.8</td>
<td>18.5</td>
<td>212.0</td>
</tr>
<tr>
<td>OBC &amp; Others</td>
<td>40.2</td>
<td>45.5</td>
<td>242.3</td>
</tr>
<tr>
<td>All Groups</td>
<td>49.8</td>
<td>100.0</td>
<td>219.8</td>
</tr>
</tbody>
</table>

Source: Estimates based on NSSO Data as cited in Manoj Panda (2008)

The Coastal region has the least poverty ratio and has experienced a large fall from 45% in 1993-94 to 27% in 2004-05. The Southern region, which has the highest poverty at 73% in 2004-05, has experienced an increase in poverty by 4 percentage points. The Northern region has witnessed the rising incidence of rural poverty from 46% in 1993-94 to 59% in 2004-05. Similar picture would emerge in the urban areas as there is marginal difference in poverty ratio across regions (Manoj Panda 2008).

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Table 1.3 Incidence of Poverty by Region in Rural Orissa

<table>
<thead>
<tr>
<th>Region</th>
<th>HCR</th>
<th>Contribution to poverty</th>
<th>MPCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal</td>
<td>27.4</td>
<td>27.1</td>
<td>465.5</td>
</tr>
<tr>
<td>Southern</td>
<td>72.7</td>
<td>28.9</td>
<td>292.5</td>
</tr>
<tr>
<td>Northern</td>
<td>59.1</td>
<td>44.0</td>
<td>367.3</td>
</tr>
<tr>
<td>Total</td>
<td>46.9</td>
<td>100.0</td>
<td>398.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>HCR</th>
<th>Contribution to poverty</th>
<th>MPCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal</td>
<td>45.3</td>
<td>43.0</td>
<td>226.6</td>
</tr>
<tr>
<td>Southern</td>
<td>68.8</td>
<td>25.3</td>
<td>179.3</td>
</tr>
<tr>
<td>Northern</td>
<td>45.9</td>
<td>31.7</td>
<td>232.0</td>
</tr>
<tr>
<td>Total</td>
<td>49.8</td>
<td>100.0</td>
<td>219.8</td>
</tr>
</tbody>
</table>

Source: Manoj Panda (2008)

Recent estimates on Indian poverty by Planning Commission, GoI (2009) and Gourav Datt and Martin Ravallion (2009) of World Bank presents two different pictures of poverty scenario in India.

The Expert Group under the chairmanship of Professor Suresh Tendulkar reviewed the methodology for estimation of poverty in India and suggested a new poverty line by using the latest available major National Sample Survey (NSS) round on household consumer expenditure which provides the data base for the calculation of poverty estimates by the Planning Commission. The Report estimated that 41.8 per cent of rural households were below the poverty line in 2004-05 compared to the current estimate of 28.3 per cent at the all-India level. As per this estimate, 37.2% of the Indian population is living below the poverty line. Using cost-of-living index for measuring poverty, it finds that the number of urban poor has decreased overtime, while in rural areas it has gone up. A new method to draw the ‘poverty line’ has resulted in an increase in the number of people living below the poverty line in India, from 27.5% of the population to 37.2%, that is, an increase of 10% for 2004-05. It has redefined the normative criteria to include education and health, which now have a significant share in a poor person’s expenditure. As per this estimate, the rural and urban poverty head count ratio is 60.8% and 37.6% respectively. Thus, the rural poverty in Orissa is highest among the BIMAROU states (see Table 1.3)

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Table 1.4 Poverty Lines and Poverty Head Count Ratio by State and Sector in 2004-05

<table>
<thead>
<tr>
<th>State</th>
<th>Poverty Line</th>
<th>Poverty Head Count Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>Orissa</td>
<td>407.78</td>
<td>497.31</td>
</tr>
<tr>
<td>Bihar</td>
<td>433.43</td>
<td>526.18</td>
</tr>
<tr>
<td>Chhatisgarh</td>
<td>398.92</td>
<td>513.7</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>404.79</td>
<td>531.35</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>408.41</td>
<td>532.26</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>478.00</td>
<td>568.15</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>435.14</td>
<td>532.12</td>
</tr>
<tr>
<td>All India</td>
<td>446.68</td>
<td>578.8</td>
</tr>
</tbody>
</table>


Gaurav Datt and Martin Ravallion (2009)\textsuperscript{10} studied the extent to which India’s poor have benefited from the country’s economic growth, by using a new series of consumption-based poverty measures spanning 50 years, and including a 15-year period after economic reforms began in earnest in the early 1990s. Their study shows that growth has tended to reduce poverty in India, including in the post-reform period. The study explores that the gains from aggregate growth are reaching to those well below the poverty line. In marked contrast to the pre-reform period, post-reform urban economic growth has brought significant gains to the rural poor as well as the urban poor. It cautions that the rural poor in India may well be more vulnerable in the future economic shocks centred in urban areas. Overall, while the higher rate of growth in the post-reform period has come with a higher proportionate rate of progress against poverty, the study does not see in these data a robust case for saying that the growth elasticity of poverty reduction has risen since the reforms began. Comparing the results with their 1996 study, the researchers found that that the pattern of growth matters for poverty reduction. But they found that the post-reform period has seen a striking change in the relative importance of urban versus rural economic growth. The earlier 1996 study shows that urban economic growth helped reduce urban poverty but brought little or no overall benefit to the rural poor; in fact, the main driving force for overall poverty reduction was rural economic growth. The study confirmed the finding for the data up to 1991, but the picture looks different after 1991. The relatively weak performance of India’s agricultural sector and the widening disparities between urban and rural living standards remain important concerns, including for India’s poor. However, it is encouraging that rising overall living standards in

India’s urban areas in the post-reform period appear to have had significant distributional effects favouring the country’s rural poor (Ravallion and Dutt 2009, p.25).

1.2 Human Development and Multidimensional Poverty

Poverty has been defined in income or expenditure terms and measured in absolute or relative terms. Absolute poverty refers to a set standard which is consistent over time and between countries. Absolute poverty uses a poverty line to separate the poor from the non-poor. On the other hand relative poverty is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages. Relative poverty views poverty as socially defined and dependent on social context, hence relative poverty is a measure of income inequality. A.K. Sen (1973) made a notable contribution in the measurement of inequality in income and wealth. Relative poverty exists in all over the world, where as absolute poverty is concentrated in South Asia and Sub-Saharan Africa.

Amartya Sen, Paul Streeten, Mahbub ul Haq, and others who believed that increased incomes should be regarded as a means to improve human welfare, not as an end in itself (Sen, 1988; Streeten, 1994). For these economists, human welfare was the overall objective - the essence of development. Increased incomes and national economic growth were crucial preconditions for improvements in standards of living, but not the only preconditions. With the first Human Development Report from 1990, prepared under the leadership of Mahbub ul Haq, UNDP adopted the basic criticism of income measurements and presented a more comprehensive concept of human development (UNDP, 1990). The report defined human development as a process of enlarging people’s choices. According to Mahbub ul Haq, the defining difference between the economic growth and the human development schools is that the first focuses exclusively on the expansion of only one choice – income – while the second embraces the enlargement of all human choices – whether economic, social, cultural or political (Haq 1995). It might well be argued that the expansion of income can enlarge all other choices as well. He says there are varieties of reasons for unevenly distribution of income within society. People who have no access to income, or enjoy only limited access, will have constrained choices.11

Poverty in the human development approach draws the three perspectives to poverty- the income perspective, basic needs perspective and capability perspective (Parr & Kumar, 2003). The ‘income perspective explains a person as poor if his or her income level is below the defined poverty line. The basic needs perspective views poverty as deprivation of material

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requirements for minimally acceptable fulfillment of human needs, including food. It also recognizes the need for employment and participation. The capability perspective represents the absence of some basic capabilities to function—-a person lacking the opportunity to achieve some minimally acceptable levels of these functionings. The functionings relevant to this analysis can vary from such physical ones as being well nourished, being adequately clothed and sheltered, and avoiding preventable morbidity, to more complex social achievements such as partaking in the life of the community. The capability approach reconciles the notions of absolute and relative poverty since relative deprivation in incomes and commodities can lead to an absolute derivation in minimum capabilities (ibid).

Poverty, especially extreme poverty, is the worst form of degradation of human dignity: a condition of absence of most basic human rights.\textsuperscript{12} While expanding on Sen's 'capability approach', Arjun Sengupta (2007) viewed that extreme poverty is identified as a composite of extreme forms of income poverty, human development poverty and social exclusion, the eradication of which may be regarded as a human rights entitlement in each society. Thus, poverty has been seen as the denial of a number of recognized rights such as right to food, health, education, and adequate standard of living, as well as right to life, freedom of movement and assembly and expression, along with other civil and political rights. The absence of these rights would be equivalent to the denial of basic capabilities.

Poverty is multi-dimensional; hence many causes and numerous correlates of poverty are identified by the social scientists while analyzing poverty. The nature of poverty is examined in relation to a model of causes affecting the welfare of a community. It is suggested that one can operationally distinguish four major dimensions of poverty, namely economic, social, political and legal poverty; and that one might in addition be able to characterise three further aspects, namely psychological, ideological and conceptual poverty.\textsuperscript{13} Recent studies on poverty dynamics and chronic poverty stress upon three fronts to deepen the understanding of the occurrence of poverty and significantly improve the effectiveness of poverty reduction policies. First, poverty research needs to focus on poverty dynamics—over the life-course and across generations. Second, there is a need to move efforts to measure poverty dynamics beyond mere income and consumption to more multidimensional concepts and measures of poverty. Third, at the same time there is a growing consensus that a thorough understanding of poverty and poverty reduction requires


cross-disciplinary research, using the strengths of different disciplines and methods, and of quantitative and qualitative approaches to poverty analysis (Addison et al. 2008).\textsuperscript{14} The Moving out of Poverty study is concerned with the dynamics of poverty reduction, as opposed to trying to measure poverty incidence alone. This is because net poverty rates are the product of two contrasting phenomena i.e., movement out of poverty and falling into poverty, processes that may have very different dynamics. The framework indicates that movement out of poverty will depend both on changes in the opportunities offered by local economic conditions and political institutions and on changes in the capabilities of poor individuals or groups to take purposeful actions, that is, to exercise agency (Narayan et al. 2006). Almost 1.4 billion people in developing countries live in poverty according to the recent estimates by the World Bank, and a significant part of this population lives in chronic poverty. The recent global study on ‘Moving Out of Poverty: Rising from the Ashes of Conflict\textsuperscript{15}, shows that people can and do move out of poverty in post-conflict situations. The study explores mobility from the perspectives of poor people who have moved out of poverty in more than 500 communities across 15 countries. It draws from the studies illustrating that despite high levels of reported corruption, post-conflict assistance provides opportunities for poor people and poor communities. The study focuses on seven conflict-affected countries and urges a rethinking of post-conflict strategies and an impetus to rebuild states from the bottom up. Rising from the Ashes of Conflict also reveals how poor people’s mobility is shaped by local democracy, people’s associations, aid strategies, and the local economic environment. Over 100 communities across seven conflict-affected countries Afghanistan, Assam in India, Colombia, Indonesia, Philippines, Cambodia and Sri Lanka were interviewed for the analysis.

Poverty related conflicts are already in existence in the rural parts of India. Studies on Poverty and Conflicts in contemporary India shows that there are more conflicts between the poverty affected social groups and others in the rural areas in recent decades, and poverty related conflicts have positive and negative potential in the context of political and economic reforms (Anand Kumar, 2004).\textsuperscript{16}

Studies conducted at the grass root level on poverty in three Indian States highlights upon factors associated respectively with escaping and falling into poverty (Krishna 2007) through


the Stages of Progress methodology. This study was applied to a sample of rural communities in India, Kenya, Uganda, and Peru. And tracking poverty dynamics for more than 30,000 households, this bottom-up methodology revealed that escape from poverty and descents into poverty have occurred simultaneously in every village. Indeed the well-to-do households have fallen into abiding poverty in some cases. Krishna finds that public and NGO poverty programs are associated with relatively few escapes, ranging from 14 per cent in Andhra Pradesh to 6 per cent in Gujarat and less than 4 per cent in Uganda and Kenya (ibid.24). People are falling into poverty in the developing world even as other people escape poverty.

The defining feature of chronic poverty is its extended duration (Hulme, Shepherd and Moore, 2001). Thus while many move into and out of poverty over time (the transient poor), the chronic poor suffer persistent deprivation. Hulme, Moore and Shepherd (2003) identified chronic poverty in terms of combinations of adverse incorporation, stage in life cycle, health status, position in household, position in community or nation and lastly by the geographical location. Factors causing chronic poverty in terms of facilitating entry and preventing exit are the structural factors such as market related, political or social relationships, multiple vulnerabilities arising from various causes, low asset status, shocks-agro-ecological, political and economic and spatial poverty traps. While identifying or profiling dynamics of poverty, they outlined some of the many possible ‘drivers’ and ‘maintainers’ of poverty that may consign households into chronic poverty, i.e., make their exit from poverty impossible. Some possible ‘interrupters’ that may enable poor households to escape poverty through asset transfers, skill formation or technological progress that may translate into higher wage earnings. Households undergo a variety of shocks and uncertainties over time and their ability to go through these periods without significant reduction in income levels depends on their initial levels of assets and other conditions affecting income which may be related directly to themselves or embedded in the physical, social or political environment.17

This chronic poverty may also be severe (in terms of depth) or the deprivation may be multidimensional in nature (McKay and Lawson, 2001). Two main methods have been adopted to identify and measure chronic poverty (in practice chiefly income or consumption poverty) based on suitable panel data: the “spells” and “components” approaches (Yaqub,

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In the spells approach, the chronic poor are identified based on the number or length of spells of poverty they experience – so that all poor households are classified as either chronic poor or transient poor. For instance, Baulch and McCulloch (1998), using a five round panel data set for rural Pakistan, find that only 3% of the households were income poor in all five years. 58% though were poor in at least one period, suggesting a very high degree of movement into and out of income poverty. Using the ICRISAT panel data set from rural South India, Gaiha and Deolalikar (1993) find that 21.8% of households were income poor in each of nine consecutive years (87.6% of all households surveyed were poor in at least one of the nine years).

The "components" approach distinguishes the permanent component of a household's income or consumption from its transitory variations, and identifies the chronic poor as those whose permanent component is below the poverty line. A common approach to identifying the permanent component is based on the inter-temporal average for the household (Jalan and Ravallion, 1998; McCulloch and Baulch, 1999). An alternative procedure for identifying the permanent component is based on the predictions of a statistical (regression) model capturing the relationship between a household's income or consumption level and its characteristics; such models aim to purge the effect of transitory shocks. Thus Gaiha and Deolalikar (1993) base their concept of "innate poverty" on the predictions of a panel data regression of income on household characteristics, estimated using the fixed effects method. Their innate poverty can be interpreted as a concept of chronic poverty following the components approach, where this identification of the chronic poor takes account of the households' characteristics.

Shepherd and Mehta (2006) presented their work on the concept and measurement of poverty in the Indian context (Dhamija and Bhide 2010). 18 Bhide and Mehta (2005) used household panel data for 3,239 households spread across several states of the country at three points of time, i.e., 1970-71, 1981-82 and 1998-99, to examine the patterns and movement of rural households across poverty groupings over this three decade period. They found that there is significant incidence of chronic poverty in rural India. The analysis also showed that the incidence of chronic poverty in the panel data declined from 28.4% (in the period 1970-71 to 1981-82) to 24.27% (in the period 1981-82 to 1998-99). Their study confirms the view that the period of 1990s experienced a slower decline in poverty compared to the previous decade,

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although the incidence of chronic poverty declined even in the latter period. Chronic poverty was defined using the Planning Commission’s expenditure poverty line, as measured by the average monthly consumption expenditure (Dhamija and Bhide 2010: 91).

“The poor are poor only because they have no assets – no land, no livestock, no houses and often no education. Their only assets are time and labour. The challenge therefore lies in enhancing the economic value of the time and labour of the poor” (Swaminathan 2004: 49). 19

Poverty and the poor are always associated with (a) resourcelessness, (b) choicelessness, (c) insecurity and (d) deprivation which create incapacities in the pursuit of dignified life in a given society for a person, household, group or community. Furthermore, those suffering chronic poverty also suffer several simultaneous disadvantages including gender, age, caste, ethnicity, location, etc. (Anand Kumar 2004). 20

Poverty is unevenly distributed across the country with concentration of poverty in certain states, districts and socio-economic groups (Mehta and Shah 2003). Further, poverty is not static and although some poor households manage to escape poverty, others are stuck in poverty while some non-poor households descend into poverty. Evidence from the panel data studies shows that there is both substantial persistence and substantial mobility into and out of poverty and that important determinants of poverty are caste, tribe and household demographic composition. The probability of being chronically poor is greater for casual agricultural labour, landless households, illiterate households and larger households with more children (Mehta and Bhide 2003; Bhide and Mehta 2004). Chronic poverty seems to be disproportionately high among historically marginalized groups such as Scheduled Castes (SCs), Scheduled Tribes (STs) the elderly, women and the disabled. The multiple deprivations suffered by these groups make it harder for them to escape from poverty. 21

Economic growth is a necessity, but not a sufficient condition for alleviating poverty. Inclusive paradigm of growth is highly essential to promote development and uplift the section of the people who are named by different nomenclature such as weaker sections, vulnerable groups, target group, the rural poor. “It will not be enough merely to support faster

19 Swaminathan, M.S., Technological Change in Food Production: Implications for Vulnerable Sections, CPRC-IIPA Working Paper-20, p. 49.
20 Kumar, Anand, 2004, p.159.

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growth; even when it is pro-poor, growth will not suffice to prevent the problem of poverty creation" (Datta and Ravallion 2002). Poverty analysis in India has tended to focus heavily, if not exclusively, on definition of the poverty line and estimating poverty incidence and its trends. Factors underlying regional and temporal variations in these respects and policy interventions have also been explored but not to the extent one would expect (Vaidyanathan 2001). Other aspects such as gender discrimination, educational participation and attainment, health and nutrition are beginning to greater attention among scholars but do not figure at all in official assessments of the poverty situation. Achieving higher economic growth is only one element of an effective strategy for poverty reduction in India. Recent developments obviously calls for more attention to the equity angle to make the growth process broad based so that large sections of the population are not left behind (Mahendra Dev et al. 2004). Thus, economic growth should be inclusive otherwise; there is a danger that internal contradictions within the system could jeopardize growth itself.

1.3 Profiles of the Poor
The composition of the poor has been changing and rural poverty is getting concentrated in the agricultural labour and artisan households and urban poverty in the casual labour households. The share of agricultural labour households, which accounted for 41% of rural poor in 1993-94 increased to 47% in 1999-00 (Radhakrishna and Ray 2004). In contrast, the share of self-employed in agriculture among the rural poor dropped from 33% to 28%. Casual labour households accounted for 32% of the urban population living in poverty in 1999-00, increasing from 25% in 1993-94. The increase in its share was due to both the increased dependence of urban households on urban casual labour market as well as higher incidence of poverty among urban casual labour households. It needs to be recognized that increased dependence of rural and urban households on casual labour market exposes the poor to market risks and tends to increase transient poverty, whereby households move in and out of poverty due to fluctuations in the labour market.

1.3.1 Poverty by Regions
The geographical landscape of rural poverty has been changing. The share of backward states such as Bihar, Orissa, Madhya Pradesh and Uttar Pradesh in the rural poor rose from 53% in

1993-94 to 61% in 1999, whereas the share of agriculturally prosperous North-Western States such as Punjab, Haryana and Himachal Pradesh declined from 3.03% to 1.26% and that of Southern states also declined from 15.12% to 11.23%. Notably, some of the better off states such as Maharashtra and West Bengal, in spite of their higher level of economic growth, had a relatively higher share in rural poverty. The urban poor were getting concentrated in Uttar Pradesh, Maharashtra, West Bengal, Madhya Pradesh and Andhra Pradesh. Their share in All-India urban poverty rose from 56% in 1993-94 to 60% in 1999-01. It is striking that the share of Orissa increased significantly both in rural and urban poor.

The occupational composition of rural poor varied across the states. In general, in developed states poverty was highly concentrated among agricultural labour households, and in contrast in backward states poverty extended to other occupational groups including self employed in agriculture. For instance, in Punjab, Haryana, Maharashtra and Andhra Pradesh agricultural labour households constituted more than 60% of the rural poor in 1999-00, but they constituted less than 16% in Rajasthan and 28% in Assam.

1.3.2 Caste, Tribe and Poverty
Among the social groups, scheduled castes, scheduled tribes and backward castes accounted for 81% of the rural poor in 1999-00, considerably more than their share in the rural population. The poor among scheduled castes in rural areas were concentrated in Uttar Pradesh, Madhya Pradesh, Bihar and West Bengal. These states accounted for 58% of the scheduled caste population living in poverty. In urban areas, Madhya Pradesh and Uttar Pradesh accounted for 41% of scheduled caste population living in poverty. The incidence of poverty among scheduled castes was high in Bihar, Madhya Pradesh and Uttar Pradesh in both rural and urban areas.

The percentage of STs among the rural population living in poverty has been increasing rapidly from 14.8% in 1993-94 to 17.5% in 1999-00. The increase was mainly on account of comparatively slower reduction in the incidence of poverty among STs. The incidence of poverty among STs declined from 50% in 1993-94 to 44.2% in 1999-00 whereas it had fallen from 37% to 27% for rural population. Bihar, Gujarat, Madhya Pradesh and Maharashtra together accounted for 75.5 percent of the rural STs living in poverty in 1999-00. It is noteworthy that nearly thirty percent of the poor ST population were located in Madhya Pradesh. The poverty levels of STs in rural areas were high in Orissa (73%), Bihar (59%), Madhya Pradesh (57%) and West Bengal (50%) and in urban areas, in Orissa (59%),
Karnataka (52%), Andhra Pradesh (46%) and Bihar (43%). In terms of income poverty and other indicators of human development also such as education, health, etc., the STs are at the bottom. The increasing concentration of poverty among tribals who suffer from multiple deprivations is a matter of concern (ibid). 23

Orissa is one of the poorest states in India, with an estimated 47% of its population living on less than a dollar a day (Haans & Dubey, 2003). A regional and social group-wise analysis of poverty in Orissa highlights the fact that the population in Scheduled Areas is comparatively much poorer than the population in non-Scheduled Areas, and that Scheduled Tribes are the poorest groups. In 1999-2000, 73% of the Scheduled Tribes in Orissa were below poverty line as compared to 55% and 33% respectively for Scheduled Castes and General Castes (Haan and Dubey, 2003). The situation in South Orissa is even worse with approximately 87% of the Scheduled tribes below poverty line, and the socio-economic indicators in some pockets are worse than in sub-Saharan Africa.

1.4 Gender Dimension of Poverty

In recent years there has been an increasing trend to incorporate the gender dimension in analysis of poverty (Asthana and Ali 2004: 152). 24 The feminization of poverty is a term used to describe the overwhelming representation of women among the poor. "Women tend to be disproportionately represented among the poor... the poorer the family the more likely it is to be headed by a women" (World Bank 1989 cited by Jackson 1996:419). Poverty studies from both developed and developing countries show that woman more than men are subjected to relative as well as absolute poverty. The argument is that poverty and gender at times can be interrelated. The incidence of poverty among females tended to be marginally higher in both rural and urban areas in India. The percentage of female persons living in poor households was 37 per cent in rural and 34 per cent in (urban) areas in 1993-94, and 27 and 25 respectively in 1999-00. In contrast, the percentage of male persons living in poverty was 36 in rural and 32 urban areas in 1993-94, and 26 and 23 in 1999-00. The female persons accounted for slightly less than half of the poor, about 49 per cent in both rural and urban areas in both the years. The lower percentage of female persons among the poor despite higher female poverty ratio was due to adverse sex ratio. It should be noted that the above measure of gender poverty ignores intra-household inequalities in consumption. There are

23 Ibid. 4-9.
other dimensions of poverty such as food insecurity, malnutrition and health associated more with female members (Radhakrishna and Ray 2004). 25

The role of women as producers and providers of food is often overshadowed by their primary role as care-givers. However, in most of the developing countries, including India, large number of women is engaged in agriculture, primarily the production and processing of food. With male-selective migration from rural areas on the increase, women are often left behind to take care of both family and farm on their own. With women-headed households being more prone to poverty, wages being unfavourable to women in general and access to financial, technical and other support services being denied to them, the poor nutritional status of the rural population is common. According to Census of India 2001, 27.5 per cent of cultivators in the rural areas are female, while in the case of agricultural labour, as much as 46.9 per cent were women. Of the rural female workforce, an overwhelmingly large proportion, i.e., 80 per cent are employed in the agricultural sector. About 36.5 per cent (40.6 million) work as cultivators on their own/family land holdings, while about 43.4 per cent (48.4 million) are engaged as hired agricultural labour. It is therefore, obvious that women play a vital role in food production and agricultural activities.

1.5 Institutional Credit and the Rural Poor

Credit plays a vital role in the modernization of agriculture; however, its role in fight against rural poverty has been neglected in the development thought. Perpetual poverty and lack of adequate credit have remained the major constraints in the economic upliftment of rural households. Lack of formal and informal credit to the weaker sections at a reasonable rate of interest has been considered as one of the important factors responsible for perpetuation of poverty in India. A number of anti poverty measures or initiatives have been undertaken by Government of India to alleviate poverty and various efforts are made to reach institutional credit to the poor in post independent India. Introduction of cooperative societies, nationalization of commercial banks and opening up of Regional Rural Banks are the efforts made by the Government to ensure the reaching of institutional credit to the poor. The review undertaken by the All India Rural Credit Committee [RBI 1969] found that cooperatives did not measure up to the expectations in mobilizing deposits and disbursing farm credit at the retail level. Later, in 1975, Regional Rural Banks (RRBs) were added as the third constituent of the rural credit system. The establishment of RRBs was found to be most

beneficial for rural masses. The RRBs undoubtedly helped in inculcating banking habit in rural populace.

The assessment studies on the co-operatives societies showed that much of their credit went to the relatively better off sections of rural society, and the poor continued to depend on the more expensive informal sources (Thorner 1964; Oommen 1984). This was explained as a consequence of the prevailing structure of land tenures. (Herring 1977). The states response was to bureaucratize the co-operative societies. Though in some regions this helped in releasing credit societies from the hold of big landowners, bureaucratization also led to rampant corruption and increasing aptly among those whom they were suppose to serve (Jodhka 1995a). Although banks never controlled directly by the rural rich, the benefit of their credit has largely gone to those who had substantial holdings (Jodhka 1995b). Several factors have been identified for the poor delivery of institutional credit to the poor. Among them the most important factor was the preconceived notion and mindset of the banker who considered the poor non-bankable, as their needs are limited and incapable of repaying the loan (Karmakar, 1999).

In the World Summit for Social Development held in 1997, in Copenhagen, the heads of state government had consent to eradicate poverty by fixing a target year by each country. A new consensus was arrived on putting the people at the centre of development (United Nations, 1995). The Summit underlined the importance of improving access to credit for small rural or urban producers, landless farmers and other people with low or no income, with special attention to the needs of women and disadvantaged and vulnerable groups.

1.6 Rural Credit and Self Help Groups (SHGs)
Several social mobilization approaches to alleviate poverty and empower the weaker sections of the society have been attempted by Government Organizations (GOs) and Non Governmental Organizations (NGOs) in recent years. Social mobilization, which can be defined as the enhancement of a community’s capacity for undertaking collective action for its own betterment, is a central pillar of the Government’s development framework. The approaches to social mobilization range from ‘Welfarist’ to ‘Development’ to ‘Empowerment’. Social mobilization through the creation of self-help groups (SHGs) has been a centerpiece of efforts by the government of India. SHGs as a mechanism for

mobilizing social capital and bringing about changes in lives of the poor have been widely recognized. These local forms of association, based on trust, norms of reciprocity and networks are a strategy of social capital approach for mainstream developmental agencies and the World Bank (Putnam 1993: 167 & Rankin, 2002: 2). They not only generate economic and social capital but also collective consciousness against forms of oppression that prevails in developing societies (Rankin, 2002: 12).

In 1976, Mohammed Yunus of Bangladesh started women’s groups in Bangladesh and developed thrift and savings among the poorest. Now it has developed into a bank named Bangladesh Grameen Bank. In a recent study, Naila Kabeer (2001) found that women’s participation in microcredit programs in Bangladesh led to more activism in community affairs, reduction in domestic violence, and an overall sense of power (Kabeer, 2001, p. 81). With the success of Grameen Bank Model and similar organisations elsewhere, the concept of micro credit has gained momentum in India. Based on this success many Non-Governmental Organisations (NGOs) in India are involved in organizing SHGs and they serve as a mediator between the bank and the poor. Self-help groups (SHGs) play a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit, as well as in other activities such as income generation, natural resources management, literacy, child care and nutrition, etc. In India the pioneer in this field is Self-Employed Women's Association (SEWA) of Ahmedabad (Bhatt, 1998: 146-61) initially started as a trade union in 1972. Without the Grameen Bank model, SEWA gradually expanded its activities and serves as a true representative of self-employed women in the unorganized sector. SEWA provides diverse opportunities to the families of its members including food security, income security and social security. SEWA's strategies reflect the multidimensional and integrated process of empowerment. In Southern India organisations like PRADAN, MYRADA, BASIX etc. have entered into this rural credit system. The successful practices of microfinance based self help group model of Velugu in Andhra Pradesh and Kudumbashree in Kerala are often cited in the literature of microcredit and poverty alleviation in India.

A significant institutional arrangement for the delivery of financial services to the poor is the ‘promoter’ model of microcredit (Rutherford 2000) ‘wherein agencies, usually development non-government organisations (NGOs), provide training and other support services to help poor people set up credit systems that are owned, controlled and managed by the poor themselves. In India, the main mode of accessing microcredit, especially for poor women is
through neighborhood-based peer groups or self help groups (SHGs). They begin by pooling savings for use as intra-group loans. User-managed and member-controlled, SHGs which are sometimes called ‘micro-banks’ (Harper 2002a) and ‘community-managed loan funds’ (Murray and Rosenberg 2006) are also part of the promoter model.

The SHG model was introduced as a core strategy to achieve empowerment in the Ninth Plan (1997-2002) with the objective to ‘organize the women into Self help groups and thus mark the beginning of a major process of empowering women’ (Planning Commission 1997). This strategy was continued in the 10th Plan (2002-07) with the government committed ‘to encouraging SHG model to act as the agents of social change, development and empowerment of women’ (ibid.: 239). SHG bank linkage programme though started in India in the early 1990s it got acceleration only after 2000 (NABARD 2005). Women’s access to credit through micro-credit schemes is a major component of strategies for both poverty alleviation and women’s empowerment. Thousands of women’s self-help groups (SHGs) have been set up across the country by NGOs and through government programmes, such as the Rashtriya Mahila Kosh, the Indira Mahila Yojana, and the Swarnajayanti Gram Swarozgar Yojana (SGSY). The SGSY was launched as an integrated programme for self employment of the rural poor with effect from 1 April 1999. The objective of the scheme is to bring the assisted poor families above the poverty line by organizing them into SHGs through the process of social mobilization, their training and capacity building and provision of income generating assets through a mix of bank credit and government subsidy. The SHGs may consist of 10-20 members in the case of minor irrigation, and in case of disabled persons and difficult areas i.e. hilly, desert and sparsely populated areas, this number may be a minimum of five. The SHGs are generally drawn from the BPL list approved by the Gram Sabha. The SHGs broadly go through three stages of evolution such as group formation, capital formation through the revolving fund and skill development and taking up of economic activity for income generation. Thomas (2003) and concurrent evaluation of SGSY in 14 States indicated that states like Andhra Pradesh, Haryana, Punjab, and Himachal Pradesh performed better on a number of indicators such as average investment, credit-subsidy ratio and utilization of funds.

‘Mission Shakti’ is one among the women welfare oriented programme which was launched by Government of Orissa in March 2001 to organize women into SHGs and empower them through thrift and credit. Till now, nearly 4 lakh women SHGs have been formed in the state involving 44 lakh women to ensure economic development of women. In his study Bibhudatta Nayak (2006: 392) observed that the SHG- Bank linkage programme in KBK
region and the self help movement empowered rural women with dignity, identification, recognition and respect. The male members and other members of the family changed their attitudes towards the women folk with the SHG movement taking off in rural areas. The women were able to come out of the conservative attitudes. They earned the guts to speak to a stranger with much confidence, attend a meeting, address a gathering, put-forth their problems and aspirations before the govt. and non-govt. officials. The rural poor who remained always in the borrowing domain could find themselves with surplus and on lending side. Credit became easily accessible to the members without the rampage of money lenders and hassles at bank. This created a sense of ability and willingness to do something for themselves. Binodini Sethi and H.N. Atibudhi (2001:477-78) in their study on ‘Micro Finance: An Innovative Tool for Banking with the Unbankables: A Study in Kalahandi District, Orissa’, examined the performance of SHGs for microfinance in Kalahandi district. They are of the view that in Orissa State where 87 per cent of the population lives in the rural areas and 47 per cent of the total population is below the poverty line, an informal arrangement for credit to the poor through the self-help groups (SHGs) is fast emerging as a promising tool for promoting income generating enterprises.

1.7 Poverty and Development in Orissa
While planned efforts for development were initiated in 1951, Orissa was a classic example of a totally underdeveloped economy- ‘a severe resource constraint, low per capita income, mass poverty, chronic unemployment, very low level of technology and poor economic organization. The usual vicious circle of poverty causes low productivity which perpetuated itself. This implies a circular constellation of forces tending to act and react upon one another in such a way as to keep in a state of poverty.27 In addition, this high incidence of poverty can also be attributed to the natural calamities such as floods, droughts and cyclones which occur regularly in Orissa. In 1972, Orissa was hit by cyclone that affected the coastal districts. In 1973 floods brought great damages in coastal districts such as Balasore and Mayurbhanj. In 1974-75 a drought of long duration descended on the state. In 1982 and in 1985 floods and cyclones occurred. Again in 1990 heavy flood occurred in South Orissa and hundreds of families suffered a great loss of lives and assets. A super cyclone swept throughout the state on 29 October, 1999. It soon became evident, it was a national calamity, causing damages and 1.5 crore people of Orissa were affected. A series of natural calamities

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not only make the state backward but create and perpetuate unemployment, wastage, and poverty. These are the overall factors which are responsible for persistence of poverty in Orissa.  

Kalahandi experienced massive drought in the years 1954-55, 1965-66, 1974-75, 1985-87, 1992-93 and 1996-97. There is a year of drought in every three or four years. As a result the district remained poor, underdeveloped, there was massive food insecurity, malnutrition and chronic hunger persisted in the district. Besides a long history of drought, the socio-economic traditions following in the society are the main cause behind the class distinction among the people of Kalahandi. The fact that the agricultural products the rural Kalahandi are being controlled by the urban businessmen is one of the causes of social class distinction. Moreover the customs of loan and mortgage in the society are the major sources of exploitation. Certain forms of mortgage like Bandha, Kalantaria, Bandhasaheji, and Katti, and that of labour systems like goti, halia (annual servant, bahabandha and Kalibhuti, thika) etc. have debacle the normal way of peasant life. Along with the drought the problems such as rural unemployment, non-industrialization, growth of population and rapid deforestation are some of the major problems of Kalahandi.

1.8 Rural Poverty Scenario in Orissa

As per the estimates of the District Rural Development Agency (DRDA) the percentage of rural families below the poverty line in the State was 78.70 during 1992. The State has gone through a high wave of poverty and the inter district disparity in poverty was also very high. The severity of poverty in 13 districts of the state. Districts like Kalahandi (86.65), Koraput (87.20), Maurbhanj (90.77), and Phulbani (89.99) show a very high level of poverty in comparison with other developed districts like Balasore (67.32), Sambalpur (67.37), and Cuttack (70.81). Kalahandi district has as many as 1,94,140 families living below the poverty line out of a total of 2,52,726 families as per the 1999 BPL family census. This constitutes 77 per cent of the total number of rural families (NABARD 2000-01). DRDA’s latest 1997 survey shows that the percentage of BPL families in rural areas of Kalahandi district reduced to 62.71 per cent in 1997 as against 85.77 per cent in 1992. Blocks like Madanpur Rampur (80.23 per cent), Kesinga (70.01 per cent) and the two tribal blocks notified by the Integrated Tribal Development Agency (ITDA), i.e., Thuamul Rampur (88.76 per cent) and Langigarh (75.81

per cent) show a very high percentage of rural families below the poverty line. Of these poor families of the district, 19.59 per cent of the households are small farmers, 41.51 per cent were agricultural labourers, 23.83 per cent were marginal farmers, 1.80 per cent were artisans and the remaining 13.15 per cent were of other categories. The Scheduled Castes and Scheduled Tribes together constituted 57.41 per cent of the rural families below the poverty line in 1997.

Though several factors are attributed for lower agricultural productivity in Orissa, many consider skewed distribution of agricultural land, small size of operational holding, high incidence of share tenancy and rural poverty as major impediments to agricultural growth. An analysis of trends in the number of operational holdings and area operated reveals that the number of operational holdings in Orissa has increased substantially from about 30 lakh in 1961 to 42 lakh in 1991 (Orissa State Development Report 2004). During the same period the total operational area has increased from 43 lakh ha to only 48 lakh. Thus, within a span of thirty years there has been 42.6 per cent increase in number of operational holdings which far exceeds the 11.4 percentage increase in operated area. As a result the average area operated per household has decreased from 1.44 ha in 1961 to 1.13 ha in 1991 showing 21.5 per cent decline (SDR 2004).

The size-wise distribution of operational holdings and area operated (Table 1.5) shows that in the year 1991-92, more than eighty per cent of farm operators belonged to marginal farmer and small farmer categories cultivating less than 2 hectares of land. Though they constituted 84 per cent of operational holdings, operated only 52 per cent of total operational area. On the other hand, the large farmers (operating land area more than 4 hectares) constituting only 4 per cent of total holdings cultivated a substantial proportion i.e. 20 per cent of operated area. Thus, in Orissa there is skewed distribution of land area with its concentration in a few hands of big farmers. However, percentage of area operated by large farmers shows a declining trend during the period 1961 to 1991. Moreover, the holdings are fragmented and scattered. Consolidation of holdings has been completed only in some major irrigation commands (SDR 2004).
As regards incidence of tenancy in Orissa, it belongs to the category of high tenancy states in India. In 1991 the percentage of area leased-in to area operated in case of Orissa was 9.5 which was greater than the All-India average of 8.3 per cent. In Orissa, in 1991-92 there were numerically 6.9 lakh tenant holding. They constituted 16.4 per cent of total operational holdings. They leased in 4.5 lakh hectares of land, which was 9.5 per cent of total operational area. Average area leased-in per tenant holding was only 0.65 ha. But incidence of tenancy reveals a declining trend. The proportion of operated area leased-in has decreased from 13.5 per cent in 1970-71 to 9.5 per cent in 1991-92. High incidence of share tenancy with high rents (50% of gross produce), absence of input cost sharing and no security of tenure adversely affects use of yield enhancing inputs and fixed investments in agriculture by the tenants and, thus, acts as a barrier to agricultural development of Orissa (SDR 2004).

### Table 1.5 Distribution of Operational Holdings and Area Operated by Size Class of Land Holdings in Rural Orissa

<table>
<thead>
<tr>
<th>Size Class of Operational Holdings(Ha)</th>
<th>% of Operational Holdings</th>
<th>% of Operated Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1.01</td>
<td>39.42</td>
<td>54.52</td>
</tr>
<tr>
<td>1.01 - 2.00</td>
<td>22.92</td>
<td>25.78</td>
</tr>
<tr>
<td>2.01 - 4.00</td>
<td>19.65</td>
<td>13.90</td>
</tr>
<tr>
<td>4.01 - 10.00</td>
<td>13.66</td>
<td>5.25</td>
</tr>
<tr>
<td>Above 10.00</td>
<td>4.35</td>
<td>0.55</td>
</tr>
<tr>
<td>All Sizes</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>


1.9 Poverty Alleviation in Rural Orissa: Strategy and Programmes

Several poverty alleviation strategies have been initiated, adopted, redesigned and implemented by Government of India over the last sixty years which can be broadly categorized such as institutional reforms majorly land reforms, activation of Panchayati Raj Institutions, empowerment of women and socially disadvantaged classes like SCs and STs, development of resource deficient areas such as the Drought Prone Area Programme (DPAP); and special employment generation programmes including NREGS and safety nets. The Millennium Development Goals (MDGs) set at the UN General Assembly in 2000 aims at a holistic and integrated development of the goals. The first of eight MDGs targets halve the proportion of people whose income is less than $1 a day between 1990 and 2015, and
halve the proportion of people suffering from hunger. Promoting gender equality and women’s empowerment is the third of eight MDGs. It aims at to eliminate gender disparities in primary and secondary education, preferably by 2005, and in all levels of education by 2015. However, it is an intrinsic rather than an instrumental goal, explicitly valued as an end in itself rather than as an instrument for achieving other goals. The Government of India, in its Vision 2020, has proposed knowledge powered village complexes – PURA (Provision of urban amenities in rural areas) for effective planning and implementation of rural development programmes with people’s participation which will lead to inclusive rural development. However, to bring about inclusive rural development, with people’s participation the growth impulses need to be structured and built up at the village clusters. National Rural Health Mission (NRHM) has been launched by the Centre in April 2005 throughout the country. Population stabilization is an objective and provides a thrust for reduction of child and maternal mortality and reduces the fertility rates.

The slow rate of poverty reduction in Orissa is attributed to inherent problems and the state government had undertaken several measures to reduce poverty, which is particularly high in the southern parts. The schemes to reduce poverty are Swarnajayanti Gram Swarozgar Yojana (SGSY), Sampurna Gramin Rojgar Yojana (SGRY), National Rural Employment Guarantee scheme (NREGS), Gopabandhu Gramin Yojana, rehabilitation of bonded labourers, drought prone area programme among others. A new scheme ‘Jeevika’ has been launched under Watershed Mission in six tribal districts of the state. In order to provide basic amenities like electricity, water and road to backward districts like Kandhamal and Gajapati, a scheme call in the name of ‘Biju Kandhamal-Gajapati Yojana’ has been launched in the line of ‘Biju KBK Yojana’. Biju Gramayoti Yojana has been launched to provide electricity to village/habitation with less than 100 population. Government has started schemes like ‘Mo Kudia’ and ‘Madhubabu Pension Yojana’ for the poor people of the state from its own resources. Mission Shakti as a campaign for holistic empowerment of women was launched in March, 2001 with the target to form one lakh Women Self Help Groups (WSHGs) by March, 2005. Nearly 4 lakh women Self Help Groups have been formed involving 44 lakh women to ensure economic development of women. Orissa Tribal Empowerment and Livelihood Programme (OTELP) has been implemented in the state in the year 2004 with the objective to improve quality of life of the poor tribal’s in remote pockets through livelihood support and food security by sustainable exploitation of the natural resources available with them.
In spite of a large number of well-designed schemes and programmes to alleviate poverty in India with specific reference to Orissa; it has limited impact in transforming the lives of people. The benefit of the growth has not really trickled down to the poor. Experience with anti-poverty programmes has reaveled the existence of a category of people among the poor who are likely to have benefited the least and suffered the most from contemporary development efforts and for whom emergence from poverty is difficult. Such people are likely to be chronically poor, i.e., they have been poor over a long period. Chronic poverty poses a major challenge to development planners, as it is more intense due to its long duration and multidimensionality (Hulme et.al., 2001 cited in P.V. Thomas 2003, p.307).

1.10 Context of the Study:
Self-help groups emerged as an alternative development strategy to promote the common interest of the weak and the vulnerable sections of the society. As per the studies on SHG-based micro credit programmes in India, the impact of micro credit on poverty is positive and all encompassing. Studies of the impact of microcredit in societies where women have traditionally been excluded from the cash economy have found that women's access to credit led to a number of positive changes in women's own perceptions of themselves, and their role in household decision making (Kabeer 2001). It also led to a long term reduction in domestic violence, as well as an increase in women's assets. However, a group of critics cite the evidence that micro credit benefits only the better-off poor, leading to increasing economic inequalities. Against this backdrop, the present study would like to examine whether the microfinance based SHG programmes really benefits the chronic poor/vulnerable sections or the middle peasant women who are educated, better-off poor and have political influences in the villages of Kalahandi district. Here, we would like to bring into notice, the balance in the structural arrangements within SHG because of which it has not able to serve the purpose of its being. An attempt is made to measure the impact of SHG-based approach on thrift, income generation, asset creation, improvement of health and education and finally poverty alleviation among the beneficiaries in a sustainable manner. Further, we would like to evaluate the strengths and weakness of SHGs and their linkage with banks and funding agencies. As the incidence of poverty is high in Thummul Rampur, the tribal dominated block of Kalahandi district, Orissa, it is intended to test the prerequisites for the efficacy of SHG-based poverty alleviation strategy in the region. Along with the various poverty alleviation

schemes, SHG-based approach has also been implemented in this region since 1992. The study might be useful in exploring the vulnerabilities the poor suffer from and help at the policy level in designing alternative poverty alleviation programmes for the region. This has motivated to take Kalahandi district as the sample study area.

1.11 Objective of the Study:

The objective of the study is to examine the structural arrangement of SHGs, their functioning, credit disbursal system and the socio-economic ties among the group members. The present study would have the following objectives.

- To find out the social background of the beneficiaries.
- To examine the effectiveness of SHGs with regard to the following:
  a. Generating employment
  b. Indebtedness reduction
  c. Asset creation, and
  d. Level of independence/autonomy through generating awareness
- To examine the micro-credit requirements particularly of the disadvantaged groups like the Scheduled Tribes (STs), the Scheduled Castes (SCs), and women.
- To evaluate the performance of SHG formed by NGOs and SGSY assisted Groups in undertaking income generating activities and micro enterprises.
- To assess the role of SHGs in enhancing the health and educational status of women at village level.
- To analyse the impact women SHGs have made in ‘local politics’ in terms of influencing decision making at the Gram Sabha and Gram Panchayat level.

1.12 The Research Questions

Given the context of the study, the present work is organized around the following research questions:

i. What are the best practices in the context of moving out of poverty through WSHGs?
ii. What are the patterns of social composition of the women self help groups?
iii. In what way SHGs are different from the rural cooperatives?
iv. Does the microfinance programme really help the chronic poor in escaping poverty?
v. Is SHG based micro finance the single most useful weapon against rural poverty and key to development? If yes, what are the pre-requisites for its efficacy?
vii. What role have WSHGs played in local politics? Whether the SHG member’s elected as women representatives in village panchayats have been effective?

1.13 Profile of the Study Area

Thuamul Rampur block which is one of the most backward region of Kalahandi district. This area is notified by the Integrated Development Agency (ITDA) as the tribal dominated block of the district. As per the 2001 Census, about 38.4 per cent people of KBK districts belong to the Scheduled Tribes (STs) including four primitive tribal groups (PTG). The sample villages comes under the tribal dominated block of Thuamul Rampur which has been declared by the forest division of Kalahandi as the as the reserved forest region. The villages in the block are situated in the hilly remote location with sparsely population. According to Census of Orissa 2001 estimation,
total households of Thuamul Rampur is 16,299 and the total population is 65,767. The percentage of non-workers are 49.0% in the region which exceeds that of the main workers (31.0%) and marginal workers (21.0%). Scheduled Tribe population (58.0%) which constitute a considerable proportion of the population of Thuamul Rampur. This proportion is two times higher than the tribal population of Kalahandi as a whole. Scheduled Castes constitute 26% of the population which is one and half times higher than the SC population of the district as a whole. The sex ratio of the region is 1025 females per 1000 males, which is higher than the sex ratio of the district i.e. 1001 female per 1000 males. The sex ratio in 0-6 years is 1035 which is again higher than the sex ratio of the district i.e., 984. The region has a very low literacy rate of 28%. people being literate.

Table 1.6 Profile of the Sample Villages

<table>
<thead>
<tr>
<th>Villages under Thuamul Rampur</th>
<th>Development Institutions functioning in the village</th>
<th>Facilities available in the Village</th>
<th>Caste/Tribe</th>
<th>Difficulty in accessing the village</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kirkicha</td>
<td>Antodaya NGO, VDCs, Self Help Groups(SHGs)</td>
<td>Primary school under DPEP, AWC, Sanitary Well</td>
<td>Kandh-paraja Tribes(PTG), Damba(SC)</td>
<td>Kachcha road to the village constructed through M.L.A Fund earlier, now in broken condition. Villagers are more exposed to malarial attacks, malnutrition.</td>
</tr>
<tr>
<td>Madangaguda</td>
<td>Gram Vikas NGO Branch Office, VDCs, SHGs</td>
<td>Anandamaya Primary School under EGS Centre, Grain Bank, AWC, Community Water tank, Sanitary Toilets and Bathroom, Drainage constructed under Rural Health and Environment Programme, Pucca houses under Rural Housing Development Scheme</td>
<td>Kondh-paraja Tribes(PTG)</td>
<td>Kachcha road to the village in bad and broken condition.</td>
</tr>
<tr>
<td>Ran Pur</td>
<td>Paribartan NGO Field Resource Centre at Balisara, Village Level Sub-Committee(VLSC), WSHGs</td>
<td>AWC, Primary School, Hand Pump</td>
<td>Kondh-paraja Tribes(PTG), Damba(SC)</td>
<td>Kachcha road, accessible.</td>
</tr>
</tbody>
</table>
1.14 Methodology

The present study reflects the sociological analysis of economic life of people; chronic poverty and dynamics of poverty (escape/stay in poverty). The development of a sociological analysis of economic phenomena was a central concern of classical sociologists such as Karl Marx, Max Weber and Emile Durkheim and George Simmel. The term 'economic sociology' appeared in the works of Durkheim and Weber during the years 1890–1920 (sociologie économique, Wirtschaftssoziologie). During these decades, the classical economic sociology is born, as exemplified by such works as The Division of Labor in Society (1893) by Durkheim, The Philosophy of Money (1900) by Simmel, and Economy and Society (produced 1908–20) by Weber. Max, Weber and Durkheim asserted the social nature of economic life, and the notion that the economy is asocial system continues to be central to all forms of economic sociology. They considered the links between the economy and the rest of society. George Simmel, particularly in his book Philosophy of Money, was important in the early development of economic sociology, as was Emile Durkheim through Division of labour.

However, sociological attention to economic phenomena declined during the twentieth century, until the revival of Marxist and Weberian Sociology in the 1970s and the development from the 1980s onwards which is known as new economic sociology (NES). Sociologists such as Karl Polanyi, M. Granovetter, Harrison White, Richard Swedberg and N. Smelser have developed an approach to economic sociology, sometimes referred to as the "new sociology of economic life." This approach attempts to analyze core economic problems, as opposed to the problems traditionally left over by the economists for the sociologists to solve. Today's sociologists have done important work, particularly on the role of networks in the economy, on the structure of economic organizations, and on the role of culture in economic life.

Sociological theories on poverty can be traced back to the structural functional theory which advocates poverty and inequality serves a specific function in society; where as the conflict theory views that conflict between the two groups causes change in society. Oscar Lewis
(1961) theory on ‘culture of poverty’ distinguishes between ‘poverty per se’ and ‘culture’ or more accurately ‘sub-culture’ which is trans-generational in nature. It is often argued that the poor create distinctive patterns of behaviour and belief, notably a fatalistic acceptance of being poor and an inability to do anything that might help them to lift them out of poverty. This condition is disabling and ensures that the poor remain in poverty. It is also reproduced over the generations in a life cycle of deprivation, whereby children from poor or deprived families are socialized by their parents into the culture and grow up to be poor too. The most celebrated work of Gunnar Myrdal’s (1968) Asian Drama explains mass poverty in the Third World through cultural anthropology. Andre Gunder Frank’s (1969) Dependency theory stresses that the socio-economic conditions of the Third World can only be explained in terms of an analysis of the global hierarchy of capitalism, of which functional whole individual societies -both developed (metropoles) and underdeveloped (satellites) - are but integral parts. Emanuel Wallerstein’s (1974) World-System theory is essentially similar to the approach of Dependency theory. Wallerstein defined capitalism as ‘production for sale in a market in which the object is to realize the maximum profit’. Samir Amin’s (1976) work completed that of Frank and Wallerstein because he attempts to clarify some of the mechanisms whereby surpluses were transferred to the core from the periphery. Amartya Sen’s capability approach describes poverty as a lack of capabilities, both intrinsic and instrumental (e.g. income, education, health, human rights, civil rights etc.) that permits people to achieve functionings (the things they want to do) and beings (the states of existence they want to experience).

The methodology used for the study on dynamics of poverty and role of WSHGs in the context of Kalahandi were based on a) review of existing literature pertaining to theories on sociology of economic life, chronic poverty and dynamics of poverty from an interdisciplinary perspective and b) field visits carried out through interview schedule and village information schedule followed by Focus Group Discussion (FGD). The survey of literature includes a brief introduction of poverty analysis, selected literature on dynamics of poverty and measures taken by the district administration and government of Orissa in alleviating poverty in Kalahandi district. To overcome understatement and overstatement of population regarding their day-to-day experience about poverty and underdeveloped condition, FGD was carried out at various levels in the study area. At the district and block level, data was collected from Government Agencies from DRDA’s, ITDA, NGOs, Bank Managers of Kalahandi Anchalika Gramya Bank, Bhawanipatna and Gunpur Gramya bank about the SHG based intervention in Thuamul Rampur villages and their experience and approach to SHG promotion. At the village level the available group records were reviewed and the respective
group members were interviewed about the thrift and credit aspects; income generating activities undertaken by various SHGs, participation of the members in the group meetings, drop outs, the pattern of loan repayments, dealing with the default borrowers; the collective and organizational efforts in resolving social issues and community problems; status of women in the household after joining SHGs, impact of SHG on income, asset creation, education and health and the role SHG members play at the Gram Sabha/Ward convention meetings; whether having elected women representatives at the Gram Panchayat level.

In its second step, the study intended to analyze the impact of SHGs on rural poverty in Kalahandi and employed a case study approach to observe successful and not successful cases of Self Help Groups in the sample villages. Thus, the study was carried out with descriptive and diagnostic research design. The universe of the study was Thuamul Rampur block in Kalahandi district where the SHGs are operating to uplift the rural poor and women and to enhance their socio-economic status with collaboration to the funding agencies and the cooperative societies. Unit of study for the present research were the SHGs and its beneficiaries, the facilitators or promoters of SHGs in these villages.

1.14.1 Sample Design
For this study, samples were selected through purposive sampling method. The study covers 9 WSHGs in 6 villages and 63 SHG beneficiaries of Thuamul Rampur. The area was selected, taking into account a number of NGOs as SHPAs who are working in these tribal villages of Thuamul Rampur. The sample selection was guided by the criteria that SHGs should be rural, all women groups, usually have had bank savings accounts for at least five years, with some external borrowings either from the Gramya banks (rural banks) or MFI intermediary and have been promoted by different SHPAs - NGOs, banks and government agencies, include tribal and Scheduled caste SHGs and the SGSY groups. It was ensured that the sample self-help groups were at least 5 years old by the time of study so that the social economic impact of SHG Bank linkage programme would be saturated.

1.14.2 Group discussions and interviews
Focused Group Discussions (FGDs) and review of records were carried out with 9 sample SHGs. The FGDs were conducted with SHPA field staff, secretary of watershed Department, social activist, local folklorist and nearly 50 key informants Sarpanch, Ward member, village secretary, school teacher, youths in the village; husbands of SHG members, also individual SHG members, non-members and dropouts and SHG members who were elected to the gram panchayat.

1.14.3 Data collection:
For collecting the data, methodological triangulation or multiple methods of social enquiry was adopted. Observation method and interview with the key informants was applied as the tools to carry out the research. The criteria for identifying the villages is mainly geographical diversity, SHG comprising of SCs & STs and women, SHGs of different maturity and availability of SHGs formed by different SHPAs. As a first step a pilot study was conducted in Thuamul Rampur block of Kalahandi district during January 2008 and a number of field staffs of SHPAs, Bank officers, social activists and organizations working as facilitators were consulted. Two schedules were used for data collection. The first one known as ‘SHG Household Interview Schedule. This schedule was further divided into two parts. The first part of the schedule was designed to administer to get the information about socio-demographic particulars of the household; trend of migration of the family members in search of jobs etc(if any); education, health status of household; food security, monthly income of the household, assets owned, basic infrastructure, number of man-days the household members worked in various development schemes and programmes implemented in their locality, different sources of availing loans and finally the expenditure of the households per month. The second part of the schedule was the ‘SHG-Membership schedule’ administered to all the members of the SHGs with the objective of obtaining information on the general background, rules, members and functioning of the group, decision making, role of SHGs in resolving community problems, participation and empowerment of the SHG members, status of women in the household, occupation of the respondents, credit and income generating activities, loan repayment status and participation of SHG members in the Gram Sabha. The second, ‘Village Information Schedule’ was used to conduct focus group discussions at the village level with the key respondents on the occupational profile of the villagers, distance to selected important places from the village, basic facilities available in the village, health aspects, wage employment from various schemes, different sources of availing credit, opinion of villagers about the SHG based activities, poverty questions.

Data was collection was done during April-July, 2008.

1.14.4 Data analysis
A combination of methods has been applied in analyzing the data that was collected during the field visits. Data both from interviews and FGDs has been entered into Excel spreadsheets and SPSS and tabulated by different variables (SHPAs, SHGs, villages, Social groups, SHG members, distribution of SHG members according to age, education, Caste/Tribe wise distribution drop-outs, sources of credit, micro-credit and income generation, collective and organizational efforts in resolving social issues and community
problems; empowerment index, wealth ranking, status of women in the household, impact of SHGs on income, asset creation, improvement in education and health; participation of SHG Members at the Gram Sabha and finally level of sustainability of the different SHGs. Average annual income of the household is calculated by dividing the total income of the household by size of the household. Monthly Per Capita Expenditure (MPCE) analysis is made by dividing total expenditure from different items of a particular household by size of the household. Data was collected for Monthly expenditure such as food items, Clothing, footwear, personal care, Health, Education for children, Transportation, Kerosene/LPG/Fuel wood/Diesel/(domestic)/Other, Entertainment, Consumer durables, Cigarette/Beedi/tobacco/alcohol etc. The cut off points for various category of poor has been adopted from Shah et.al (2006)\(^{30}\) on consumption expenditure and poverty estimates. The estimates of incidence of poverty are based on the official poverty line. In 1999-00, the poverty line in terms of per capita monthly expenditure (MPCE) for rural Orissa was Rs. 300 (Deaton 2003). According to some scholars, this is on a higher side since the actual price of staple food grains paid by the rural households in Orissa is likely to be lower than the price considered for defining poverty line (Panda 2003). Thus, instead of inflating the poverty line of 1999-00 to apply it to the consumption expenditure data of 2004, MPCE – Rs. 300 has been used to identify the poor. Thus, the four way of categorization of poor refers to those having MPCE > 50 per cent, 25-50 per cent, and < 25 per cent below the poverty line and the group above the poverty line. These four categories of poor are termed as severe poor, medium poor, moderate poor, and non-poor respectively.

Household Wealth index is prepared by taking reference from NFHS-3, India, 2005-06 which is based on 33 assets and housing characteristics.

- **The Household Wealth Index** is based on the following living and physical assets and housing characteristics which is clubbed under: the livestock owned by the households i.e., the living assets( cow, goat, ox, sheep, buffalo etc.); ownership of agricultural land( both irrigated and non-irrigated), household electrification/ lighting facility; type of toilet facility; source of drinking water; cooking fuel, ownership and structure of the house with roofing (kachha, semi-pucca & pucca houses); and ownership of items such as cot, table, chair, steel glass, wooden hanger, almirah, clock or watch, radio, a bicycle, sewing machine, ploughing machine etc.
- Combines this information into a single wealth index, using a scientific method of assigning weights to individual components.
- Household population is divided into 3 categories by summing and the range is minimum 2 and maximum 16 (Low Wealth Index, poorest thru 5=1) (6 thru 8 as Medium Index=2) (9 thru High Wealth Index, wealthiest=3).

Empowerment Index is prepared to find out how participation in the SHG activities has led to empowerment of the SCs, STs women members in the sample villages. This index is calculated by referring to similar kind composite empowerment index prepared by Hashemi et.al (1996). In their ethnographic study and quantitative survey, the authors investigated the change of women empowerment among the programme participants with the impact of Grameen Bank in Bangladesh. They created an empowerment indicator built on the following eight indicators.

- The empowerment Index has been prepared by observing the changes that has occurred among the beneficiaries after becoming a member of the SHGs. These changes are classified into the following skills/abilities such as Freely & frankly speaking in the SHG meetings, Teaching/training someone else, Speaking during public meetings, Presenting cultural programmes in public meetings, Taking leadership positions in the SHG, writing minutes of SHG meetings, Keeping the accounts of SHG, Performing the bank transactions, Going to government office/police station and Talking to government officials/police.
- Combines this information into a single Wealth index, using a scientific method of assigning weights to individual components.
- Frequency of variables are run to do the social rank/order analysis and the range is minimum 14 and maximum 50, and finally the social rank has been categorized into 3 categories( Low Empowerment Index, Lowest thru 30 = 1), (Medium Empowerment Index 31 thru 44 = 2) and (High Empowerment Index, 45 thru Highest = 3).

1.15 Limitations of the Study
Sample Size in proportion to the target number of villages may not be representative. Secondary data is based on 2001 census. Availability of systematic data on all aspects of SHG Bank linkage programme at district and bank level was a constraint. The surveyed villages under Thuamul Rampur block are located in hilly terrain and majorly inhabited by Kandh tribe. There was difficulty in accessing the villages. The spoken language of Kandh tribe is 'Kui', hence it was difficult to understand their language and had to take assistance from the local school teachers, members from the tribal community, SHPA field staffs to interact with the respondents. However, other than the Kandh tribe, respondents those who belong to SCs could speak in proper Oriya.

1.16 Scheme of Chapterization
Chapter one begins with a brief introduction on global poverty scenario; the dimensions and estimates of poverty and the profiles of the poor in India. The poverty and development scenario in Orissa has been discussed in the length of the chapter. The gender dimension of poverty and SHG approach has been the main focus of the study. The later part of the chapter is devoted to discuss the major objectives of the study followed by hypothesis, methodology, sampling and profile of the study area.
Chapter two starts with the broader interpretation of theory, concepts and approaches pertaining to poverty and social exclusion. A systematic study has been done to highlight the major theories of poverty such as the culture of poverty, vicious circle of poverty, neo-Marxist dependency theory, theories on sociology of economic life, poverty dynamics and finally chronic poverty and social mobility from an interdisciplinary perspective.

Chapter three reviews the study on Indian poverty; measures of poverty and critically reflects incidence, trends, spatial distribution and vulnerable groups. This chapter describes Human Development paradigm and multidimensional indicators of poverty of India and Orissa. Further, it sets the scenario of Poverty of Kalahandi District and also deals with socio-economic profile of Orissa as well as Human development in the state. Finally, an effort is made to assess the overall impact of the major poverty alleviation programmes implemented in the state.

Chapter four outlines how poverty eradication has been brought into the state’s agenda in various successive five year plans and identifies the causes of failure to eradicate poverty in India and Orissa. Here an attempt is made to trace the emergence of Self Help Groups (SHGs) as an alternative to institutional credit and the role of Micro Finance Institutions (MFIs) in alleviating poverty and empowering the weaker sections of rural society. The successful practices of microcredit and saving groups such as Grameen Bank model in Bangladesh, SEWA in Gujarat, Velugu in Andhra Pradesh and Kudumbashree in Kerala, Mission Shakti in Orissa etc. have been documented to get lessons or experiences of innovative approaches in livelihood generation and poverty alleviation through people’s participation in different parts of the country and from Kalahandi district of Orissa in particular.

Chapter five presents the field research findings about the effectiveness of SHG based microfinance programmes in alleviating poverty and empowering the rural women beneficiaries in the sample villages of Thuamul Rampur block. The chapter highlights the impact of SHG on income, asset creation, education and health and the role SHGs in ‘local politics’ in terms of influencing decision making at the Gram Sabha and Gram Panchayat level.

Chapter six deals with the best practices in SHG institutions and the role of the financial institutions as facilitators which are major components of the SHGs. These may be in the form of non-governmental organizations, government bodies like the DRDA, and the Gramya bank which are operating in the region. In this chapter, efforts have been made to highlight
the role of NGOs in microfinance based poverty alleviation; the perception of the facilitators has been gathered through focus group discussion and issues and challenges of the villagers observed through group discussion at village level and finally a few cases of successful SHGs have been documented those who belong to different castes/tribe and availed loans from the respective SHGs and from the Gramya Banks for undertaking income generating activities.

Chapter seven critically analyses the role of WSHGs in poverty alleviation based on the field research findings, ground realities and observations. The emerging issues and the recommendations based on the findings have also been incorporated.