Chapter - I

Dimensions of Rural Poverty in India
CHAPTER I

DIMENSIONS OF RURAL POVERTY IN INDIA

1.1 Introduction

Agriculture continues to be the primary sector of the Indian economy even after more than four decades of planned development. Three fourths of the India's population lives in rural areas and earns its livelihood through agricultural and allied occupations. Rapid growth of population coupled with slow growth of non-agricultural sector led to excessive dependence on agriculture. Indian agriculture is still a gamble of monsoons as three fourths of its net area sown is depending on rainfall which is very often uncertain, unevenly spread and deficient to meet the requirement of crop growth resulting in instability in agricultural production and mounting seasonal unemployment and underemployment. Due to rapid growth of population, the number of cultivators and agricultural labourers has been increasing at an alarming rate. The average per capita size of holding has been declining leading to increase in the number of small and marginal holdings. There has been spectacular rise in the number of agricultural labourers without any asset base purely depending on wage employment in agriculture. As a consequence of industrialisation, almost all the rural artisans have lost their jobs and joined the ranks of rural labour. The low wages, seasonal unemployment and underemployment push these unfortunate sections into the vicious circle of poverty, unemployment and indebtedness.

After India got independence and started on five-year plans, the expectation was that with rapid industrialisation, surplus rural labour would be absorbed in non-agricultural activities and automatically benefit from agricultural growth. Combined with land reforms, occupation of the commanding heights of the economy by the State, and rapid expansion of education and health facilities, this structural modification was
also expected to raise the levels of income and consumption standards of agriculturists. Reduction of income disparities and full employment were expected to be achieved in ample measure in the course of acceleration of output growth\(^1\).

Economic growth by itself does not lead to a proportionate increase in employment opportunities for those sections of the working population who do not have access to assets. Secondly, economic growth does not lead to an improvement in the standard of living of the disadvantaged sections of society. Economic growth is not a sufficient condition for ensuring the improvement of consumption levels and the employment status of the under-privileged in a poor country. Growth of an enclave variety, by which we mean growth concentrated in space (say mainly in large metropolitan towns) or in selected sectors (say mainly of export goods and/or of luxury goods consumption), would by itself not lead to employment and income generation for the relatively poorer sections of the society. With a rate of growth of around 3.5 per cent compound per annum, the Indian economy has not been able to create any appreciable impact on either the employment levels of the poorer sections or their standard of living\(^2\).

Agriculture has been the main occupation for bulk of its workforce in India. According to 1991 census, the agricultural sector provides employment to about 65 per cent of the total working population. In the absence of corresponding increase in the employment in the urban non-farm sector, there is surplus manpower available in the rural areas. In spite of high rate of agricultural growth, agricultural sector has failed to generate additional employment opportunities. This has led to widespread unemployment and underemployment increasing intensity of poverty and indebtedness.

There has been rapid increase in the number of agricultural labourers, most of them do not possess any land or other assets and purely depend on wage employment in agriculture. The number of workers has increased from 139.42 million in 1951 to 285.42 million in 1991 registering an increase of 104.72 per cent. The number of
agricultural labourers has increased from 27.50 million to 74.65 million accounting for an increase of 171.45 per cent. This shows that the increase in the number of agricultural labourers was more marked than the workers. The percentage of agricultural labourers was 19.72 per cent in 1951 as against 26.15 per cent in 1991. The percentage of agricultural labourers to agricultural workers has been 28.28 per cent in 1951 and it has increased to 40.30 per cent in 1991.

Thus the agricultural sector has been overburdened with surplus manpower. The vagaries of monsoons and protective irrigation covering only 30 per cent of the cultivated area, there is continuous increase in the unemployment in rural areas. The rural labourers are usually employed during the peak agricultural seasons and remain unemployed for a significant part of the year. During the lean period, they are forced to depend on the employer cultivator to meet their basic needs of subsistence which pushes them into the debt trap. Due to higher incidence of unemployment and consequently poverty, there is a large scale migration to urban areas in search of employment. Most of the migrants, being uneducated and unskilled, create large pressure on urban employment resulting in overcrowding and development of slums and create the problem of sanitation, water supply, drainage, etc., in urban areas. Moreover, the modern sector is not in a position to absorb the large army of unskilled workers because they require technical and skilled manpower. This large scale migration of unskilled workers into urban areas intensified the urban poverty.

Keeping in view the various dimensions of rapid growth of population, growing incidence of poverty and unemployment in rural areas, priority was given in India’s Five Year Plans for the removal of poverty and unemployment. India’s First Five Year Plan, based on Harrod-Domar’s model, emphasised that capital accumulation would generate adequate employment opportunities and absorb the surplus labour in agriculture into the modern sector. The Second and Third Five Year Plans based on Mahalanobis’ model
laid a great stress on capital accumulation and according to Mahalonobis, the rate of capital accumulation depends on the capacity of the economy to produce capital goods. Hence priority was given to basic and heavy industries so as to achieve a high growth rate of output and employment. Mahalonobis later realised that the basic and heavy industries could not generate employment opportunities as expected, and he extended his model to four sectors which include the household and small sector, keeping the basic heavy industries sector intact. The household and small sector being mostly labour intensive was expected to create a good amount of employment opportunities. Due to inadequate resources and lack of capacity of this sector to compete with the large scale industries, the household and small sector could achieve low growth rate of output and employment.

Inspite of the considerable rate of increase in capital accumulation and significant industrial growth, the generation of employment opportunities has been inadequate. According to the Economic Survey (1990-91), the organised manufacturing sector could provide employment to about 6.24 million workers in 1989 as against 2.98 million in 1951. A close examination of India's development approach reveals that there has been neglect of the suitable choice of technology. Capital accumulation has taken place with a high rate of labour saving technology. Increasingly capital intensive technology imported from abroad and quite unsuited to the factor endowment of labour surplus economy has been used in Indian industry resulting in low absorption of labour. In addition, capital intensive modern industries destroyed employment in the traditional household industries. The Government had no control or had not directed the pattern of industrial growth in the private sector. The private sector entered into a wide range of consumer goods industries and also drove away many of the traditional industries by producing their products or substitutes with modern technology. This hi-tech industrial development claimed the lion's share of the resources and of the markets.... The new capital intensive industrialisation could absorb only a small part of the labour force.
The adoption of capital intensive technology creates high profit-wage ratio and thereby accentuates income inequalities. These income inequalities create a demand pattern oriented towards consumer durables and luxuries which are again produced by the use of capital intensive techniques. This again restricts labour absorption in the manufacturing sector. Thus the use of capital intensive techniques gives rise to a vicious circle which causes slow growth of direct as well as indirect employment through its effect on the demand pattern.

The development strategy in India's Five Year Plans has visualised that the industrial growth would absorb surplus labour in the agricultural sector. On the contrary, it cannot even absorb the labour available in the urban sector which is evident from the fact that the total employment in the organised manufacturing sector which was about 3 million in 1951 rose to 6.25 million in 1989 and there was an increase of only 3.25 million in 38 years of planned industrial development. But the labour force has increased by over 15 million during the same period.

Increase of employment in the agricultural sector depends upon agricultural growth which in turn depends upon various factors like irrigation, cropping pattern, cropping intensity, adoption of HYV technology, mechanisation, etc. The growth in the gross cropped area with adequate irrigation facility would generate farm employment. HYV technology is assumed to have favourable impact on agricultural employment while mechanisation of certain operations are observed to have labour displacement effect. In states like Punjab and Haryana, indiscriminate use of mechanisation has led to sharp fall in the employment. Agricultural growth is irrigation oriented and high agricultural growth is achieved in areas endowed with assured irrigation which covers only 30 per cent of India's cultivated area. Several studies concluded that despite of high agricultural growth, there was little growth in agricultural employment which was mostly due to labour saving technologies adopted in agricultural production.
Thus failure of capital intensive industrial growth, factor-price distortions, production of capital intensive luxury goods instead of mass consumption goods, slow expansion of irrigation facilities, indiscriminate mechanisation of agricultural operations, failure of institutional reforms like land reforms and tenancy reforms have led to the growth of unemployment and underemployment, income inequalities, regional imbalances and accentuated the incidence of poverty, particularly in rural areas.

1.2 The Concept and Measurement of Poverty

Poverty is a multi-dimensional concept. Poverty is not the same as inequality. Whereas poverty is concerned with the absolute standard of living of a part of the society - the poor - inequality refers to relative living standards across the whole society. At maximum, inequality one person has everything and clearly, poverty is high. But minimum inequality (where all are equal) is possible with zero poverty (where no one is poor) as well as with maximum poverty (where all are poor). The World Development Report, 1990, defines poverty as the inability to attain a minimal standard of living\(^3\).

There are two broad concepts of poverty: relative poverty and absolute poverty. While relative poverty is measured in terms of inequality in the distribution of income, absolute poverty is reckoned in terms of some kind of notion of subsistence considered appropriate to the circumstances of the country (or group of countries) concerned. In developing countries where incomes are low, absolute poverty is generally reflected mainly in inadequacy of food intake and the consequent undernourishment on a mass scale, though the definition of subsistence appropriate to such countries might (in fact should) also include essential minimum needs such as clothing, housing, fuel, light, education, health, etc\(^4\). Thus any measure of relative poverty is, therefore, inextricably embedded in the measure of inequality, whereas a measure of absolute poverty primarily depends on an exogenously determined standard of poverty line which represents a socially acceptable minimum level of living\(^5\).
According to Sen (1990), Poverty as a concept is closely related to inequality. Given the average income level, a higher level of inequality (reflected by the usual measures) will tend to be associated with a higher level of poverty. Furthermore, the so-called 'Poverty line' may sometimes be drawn in the light of the socially accepted minimal standard of living and the latter can be influenced by the average income level, so that poverty measure, thus defined, may catch an aspect of relative inequality as well. Dandekar and Rath defined poverty as an adequate level of employment in terms of its capacity to provide minimum living to the population.

According to Rowntree (1989), 'a family' was considered to be living in poverty if its total earnings were insufficient to obtain the minimum necessaries for the maintainance of merely physical efficiency. According to Townsend (1970), Poverty must be regarded as a general form of relative deprivation which is the effect of the maldistribution of the resources: and that section of the population where resources are so depressed from the mean as to be deprived of enjoying the benefits and participating in the activities which are customary in that society can be said to be in poverty.

Martin Rein (1970) evolved three concepts of poverty. According to him, poverty can be defined as subsistence, inequality and externality. Subsistence is concerned with the minimum provisions needed to maintain health and working capacity. Inequality is concerned with the relative position of the income groups to each other. The concept of poverty must be seen in the context of society as a whole. Externality is concerned with the social consequence of poverty for the rest of the society rather than in terms of the needs of the poor.

Wedderburn (1974) stated poverty as the lack of resources to obtain the types of diets, participation in the activities and having the living conditions and amenities which are customary and approved in the society in which the concerned people live. Wedderburn further stated that poverty is more than inequality, the poor undoubtedly...
receive an unequal share of resources and any explanation of this fact must be related to the larger explanation of social inequality in general.\textsuperscript{11}

Bhatty (1974) stated that both absolute and relative poverty are closely aligned to inequality in income distribution. Relative poverty arises entirely as a consequence of an unequal distribution of income irrespective of what the income level of the people at the bottom end of the income scale might be. Absolute poverty, on the other hand, expresses a collective view as deprivation in its some what physical manifestation.\textsuperscript{12}

According to Atkinson (1975), poverty line is necessarily defined in relation to social conventions and the contemporary living standards of a particular society and in this way somebody in the United States may be adjudged poor even though he has higher income than the average person in India.\textsuperscript{13}

Kurian (1978) has regarded poverty as the socio-economic phenomenon whereby the resources available to society are used to satisfy the wants of the few while the many do not have even their basic needs met.\textsuperscript{14}

Thimmaiah (1983) has stated that like inequality, poverty is a relative concept. Poverty refers to the inadequacy of income to meet the basic necessities of life. Some value judgements are involved in determining what is minimum and what is not. The basic minimum requirements for a minimum level of living may differ from place to place, from time to time and from group to group. Therefore poverty is time-specific, place-specific and socio-culture specific. Because of these reasons, there cannot be one minimum level of income which can be covered essentials for the people all over the world. Moreover, such minimum may change overtime as the societies' conception of minimum standard of living changes consequent on rapid development.\textsuperscript{15}
The World Development Report (1990) remarked that the perception of poverty has evolved historically and varies tremendously from culture to culture. Criteria for distinguishing poor from non-poor tend to reflect specific national priorities and normative concepts of welfare and rights. In general, as countries become wealthier, their perception of the acceptable minimum level of consumption - the poverty line - changes.

Amartya Sen (1981) has pointed out that traditionally, measurement of poverty is done very simply by just counting the number or the poor and then expressing poverty as the ratio of the number of poor to the total number of people in the community in question. This 'head-count measure' - H for short - has at least two serious drawbacks. First, H takes no account of the extent of the shortfall of incomes of the poor from the poverty line: a reduction in the incomes of all the poor without affecting the incomes of the rich will leave this head-count measure completely unchanged. Second, it is insensitive to the distribution of income among the poor; in particular, no transfer of income from a poor person to one who is richer can increase this head-count measure. Both these defects make the measure H, which is by far the most widely used measure, quite unacceptable as an indicator of poverty, and the conception of poverty that lies implicit in it seems eminently questionable.

The biological approach has come under rather intense fire recently. There are indeed several problems with its use. First, there are significant variations related to physical features, climatic conditions and work habits. In fact, even for a specific group in a specific region, nutritional requirements are difficult to define precisely. There is inherent arbitrariness in drawing a line to represent minimum nutritional requirements. The translation of minimum nutritional requirements into minimum food requirements depends on the choice of commodities. The actual incomes of which specified nutritional requirements are met will depend greatly on the consumption habits of the
people in question. For non-food items, such minimum requirements are not easy to specify and the problem can be solved by assuming that a specified proportion of total income will be spent on food which generally varies not only with habits and culture but also with relative prices and availability of goods and services.

Sen (1981)\textsuperscript{18} endorsed the view of Martin Rein that almost every procedure in the subsistence level definition of poverty can be reasonably challenged. Though the procedures of biological approach can be challenged, according to Sen, there does remain something. According to Sen, firstly, the concept of nutritional requirements is rather a loose one and there is no particular reason to suppose that the concept of poverty must itself be clear-cut and sharp. In fact a certain amount of vagueness is implicit in both the concepts. Secondly, one need not necessarily go through the procedure of examining whether that person has the income level that would enable him to get a specified bundle of nutrition. Thirdly, the translation of a set of nutritional norms into poverty line income may be substantially simplified by the wide prevalence of particular patterns of consumption behaviour in the community in question. Finally, malnutrition is an important aspect and it must have a central place in the conception of poverty.

According to Sen (1981)\textsuperscript{19}, inequality is fundamentally a different issue from poverty. To try to analyse poverty 'as an issue of inequality', or the other way round, would do little justice to either. Inequality and poverty are not, ofcourse, unrelated. But neither concept subsumes the other. A transfer of income from a person in the top income group to one in the middle income range must, ceteris paribus, reduce inequality. But it may leave the perception of poverty quite unaffected.

The concept of 'relative deprivation' has been fruitfully used in the analysis of poverty, especially in the sociological literature. Being poor has clearly much to do with being deprived and it is natural that, for a social animal, the concept of deprivation will
be a relative one. One distinction concerns the contrasts between 'feelings of deprivation' and 'conditions of deprivation'. The choice of conditions of deprivation can not be independent of feelings of deprivation. Material objects cannot be evaluated in this context without reference to how people view them and even if feelings are not brought in explicitly, they must have an implicit role in the selection of attributes. A second contrast concerns the choice of 'reference groups' for comparison. Again, one has to look at the groups with which the people in question actually compare themselves and this can be one of the most difficult aspects of the study of poverty based on relative deprivation.

These issues relate to the general notion of relative deprivation have considerable bearing on the social analysis of poverty. It is however worth noting that the approach of relative deprivation - even including all its variants - can not really be the only basis for the concept of poverty. A famine for example will be readily accepted as a case of acute poverty no matter what the relative pattern within the society happens to be. Indeed there is an irreducible core of absolute deprivation in our idea of poverty, which translates reports of starvation, malnutrition and visible hardship into a diagnosis of poverty without having to ascertain first the relative picture. Thus the approach of relative deprivation supplements rather than supplants the analysis of poverty in terms of absolute dispossessio\textsuperscript{n}.

Sen (1981)\textsuperscript{21} has argued against the view that poverty is a value judgement. He stated that it is important to distinguish between different ways in which the role of morals can be accommodated into the exercise of poverty measurement. There is a difference between saying that the exercise is itself a prescriptive one and saying that the exercise must take note of the prescriptions made by the members of the community. Sen has quoted Eric Hobsbawm who stated that poverty is always defined according to the conventions of society in which it occurs. But this does not make the
exercise of poverty assessment in a given society a value judgement. For the person studying and measuring poverty, the conventions of society are matters of fact (what are the contemporary standards), and not issues of morality or of subjective search (what should be the contemporary standards? what should be my values? how do I feel about all this?).

Adam Smith (1776) has brought clearly this point more than 200 years ago. "By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linens. But in the present times, through the greater part of Europe, a creditable day labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them". Karl Marx has also argued in a similar vein on the concept of subsistence.

According to Sen (1981), there are at least two difficulties with the policy definition of poverty. First, practical policy making depends on a number of influences, going beyond the prevalent notions of what should be done. Policy is a function of political organisation, and depends on a variety of factors including the nature of the government, the sources of its power and the forces exerted by other organisations. Second, even if policy is taken to stand not for actual public policy, but for policy recommendations widely held in the society in question, there are problems. There is clearly a difference between the notion of 'deprivation' and the idea of what should be eliminated by policy. Sen has submitted that the policy definition is based on a
fundamental confusion. It is certainly true that with economic development there are changes in the notion of what counts as deprivation and poverty, and there are changes also in the ideas as to what should be done. But while these two types of changes are interdependent and also intertemporally correlated with each other, neither can be defined entirely in terms of the other.

According to Kurien, per capita income as an indicator of poverty tends to become very much of an arithmomorphic concept leading to very mechanical and physical measures to solve it. Per capita income can be arrived by dividing the national income by the size of the population. This indicates that to eradicate poverty, there should be increase in the national income and decrease in population. Thus population control becomes the remedy for the problem of poverty. Many economists hold the view that an increase in national income is both a necessary and sufficient remedy for the poverty problem. The per capita income is a simple average which does not say anything about the distribution of income among the population. If the distribution is very skewed, the average loses much of its representative property. Kurien has concluded that per capita income is a poor indicator of poverty. This is the reason for the recent efforts to develop other norms for the identification of the poor.

According to Frances Stewart and Paul Streeton, it is widely accepted that growth of Gross National Product (GNP) is not a satisfactory measure of the success or failure of a development strategy. Many developing countries that have achieved higher growth rate of GNP have also simultaneously generated high rate of unemployment and underemployment. The growth rate of employment in the modern sector has been lower than that of the national income. Added to this, growth of GNP has often been accompanied by a more unequal distribution of income. So GNP has not been considered as a satisfactory measure of country's development.
The concept of poverty is influenced by multiplicity of factors. There are widespread controversies regarding the concept and measurement of poverty. The traditional approaches have made an attempt to interrelate economic growth, inequality and poverty. Tackling poverty has been pushed through raising of aggregate growth of domestic product. Later on it was realised that mere growth of GNP is not the correct indicator of the improvement in the levels of living and high rate of growth is observed to have increased unemployment and underemployment. On the other hand, growth rate of employment in the modern sector has been slower than the growth rate of GNP. The growth of GNP has often been accompanied by a more unequal distribution of income increasing relative and in some cases, absolute impoverishment of certain sections of the community. GNP has been left since it failed to incorporate a satisfactory measure of a country’s success in achieving full employment with an even income distribution.

Dadabhai Naoroji (1888) in his paper on "The Wants and Means of India" presented at the East India Association in London in July 1870 has estimated Rs.20 as the per capita production in India. Subsequently in 1876, he submitted a paper on "The Poverty of India" to the Bombay branch of East India Association in which he worked out the per capita value of production at Rs.20 for the whole of India. V.K.R.V. Rao (1938) in his essay on "National Income of India" accepted Naoroji’s per capita value of production and he has revised the Naoroji’s estimate by 15 per cent. Rao placed the per capita income at Rs.23 to Rs.24 in 1867-68.

A distinguished Study Group set up by the Government of India in July 1962 has deliberated on the question of what should be regarded the nationally desirable minimum level of consumer expenditure. The Study Group recommended that a per capita monthly expenditure of Rs.20 (at 1960-61 prices) should be deemed the national minimum. The basis of determination is not known. Apparently the Study Group also did not make a distinction between rural and urban living costs.
Dandekar and Rath (1971) made an attempt to measure poverty on the basis of nutritional adequacy and the income required to meet the minimum nutritional requirements. According to them, in rural area, the per capita daily consumption of food grains and substitutes reaches 616 grams for households with per capita monthly expenditure of Rs.13-15 or per capita annual expenditure of Rs.170.8 calculating at the rate of 3.3 calories per gram of food grains (including substitutes). 616 grams of food grains give 2033 calories per capita per day. This covers nearly 60.0 per cent of the total expenditure of these households. They spend another about 20 per cent on other items of food such as edible oil, ghee and butter, sugar and gur and a little milk, meat and fish. The quantities of these items yield about 200 calories per capita per day. Thus the entire food at this level seems to give about 2250 calories per capita per day. The level of consumer expenditure desirable which secures a diet adequate to provide 2250 calories, Dandekar and Rath proposes Rs.180 per capita per annum or Rs.15 per capita per month as the rural minimum to determine the poverty level.

By excluding the expenditure on clothing, fuel, light, health and education, Minhas (1970) based on the recommendations of the study group (Rs.240 per annum), proposed the minimum expenditure at Rs.200 per annum at 1960-61 prices which was slightly lower than the latter figure since there was higher cost of living in urban areas than rural areas.

Ojha (1970) has adopted a uniform calorie norm of 2250 per capita per day for both urban and rural areas. He estimated that 66 per cent of this minimum calories would be obtained from food grains, cereals and pulses in urban areas while the corresponding figure for rural areas was assumed to be 80 per cent. To satisfy the minimum caloric requirement, Ojha has worked out 518 grams for rural areas and 432 grams per person per day for urban areas.
Bardhan (1970)\textsuperscript{32} has adopted a different norm of minimum level of income of Rs.15 per capita per month for rural areas and Rs.21 per capita per month for urban areas at 1960-61 prices assuming that rural prices are normally lower than the urban prices. Bardhan has used agricultural labour consumer price index for rural poor and official working class consumer price index for deflating the consumption of rural and urban poor respectively. The use of agricultural labour consumer price index for deflating the consumption of rural poor by Bardhan has been questioned on the ground that it includes not only agricultural labourers but also small farmers and mostly the consumption pattern of agricultural labourers differ from that of small farmers. Further it was remarked that Bardhan has used a lower norm of Rs.15 because of exclusion of vegetables, nuts, education and health from the consumption basket. Bardhan's results showed high incidence of poverty during 1967-68 since that was a bad harvest year. According to Dandekar and Rath (1971),\textsuperscript{33} the average per capita consumption figure of NSS for 1967-68 was an underestimate. They observed that the NSS estimate was below the official data. According to Dandekar and Rath, the annual per capita expenditure required for rural areas to ensure a diet which fetches 2250 calories per day was Rs.180 and the urban consumer needs 50 per cent more to get the same level of nutrition. On the basis of the above norm, Dandekar and Rath considered a per capita annual expenditure of Rs.324 in rural areas and Rs.486 in urban areas at 1968-69 prices.

Desai (1980)\textsuperscript{34} has objected the consideration of the average requirement as the minimum requirement by Dandekar and Rath. According to Desai, Dandekar and Rath did not take into account the difference in the requirements of different age groups, sex and different regions while calculating the minimum calorie intake. Dandekar and Rath have considered price variations between rural and urban areas to meet the minimum requirements. But they did not take into account the nature of activities carried in urban
and rural areas which led them to the overestimation of people below the poverty line in the urban areas and underestimation of poor in the rural areas. Vyas (1972)\textsuperscript{35} had adopted Rs.180 per capita per annum for rural areas and Rs.240 per capita per annum for urban areas as the minimum to maintain minimum caloric requirements.

Ashok Rudra (1974)\textsuperscript{36} has criticised the very basis of arriving at the minimum norm of Rs.20 per capita per month at 1960-61 prices. He has a serious objection in treating the minimum consumption expenditure as the cut-off point to estimate the proportion of persons below the poverty line. According to Ashok Rudra, the diet has to be worked out separately for different areas and different communities taking into account availabilities and different food habits. These different diets have to be valued differently for different areas at the respective local retail rates. He stated that the expenditure on non-food items need not be added to the value of minimum diet for calculating the proportion of poor who cannot afford the minimum diet. According to him, one can estimate the proportion of amount spent on food items less than the minimum diet from the NSS data which represents expenditure on different items for different expenditure groups. Ashok Rudra has constructed three alternative norms of minimum per capita expenditure corresponding to the recommendations of Sukhatme, FAO and Second Pay Commission. Based on the Sukhatme recommendations, the minimum per capita expenditure per month required to maintain minimum diet is Rs.22.73 for both rural and urban areas. Based on FAO’s recommendations Rudra estimated, the minimum required per capita consumption expenditure at Rs.28.60 for rural areas and Rs.33.73 for urban areas. Based on the recommendations of Patwardhan for Second Pay Commission, Ashok Rudra has estimated the minimum requirement at Rs.18.99 for urban areas.

Vaidyanathan (1974)\textsuperscript{37} has adopted a poverty norm of per capita consumption expenditure of Rs.20 per month at 1960-61 prices. For deflating the per capita expenditure which was based on price of commodities, Vaidyanthan has used the NSS
Ahluwalia (1976) has adopted consumer expenditure norm of Rs.15 per capita per month at 1960-61 prices to estimate the incidence of poverty. To arrive at this estimate, Ahluwalia has determined the above poverty norm on the basis of the recommendations of Study Group of the Planning Commission (1962), Dandekar and Rath (1971) and Pranab K. Bardhan. To estimate the poverty line for different years, consumer price indices of agricultural labourers have been used which was similar to the method adopted by Pranab Bardhan. Ahluwalia estimated the incidence of poverty at two levels. The first estimate was obtained by applying the all-India poverty line for various years to the consumption distribution for rural India. The second estimate was obtained by applying the poverty line for individual states derived from the NSS data and the state specific poverty lines.

Nikhilesh Bhattacharya et al (1990) have used the estimates of Ahluwalia for the period 1956-57 to 1963-64. For the subsequent periods, they have adopted a different methodology. Instead of using the interpolated estimates for per capita expenditure adopted by Ahluwalia, this study has used linear interpolation on the unsmoothed lorenz curve for per capita expenditure. Bhaskar Dutta (1980) has used Rs.15 per capita per month at 1960-61 prices for rural areas in line with the poverty line adopted by Dandekar and Rath and Pranab Bardhan. The poverty line at current prices has been worked out using consumer price index for agricultural labourers in respect of rural areas.

Dandekar (1986) by using the original poverty norm of Rs.171 per capita annual expenditure for meeting the nutritional requirements of 2250 calories per day per person for rural areas has estimated per capita per month expenditure for the
subsequent periods based on the wholesale price indices. The minimum per capita per month expenditure has been estimated at Rs.32.66 in 1971-72, Rs.38.61 in 1972-73, Rs.56.06 in 1977-78 and Rs.93.29 in 1983. The poverty line of Rs.32.66 for 1971-72 has been revised with the help of average wholesale price index with 1970-71 as the base year. Based on the revised wholesale price index, the poverty lines for the subsequent years have also been revised at Rs.39.08 for 1972-73, Rs.54.42 for 1977-78 and Rs.88.35 for 1983.

Jain, Sundaram and Tendulkar (1983)\(^4\) have conducted a study covering 56 out of 62 agro-climatic regions. The study has derived the state-specific poverty lines based on the all India rural poverty line of Rs.15 per capita per month at 1960-61 prices. The poverty lines at 1960-61 prices are adjusted for price changes between 1960-61 and 1972-73 on the basis of state-specific consumer price index of agricultural labourers. Each state-specific poverty line at 1972-73 prices was assumed to be applicable to all the regions within a State.

Mahendra Dev (1988)\(^4\) has used the poverty line of Rs.15 per capita expenditure per month at 1960-61 prices as adopted by Pranab Bardhan. For the subsequent years the poverty norm has been adjusted by the corresponding state-specific consumer price index for agricultural labourers with 1960-61 as the base year. For the subsequent periods, the NSS consumer expenditure data were available. The state-wise poverty lines thus determined are combined with the data on the size distribution of consumer expenditure per capita per month to derive the incidence of poverty in each State. Using the coefficient of variation, the study has observed a steady increase in the inter-state disparity in the incidence of poverty. Mahendra Dev et al (1991)\(^4\) used the poverty line of Rs.15 per capita per month at 1960-61 prices for rural India and the corresponding poverty lines for rural areas of different areas by applying the consumer price index.
numbers of agricultural labourers following Bardhan's methodology. They have worked out state-specific incidence of poverty for all the years from 1961-62 to 1986-87. The study has made an in-depth analysis of demographic, social and occupational characteristics of the rural poor.

The Planning Commission (1979) has set up the Task Force on Projections of Minimum Needs and Effective Consumption Demand in 1977 which defined the poverty line at the per capita expenditure level which ensures a daily calorie intake of 2400 in rural areas and 2100 in urban areas by giving due consideration to age, sex and occupational differences in rural and urban population. The poverty line for 1973-74 has been estimated using the same deflator for both urban and rural areas. The all-India poverty line has been used for estimation of state-wise poverty levels. For the Sixth Plan, the wholesale price index was used for the revision of poverty line and for the Seventh Plan, the poverty line has been updated using the CSO's private consumption deflator. The Planning Commission has always been making upward adjustment of NSS data to the CSO's data on private consumption expenditure since the estimates based on NSS data were found to be lower compared to CSO figures. The rural poverty lines have been thus worked out at Rs.49.00 in 1973-74, Rs.61.80 in 1976.77, Rs.65.00 in 1977-78, Rs.101.80 in 1983-84 and Rs.131.80 in 1987-88. Based on Planning Commission's poverty line of Rs.49.09 for rural areas and Rs.54.64 for urban areas at 1973-74 prices and by using the wholesale price index to update the expenditure cut-off points with no distinction between rural and urban areas in deflating the expenditure, S.P.Gupta and K.L.Dutta have estimated the proportion of population in poverty for different years.

B.S.Minhas et al (1987) adopting the poverty line of Rs.49.09 per capita per month expenditure for rural areas at 1973-74 prices, constructed separate consumer price indices based on rural retail prices for the entire rural population and for the middle
rural population considered relevant for computing poverty index. On the basis of these indices, the corresponding poverty lines for six different NSS periods have been worked out. According to them, the poverty line for the NSS round 1970-71 was Rs.31.52 while it was Rs.40.75 for 1972-73, Rs.49.09 for 1973-74, Rs.55.18 for 1977-78 and Rs.89.00 for 1983.

Minhas et al (1991) have constructed state-specific cost of living indices and the inter-state price differentials relevant to the poverty groups and estimated state-specific poverty lines for the six NSS periods. Based on these, estimates of the indices of rural and urban poverty in each State and all-India (direct as well as alternative derived from the State total) have been worked out. In another study Minhas et al (1991) have worked out the rural poverty line at Rs.33.01 in 1970-71, Rs.93.16 in 1983 and Rs.122.63 in 1987-88.

N.Kakwani and Subba Rao (1990) made comprehensive analysis of rural poverty and its alleviation in India. They have followed the Planning Commission norm and adopted Rs.50 per capita per month for meeting the per capita daily requirement of 2400 calories in rural areas and Rs.40 per capita per month also for rural areas for the ultra poor. The cut-off point of the ultra poor of Rs.40 per month corresponds closely to the poverty line used by Bardhan (1970) and Dandekar and Rath (1971) which was Rs.15 at 1960-61 prices and which at 1973-74 rural prices was equivalent to the per capita expenditure of Rs.42.50. Using the norms laid down by Bhattacharya and Chatterjee (1974) State-wise price relatives for 1963-64 and the movements in the consumer price index for agricultural labourers available at the state level, state-specific poverty lines at current prices have been worked out for four reference periods 1972-73, 1973-74, 1977-78 and 1983.
Jain and Tendulkar in their studies during 1990, 1991 and 1992 have used two sets of poverty line to estimate the incidence of poverty. The first one is based on the poverty line of Planning Commission i.e., monthly per capita expenditure of Rs.49.09 for rural areas at 1973-74 prices. Jain and Tendulkar have also made an attempt to measure poverty for eight time points between 1970-71 and 1988-89. The poverty lines for different years have been worked out on the basis of Planning Commission norm. The poverty norm has been estimated at Rs.33.01 in 1970-71, Rs.49.09 in 1973-74, Rs.57.64 in 1977-78, Rs.93.16 in 1983, Rs.110.75 in 1986-87, Rs.122.63 in 1987-88 and Rs.132.77 in 1988-89. As per the alternate norm, the cut-off point has been worked out at Rs.28.70 in 1970-71, Rs.42.68 in 1973-74, Rs.50.11 in 1977-78, Rs.80.99 in 1983, Rs.98.32 in 1986-87, Rs.106.62 in 1987-88 and Rs.115.43 in 1988-89.

The Planning Commission (1993) has appointed an Expert Group to estimate the proportions and number of the poor in 1993. The Expert Group has adopted the norm of Rs.49.00 at 1973-74 prices anchored as the per capita daily in take of 2400 calories with reference to the consumption pattern of 1973-74. For updating the poverty lines, state-specific price indices have been worked out using the consumption pattern in each State of the group around the poverty line in regard to food and non-food items and the consumer price index for agricultural labourers are used to convert Rs.49. These are then revised for the subsequent NSS years. The Expert Group has recommended the construction of appropriate state-specific indices using the state-specific consumption pattern of the 20-30 per cent of the population around the poverty line in 1973-74 and the disaggregated relative prices from the consumer price index of agricultural labourers.

1.3 Estimates of Poverty in India

Ojha using the calorie norm of 2250 per capita per day has observed that about 184 million constituting 51.8 per cent of the rural population were living below the poverty
line in 1960-61. He has estimated that about 289 million constituting 70.0 per cent of the rural population were below the poverty norm during 1967-68. Minhas has estimated that the number of poor has declined from 173 million in 1956-57 to 154 million in 1967-68 i.e., from 52.4 per cent to 37.1 per cent of the rural population on the basis of minimum expenditure of Rs.200 per capita per annum. On the basis of the Rs.240 norm of the Planning Commission Study Group, Minhas has estimated that the number of poor has declined from 215 million in 1956-57 to 210 million in 1967-68. This means that the percentage of poor to total rural population dropped from 65.0 per cent in 1956-57 to 50.6 per cent in 1967-68. Minhas has also observed that the number of poor declines with good harvest and rises with bad harvest. Minhas observed that there was no significant change in the number of poor below the poverty line, but the percentage of poor has declined steadily which has been attributed to the growth in the average per capita consumption.

Dandekar and Rath have estimated that 40 per cent of the rural population and 50 per cent of the urban population was living below the desirable minimum of Rs.180 per capita per annum during 1960-61. Bardhan, using a minimum income of Rs.15 per capita per month at 1960-61 prices, has estimated that 38 per cent of the rural population was below the poverty line in 1960-61. In absolute number 135 million persons in rural areas were below the minimum. Bardhan has suggested that in 1968-69 as many as 54 per cent of the rural population fell below the poverty line. Thus Bardhan's time series analysis showed a sharp rise in the incidence of rural poverty over time. Bardhan has concluded that there was a staggering rise in the number of poor from 135 million in 1960-61 to 230 million in 1968-69.

Vyas, adopting Rs.180 per capita per annum as the minimum income, has estimated that 45.5 per cent of the rural population was living below the poverty level during 1954-55 and the percentage of poor during 1960-61 was estimated at 63.2
percent of the rural population. Using the poverty norm of Rs.20 per month at 1960-61 prices, based on NSS data, Vaidyanathan has arrived at the conclusion that 59.5 per cent of the rural population was below the poverty level in 1960-61, 60.4 per cent in 1964-65 and 67.8 per cent in 1967-68. Basing on official National Income data, Vaidyanathan has concluded that 58.8 per cent of the rural population was below the poverty level in 1960-61, 56.9 per cent in 1964-65 and 57.8 per cent in 1967-68.

Ahluwalia, adopting expenditure norm of Rs.15 per capita per month at 1960-61 prices, has estimated that 54.1 per cent of the rural population was below the poverty level in 1956-57 and he has observed a steady fall in the proportion of poor in rural areas upto 1960-61 (38.9 per cent) and a gradual increase upto 56.6 per cent in 1966-67 and a steady fall to the level of 41.2 per cent in 1971-72. There has been an increase in the proportion of poor to 43.1 per cent in 1972-73 and to 46.1 per cent in 1973-74. There was a further decline in the percentage of rural poor to 39.1 per cent in 1977-78. Ahluwalia has also estimated the incidence of poverty on the basis of state-specific poverty lines and concluded that 53.4 per cent of the rural population was below the poverty line in 1957-58, 42.0 per cent in 1960-61, 57.9 per cent in 1967-68 and 47.6 per cent in 1973-74.

According to Bhaskar Dutta, 38 per cent of the rural population was estimated to be below the poverty norm of Rs.15 per capita per month at 1960-61 prices during 1960-61 and the percentage has touched its peak at 56.2 per cent in 1967-68 and declined to 43.3 per cent in 1973-74. Based on the original norm of Rs.171 per capita per annum as the cut-off point. S.P.Gupta and K.L.Dutta have arrived at the conclusion that 56.8 per cent (262 million) of the rural population was below the poverty line during 1960-61 and the number has declined to 220 million constituting 47.6 per cent of the rural population in 1973-74 and further increased to 255 million who account for 51.5 per cent of the rural people in 1977-78. Dandekar has conducted that 46 per cent of the rural
population was below the poverty minimum during 1971-72 while it was estimated at 53.9 per cent in 1972-73, 51.9 per cent in 1977-78 and 48.9 per cent in 1983. Dandekar has revised the poverty line on the basis of wholesale price index. Based on the revised poverty lines, Dandekar has estimated that 54.9 per cent of rural population was living below the poverty level during 1972-73, 49.5 per cent during 1977-78 and 44.4 per cent during 1983.

According to Minhas and others, 53.4 per cent of the rural people were living below the poverty level in 1970-71 and the corresponding percentages were estimated at 57.4 per cent in 1972-73, 56.4 per cent in 1973-74, 51.5 per cent in 1977-78 and 45.3 per cent in 1983. Mahendra Dev in his study has indicated that 50.4 per cent of the rural people was in poverty during 1964-65 and it has declined to 44.20 per cent in 1977-78 and 35.90 per cent in 1983. According to the estimates of Nikhilesh Bhattacharya et al., 45.7 per cent of the rural population was below the poverty level in 1964-65 while the percentage has come down to 32.8 per cent in 1983-84. In another study, Mahendra Dev et al have observed that about 38.2 per cent of population in rural areas was in poverty in 1961-62. They estimated the percentage of poor at 45.3 in 1963-64 and there was a gradual rise in the percentage of people in poverty upto 55.8 per cent in 1967-68. There has been a steady fall in the proportion of poor from 55.8 per cent in 1967-68 to 25.6 per cent in 1986-87.

The Task Force of the Planning Commission has set the percentage of poor at 54.1 per cent in 1973-74, 51.2 per cent in 1977-78, 40.4 per cent in 1983-84 and 33.4 per cent in 1987-88. As per the head count ratios measured by Kakwani and Subba Rao, 60.5 per cent of the rural population was in poverty in 1972-73, 60.5 per cent in 1973-74, 56.3 per cent in 1977-78 and 48.4 per cent in 1983. In absolute numbers there were 265 million poor during 1972-73, 269 million in 1973-74 and 1977-78 and 255 million in 1983.
Minhas et al have estimated the incidence of poverty, one direct based on the state-specific poverty lines and an alternative estimate. According to the direct estimate, 57.3 per cent of the rural population (252 million) was in poverty in 1970-71, 49.0 per cent (267 million) in 1983 and 44.9 per cent (261 million) in 1987-88. According to the alternative estimate, 58.8 per cent of the rural population (258 million) was below the poverty norm in 1970-71 and the corresponding figures for 1983 was 50.8 per cent (277 million) and 48.7 per cent (284 million) in 1987-88.

Jain and Tendulkar in their studies adopted the poverty line of the Planning Commission, i.e., monthly per capita expenditure of Rs.49.09 for rural areas at 1973-74 prices. They did not present the percentage of poor on the basis of direct estimate. On the basis of weighted aggregate for 20 States, they have arrived at the conclusion that 57.3 per cent of rural population was in poverty in 1970-71 and it has come down to 49 per cent in 1983 and to 42.2 per cent in 1988-89. On the basis of per capita monthly expenditure of Rs.15 at 1960-61 prices, 45.3 per cent of the rural population was observed to be below the above norm during 1970-71 and the percentage has come down to 37.5 in 1983 and to 30 per cent in 1988-89. On the basis of weighted aggregate for 20 States they have arrived at the conclusion that 47.1 per cent was below the norm in 1970-71 while it was estimated at 39.3 per cent in 1983 and 36.2 per cent in 1987-88.

According to the Expert Group appointed by the Planning Commission in 1993, 54.6 per cent of the rural population was below the poverty norm during 1973-74 and it has declined to 51.2 per cent in 1977-78, 43.80 per cent in 1983-84 and 37.6 per cent in 1987-88.

The synopsis of the different estimates of poverty in India is given in Table 1.1.
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Source: Computed from the different studies cited in References 28 to 50 in this chapter.
A close scrutiny of the different estimates gives the broad impression that there has been an increase in the incidence of rural poverty up to 1970's and a steady decline in the percentage of poor living below the poverty line after 1970s. It is striking to note that though there has been marginal decline in the proportion of the poor, rapid growth of rural population has resulted in the increase in the absolute number of poor in the rural areas. A significant decline in the percentage of rural poor particularly after 1980's may be attributed to the impact of different anti-poverty and special employment programmes. What ever may be the differences in the estimates of the rural poverty between the different scholars, it is confirmed that still not less than 30 per cent of the rural population are living below the poverty line.

1.4 Dimensions of Rural Poverty in India

Growth of Agricultural Labourers

Steady growth of agricultural labourers is one of the indicators of growing incidence of rural poverty in India. Over time, agricultural labourers have emerged into a major class of workforce who are mostly landless depending purely on wage paid employment in agriculture, mostly seasonal in nature. The number of agricultural labourers has increased from 17.26 million in 1901 to 27.50 million in 1951, 31.52 million in 1961, 47.49 million in 1971, 55.50 million in 1981 and 74.65 million in 1991. The index numbers for the growth of agricultural labourers with 1901 as the base have been estimated at 159.33 in 1951 and 432.50 in 1991. The percentage of agricultural labourers to total workers has increased from 15.59 per cent in 1901, 19.72 per cent in 1951 and 26.15 per cent in 1991. This indicates that the growth in the number of agricultural labourers has been faster than the growth of population. It is well known that agricultural labourers together with rural artisans, small and marginal farmers constitute the hard core of rural poverty. In the rural areas, the number of agricultural labourers has been
Increasing steadily from 30.60 million in 1961 to 45.57 million in 1971, 52.71 million in 1981 and 70.40 million in 1991.\textsuperscript{51}

According to the Agricultural and Rural Labour Enquiries conducted from 1950-51 to 1983, the number of rural households has increased from 58.9 million in 1950-51 to 100.5 million in 1983. The rural labour households have increased from 17.9 million in 1964-65 to 37.5 million in 1983. There has been a continuous increase in the number of agricultural labour households from 17.9 million in 1950-51 to 30.9 million in 1983. The percentage of agricultural labour households has maintained above 80 per cent in all the Rural Labour Enquiries. These details substantiate the trends available in the successive censuses regarding the rapid growth of agricultural labourers.

With regard to employment, men are estimated to have wage employment for 167 days and self employment for 26 days according to Fourth Rural Labour Enquiry, 1983. Women are employed in wage employment for 141 days and self employed for 19 days. Though there was some underestimation of the days employed compared to the earlier agricultural and rural labour enquiries, it is beyond doubt that the agricultural labourers remain unemployed for a substantial part of the year and during these lean periods they had to depend on the landlords and moneylenders and they become indebted. In all the enquiries, the average income of the agricultural labour households fell short of the average annual consumption expenditure. The average annual expenditure of the rural labour households has been estimated by the Fourth Rural Labour Enquiry at Rs.4800 which is very lower than the poverty line of Rs.6400 per annum. It was reported in the reports that 60.6 per cent of the rural labour households were indebted during 1964-65 and the percentage rose upto 66.4 per cent in 1974-75 and it has declined to 52.3 per cent in 1977-78 and 51.1 per cent in 1983.\textsuperscript{52}

The above data provide sufficient evidence to the fact that rapid growth of agricultural labourers without any asset base has been one of the major factors for growing incidence of rural poverty in India.
Size of Land holdings

The incidence of rural poverty is also reflected by the rapid growth in the number of marginal and small holdings. Table 1.2 provides the data relating to the number of holdings and area operated by different size groups of holdings.

Table 1.2 Distribution of Number of Land Holdings and Area Operated by Size.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Size Group</th>
<th>Number of Holdings (in thousands)</th>
<th>Area Operated (in thousand hectares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Marginal</td>
<td>35682</td>
<td>50120</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(50.62)</td>
<td>(56.39)</td>
</tr>
<tr>
<td>2.</td>
<td>Small</td>
<td>24113</td>
<td>28526</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(34.21)</td>
<td>(32.09)</td>
</tr>
<tr>
<td>3.</td>
<td>Medium</td>
<td>7932</td>
<td>8058</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(11.25)</td>
<td>(9.08)</td>
</tr>
<tr>
<td>4.</td>
<td>Large</td>
<td>2766</td>
<td>2166</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3.92)</td>
<td>(2.44)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>70493</td>
<td>88880</td>
</tr>
</tbody>
</table>

Figures in the parentheses indicate percentages to total.


It is observed from the above table that 50.62 per cent of holdings are marginal holdings of less than 1 hectare in 1970-71 and the percentage rose to 56.39 per cent in 1980-81 and 57.79 per cent in 1985-86. The percentage of small holdings to total holdings was 34.21 per cent in 1970-71 and it has marginally declined to 32.09 per cent in 1980-81 and 1985-86. On the whole, during 1985-86, small and marginal farmers constitute 89.88 per cent of the total holdings. The number of marginal farmers have increased by 57.35 per cent in 1985-86 over 1970-71 while the percentage increase in the number of small farmers was worked out to 29.28 per cent. It is also observed from the above table that the number of medium and large holdings has been on the decline. The percentage of area operated to total area has been increasing in the case of
marginal and small holdings whereas it has been declining in the top two size groups. During 1985-86, 57.79 per cent of the marginal farmers operate 13.39 per cent of the total area. Whereas 23.04 per cent of the large farmers operate 20.06 per cent of the total area.

The above data lead to the inference that the average size of holding has been declining very fast resulting in the growth of small and marginal farmers and agricultural labourers who constitute the hard core of rural poverty.

Per Capita Income

Per capita income is one of the important indicators of poverty. The average per capita income from 1950-51 to 1995-96 in India is presented in Table-1.3.

Table 1.3: The Average Per Capita Income in India (in Rupees)

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Year</th>
<th>Per Capita Income</th>
<th>Index Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1950-51 =100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>At Current Prices</td>
<td>At 1980-81 Prices</td>
</tr>
<tr>
<td>1</td>
<td>1950-51</td>
<td>239</td>
<td>1127</td>
</tr>
<tr>
<td>2</td>
<td>1960-61</td>
<td>328</td>
<td>1350</td>
</tr>
<tr>
<td>3</td>
<td>1970-71</td>
<td>675</td>
<td>1520</td>
</tr>
<tr>
<td>4</td>
<td>1980-81</td>
<td>1630</td>
<td>1630</td>
</tr>
<tr>
<td>5</td>
<td>1986-89</td>
<td>3642</td>
<td>2059</td>
</tr>
<tr>
<td>6</td>
<td>1989-90</td>
<td>4347</td>
<td>2157</td>
</tr>
<tr>
<td>7</td>
<td>1990-91</td>
<td>4983</td>
<td>2222</td>
</tr>
<tr>
<td>8</td>
<td>1991-92</td>
<td>5603</td>
<td>2175</td>
</tr>
<tr>
<td>9</td>
<td>1992-93</td>
<td>6368</td>
<td>2243</td>
</tr>
<tr>
<td>10</td>
<td>1993-94</td>
<td>7441</td>
<td>2334</td>
</tr>
<tr>
<td>11</td>
<td>1994-95</td>
<td>8732</td>
<td>2449</td>
</tr>
<tr>
<td>12</td>
<td>1995-96*</td>
<td>9321</td>
<td>2573</td>
</tr>
</tbody>
</table>

* Quick estimates

It is seen from the table that the average per capita income at current prices was Rs.239 in 1950-51 which rose up to Rs.328 in 1960-61, Rs.675 in 1970-71, Rs.1830 in 1980-81, Rs.4983 in 1990-91 and to Rs.9321 in 1995-96. The index numbers of per capita income at current prices are 100 in 1950-51 and 3904 in 1995-96. There has been impressive increase in the per capita income at the current prices but it is often offset by the rise in the price indices. One has to judge the real impact on the basis of growth in income at constant prices. It can be observed from the table that the average per capita income (at 1980-81 prices) has increased from Rs.1127 in 1950-51 to Rs.2573 in 1995-96 registering an increase of 128.31 per cent. The index number of per capita income has increased from 100 in 1950-51 to 120 in 1960-61, 135 in 1970-71, 145 in 1980-81, 197 in 1990-91 and 228 in 1995-96. During different decades the average per capita income has increased by 19.79 per cent in 1960-61 over 1950-51, 12.59 per cent in 1970-71 over 1960-61, 7.24 per cent in 1980-81 over 1970-71, 36.22 per cent in 1990-91 over 1980-81 and 15.80 per cent in 1995-96 over 1990-91. This shows that the increase in the per capita income during the decade 1980-81 to 1990-91 has been higher when compared to other periods. It is important to note that the average per capita income took more than four decades to double whereas the prices rose by several times. Added to this, the inequalities of income has been increasing over decades leading to increase in the incidence of poverty.

Consumer Expenditure

The results of the N.S.S. 47th round on consumer expenditure provide the latest situation regarding the consumption levels of the rural people. According to the N.S.S. results, 58 households out of 1000 households had a per capita monthly expenditure of less than Rs.110, whereas 466 households reported monthly expenditure in the range of Rs.110-215 and 354 households were in the range of Rs.215-385 and 122 households in the range of above Rs.385 per month. 70 out of 1000 persons were in the expenditure
range of less than Rs.110, 507 persons have reported per capita expenditure in the range of Rs.110-215 per month and 332 persons were in the range of Rs.215-385 and 91 persons had expenditure above Rs.385 per month. The above data indicate that majority of the households and persons were observed to be in the expenditure range of Rs.110-225 per capita per month. The average monthly per capita expenditure has been worked out at Rs.243.50. The data is presented in Table 1.4.

Table 1.4: Per 1000 Distribution of Households and Persons and Average Monthly Per Capita Expenditure by Broad MPCE Classes in Rural Areas.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>MPCE Class (Rs.)</th>
<th>Number Per Thousand of</th>
<th>Average Monthly Per Capita Expenditure (in rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Households</td>
<td>Persons</td>
</tr>
<tr>
<td>1.</td>
<td>0-110</td>
<td>58</td>
<td>70</td>
</tr>
<tr>
<td>2.</td>
<td>110-215</td>
<td>466</td>
<td>507</td>
</tr>
<tr>
<td>3.</td>
<td>285-385</td>
<td>354</td>
<td>332</td>
</tr>
<tr>
<td>4.</td>
<td>Above 385</td>
<td>122</td>
<td>91</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1000</td>
<td>1000</td>
</tr>
</tbody>
</table>


Out of the average monthly per capita expenditure of Rs.243.50 per month 63.08 per cent has been spent on food items and 36.92 per cent on non-food items. On the basis of Dandekar and Rath's minimum cut-off expenditure on food of Rs.180 per capita per annum to meet the minimum calorie requirements of 2250 calories, the minimum per capita expenditure required during 1991-92 is estimated at Rs.1724 per annum and the average per capita monthly expenditure on food in the category of MPCE of Rs.110-215 has been worked out to Rs.121.26. This clearly indicates that 52.4 per cent of the rural households have been
incurring less than the minimum cut-off expenditure during 1991. This shows that still a sizeable proportion of the rural households are living below the poverty level.

Table-1.5 shows the average monthly per capita expenditure and the percentile value of MPCE of 20th, 50th and 80th percentiles of rural households.

Table 1.5 : The Average Monthly Per Capita Expenditure and Percentile Value of MPCE of 20th, 50th and 80th Percentiles in Rural Areas.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>NSS Round</th>
<th>Percentile Value of MPCE (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>20th</td>
</tr>
<tr>
<td>1.</td>
<td>43rd Round</td>
<td>91.13</td>
</tr>
<tr>
<td>2.</td>
<td>44th Round</td>
<td>101.07</td>
</tr>
<tr>
<td>3.</td>
<td>45th Round</td>
<td>112.39</td>
</tr>
<tr>
<td>4.</td>
<td>46th Round</td>
<td>120.50</td>
</tr>
<tr>
<td>5.</td>
<td>47th Round</td>
<td>139.43</td>
</tr>
</tbody>
</table>


The data in the above table show that there has been a gradual increase in the average per capita expenditure from NSS round to NSS round. The average monthly per capita expenditure was Rs.158.10 in 43rd round and it has increased to Rs.175.10 in 44th round, Rs.189.46 in 45th round, and Rs.202.12 in 46th round and to Rs.243.50 in 47th round. The average expenditure of the lowest 20th percentile has increased from Rs.91.13 in 1987-88 to Rs.139.43 in 1991 showing an increase of 53 per cent. The average expenditure of 50th percentile has increased by 52.51 per cent i.e. from Rs.130.27 in 1987-88 to Rs.198.67 in 1991. The average value of MPCE of 80th percentile has increased from Rs.200.58 in 1987-88 to Rs.298.30 in 1991 registering an increase of 48.72 per cent. On the whole, the average monthly per capita expenditure has increased by 54.02 per cent.
According to the survey, out of the 1000 households, as many as 928 households have reported that they are getting two square meals a day throughout the year whereas 64 households could get two square meals a day only during few months and 7 households were not able to have two square meals a day at least in few months. The above data demonstrates the fact that most of the rural households were able to take the basic food, which is definitely an improvement in the living conditions of the rural poor.

1.5 Poverty Alleviation Strategy in India’s Five Year Plans

The problem of rural poverty in India is a problem of low per capita income, income inequalities resulting from unequal distribution of income, low growth rate of the economy and inequitable distribution of even the small gains of development. Economic growth in aggregate has limited relevance from the point of view of economic welfare which is very much reflected by the reduction in the incidence of poverty and unemployment. Reduction in the incidence of rural unemployment and underemployment and eradication of poverty have been the major thrusts of the India’s successive Five Year Plans. Inspite of the sincere efforts made in this direction during the Five Year Plans, the average per capita income could rise from Rs.1127 in 1950-51 to Rs.2222 in 1990-91 and to Rs.2833 in 1995-96 at 1980-81 prices. At current prices, the per capita income has increased from Rs.238.8 in 1950-51 to Rs.9321.4 in 1995-96. The index of per capita income has increased from 100 in 1950-51 to 3903.4 in 1995-96. Though there has been a perceptible increase in the average per capita income, the incidence of poverty is still very high and still a significant proportion of rural population are below the poverty line. A review of the strategy and objectives of successive Five Year Plans for the poverty alleviation facilitates proper understanding the crux of the rural poverty problem.

The basic objective of planning has been initiating the process of development which will raise living standards and open out to the people new opportunities for a richer and more varied life. This objective varied from plan to plan. To initiate the process
of development which would ensure a steady rise in the national income and the standard of living over a period was one of the basic objectives of the First Five Year Plan. Towards the end of the plan, per capita income has increased by 10.5 per cent and the per capita levels of the consumption had probably increased by 8 per cent.

The Second Five Year Plan has focussed on the building up of socialist pattern of society. The basic criterion for determining growth is the social gain but not private gain. It was visualised that the patterns of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increase in national income and employment but also in greater equality in incomes and wealth. It was suggested that employment opportunities will be provided for the new entrants to the labour force and relieve underemployment in agriculture and the village and small scale industries.

The basic objective of development programmes during the Third Five Year Plan was to provide the masses of the Indian people the opportunity to lead a good life by combating the course of poverty, with all the ills that it produces and it is recognised that this can only be done through socio-economic advance, so as to build up a technologically mature society and a social order which offers equal opportunities to all citizens. The first condition for securing equality of opportunity and achieving a national minimum is assurance of gainful employment for every one who seeks work.

The major thrust of the Fourth Five Year Plan (1969-74) has been the attainment of self-reliance with adequate growth rate and the acceleration of economic progress. The plan aimed at ensuring better standard of living for the people by enlarging the income supplies of food articles, agricultural raw materials, agricultural production, reducing the growth rate of population and the development of human resources by providing substantial additional facilities in the social service sector, especially for the rural areas. The Fourth Plan also emphasized the attainment of a national minimum as
an essential pre-requisite to improve the conditions of the lower income groups. It recognised that the small farmers and the landless labourers constitute the bulk of the agricultural proletariat having no productive base and depending for its livelihood on wage employment. According to Fourth Five Year Plan, "In the implementation of the programme, the weakest are looked after and the benefits of development are made to flow by planned investment in the under-developed regions and among the more backward sections of the community."57.

According to the Draft Fifth Plan, removal of poverty and attainment of self-reliance are the two major objectives that the country has set out to accomplish in the Fifth Plan. As necessary corollaries, they require higher growth, better distribution of income and a very significant step-up in the domestic rate of saving58. The strategy of the Fifth Plan includes expansion of productive employment opportunities and provision of minimum needs in the rural areas.

The document "Towards an Approach to the Fifth Plan" remarked that the main causes of abject poverty were (i) open unemployment; (ii) underemployment; and (iii) low resource base of a very large number of producers in agriculture and service sector". The approach paper asserted that "The elimination of abject poverty will not be attained as a corollary to a certain acceleration in the rate of growth of the economy alone". For this purpose, the strategy suggested was" to launch a direct attack on the problems of unemployment, underemployment and massive low-end poverty"59. According to the Draft Fifth Plan, "Twin causes of poverty are under development and inequality... The problem can not be overcome within the foreseeable future by efforts in one direction only. Growth and reduction in inequality are both indispensable to a successful attack on mass poverty... The strategy for elimination of poverty thus rested on two major factors, a rising rate of growth of domestic product combined with declining rate of growth of population60."
Progressive reduction in the incidence of poverty and unemployment has been one of the major objectives of Sixth Five Year Plan. The Sixth Five Year Plan stated that the removal of poverty is the foremost objective of the Sixth Plan even though that given the magnitude of task, it cannot be accomplished in a short period of five years. Priority to removal of poverty in the Sixth Plan can be better understood from the following objectives of the Sixth Plan:

1. A progressive reduction in the incidence of poverty and unemployment;

2. Improving the quality of life of the people in general with special reference to the economically and socially handicapped population through a minimum needs programme whose coverage is to be so designed to ensure that all parts of the country attain within a prescribed period nationally accepted standards;

3. Strengthening the redistributive bias of public policies and services in favour of the poor contributing to a reduction in inequalities of income and wealth.

In the Sixth Plan it was remarked that an increase in the productive potential of the rural economy is an essential condition for finding effective solutions to the problem of rural poverty. At the same time, recognising the constraints which limit the scope for higher growth rate in medium term, more direct means of reducing the incidence of poverty and destitution would have to be employed. It is well known that the hard core of poverty is to be found in rural areas. The poorest sections belong to the families of landless labourers, small and marginal farmers, rural artisans, scheduled castes, scheduled tribes and socially and economically backward classes. Households below the poverty line will have to be assisted through an appropriate package of technologies, services and asset transfer programmes.
According to the Sixth Plan, there were a number of programmes with the objective of improving the economic conditions of the rural poor. These programmes were reduced to mere subsidy giving programmes shorn of any planned approach to the development of rural poor. It was proposed that such multiplicity of programmes for the rural poor operated through a multiplicity of agencies should be ended and be replaced by one single integrated programme operative throughout the country. The basic objective of removal of poverty was set to be achieved through the Integrated Rural Development Programme.

Seventh Plan remarked that the present strategy of direct attack on poverty through specific poverty alleviation programmes can not be sustained and would not yield the desired results if the overall growth of the economy itself is slow and the benefits of such growth are inequitably distributed. The resources and the capabilities needed for running such programmes can not be generated in the system unless the economy itself is buoyant and there is a sustained increase in output. The demand for goods and services produced by the poorer household enterprises rises significantly in response to the overall increase in incomes in the country so that the viability of these household enterprises depends on the sustained increase in national income. Further it is necessary to ensure that the pattern of overall economic growth itself is such as to generate adequate incomes for the poorer sections through its greater impact on employment generation and on the development of the less developed regions. The programmes for poverty alleviation should thus be regarded as supplementing the basic plan for overall economic growth in terms of generating productive assets and skills as well as incomes for the poor.

It was further remarked that the economic betterment of the poorer sections can not be achieved without social transformation involving structural changes, educational development, growth in awareness and change in outlook, motivation and attitudes. The
social frame work should be such as to provide opportunities for the poorer sections to display initiative and to stand on their legs. Moreover, such a framework can ensure that the benefits of poverty alleviation programmes really reach the poor and are not frittered away through various leakages.

To achieve the above objectives of cost effectiveness and minimisation of leakages by imparting necessary flexibility in the choice of activities, and by achieving integration in the programmes, a three-pronged strategy is envisaged in the Seventh Plan.

a. Poverty alleviation programmes would be formulated and implemented in a decentralised manner with the participation of the people at the grass roots level through village panchayats and panchayat samithies, zilla parishads, etc. Such an approach will contribute to the selection of projects suited to local conditions, and to the integration of poverty alleviation programmes with area development. This frame work will also help in the timely provision of services in their appropriate sequence and in ensuring that the benefits of the programme really reach those for whom they are intended.

b. Large number of programmes through multiple organisations have led to the duplication of management efforts. The effective implementation of the programmes would call for better planning at the district level. It was proposed to take up during the Seventh Plan measures for strengthening, proper training and orientation of the local administrative machinery within the framework of an integrated administrative organisation.

c. Keeping in view the limited absorptive capacity of the poorest households, the Approach to Seventh Plan has also emphasized the need for taking up group oriented activities for beneficiaries, to the extent possible, through the promotion
of cooperatives, registered societies, informal groups, etc. Further, voluntary agencies would be increasingly involved in the formulation as well as implementation of poverty alleviation programmes during the Seventh Plan, especially for ensuring greater participation of the people. Thus Seventh Plan strategy of development is to achieve overall economic growth which in turn automatically ensures generation of employment and incomes of the people.

The Eighth Plan states that elimination of poverty continues to be a major concern of development planning. Expansion of employment opportunities, augmentation of productivity and income levels of both the underemployed and unemployed poor would be the main instrument for achieving this objective during the Eighth Plan. However, even an employment oriented growth strategy will achieve this goal only in the medium and long term. In the mean time, short term employment will have to be provided to the unemployed and underemployed, particularly among the poor and vulnerable sections through the existing special employment programmes namely the IRDP and JRY.... This would be better achieved by a greater integration of the existing special employment programmes with other sectoral development programmes, which in turn would generate larger and more sustainable employment.

Eighth Plan lays emphasis on the utilisation of resources for building up of rural infrastructure which is an essential pre-requisite for more sustained employment and development. It was stated in the Eighth Plan that planning and implementation of rural development programmes must enable greater self-help by the people and their participation in programmes through panchayati raj institutions, cooperatives and other self-managed institutions. This will mark a reduction in the dependence on the present development administration for delivery. However this should not be interpreted as a greater move towards 'privatisation' of leaving the rural poor to look after themselves. State intervention will have to continue, in fact, on an expanded scale so as to protect the
poor and vulnerable sections from some of the burdens of structural adjustment. Viewed in this context, certain changes would be required in the broad strategy for rural development during the Eighth Plan. In addition, this may also necessitate the reworking of some of the earlier guidelines with respect to specific poverty alleviation programmes.

The Eighth Plan observed that poverty alleviation programmes have been successful in providing a certain quantum of employment to people and have led to the creation of some durable assets in the village. There is a perception that the achievements have not been commensurate with the resources spent on them. Under the IRDP, the very fact that about half the number of beneficiaries have over dues raises doubt about their ability to come out of the debt syndrome.... It is estimated that about one third of them do not even have the original asset that was given to them. The beneficiaries may be forced to sell the assets as they require the money. What is more, even those who have generated sufficient additional income to cross the poverty line may relapse into the category of poor, with addition to the family, loss of assets and non-viability of activity chosen by him.

The Eighth Plan also remarked that under the Jawahar Rozgar Yojana (JRY), some employment is provided in the lean season and the supplementary incomes thus generated are critical for the survival of many poor families. But the wages earned under JRY are a very small proportion of the amount required to help him to cross the poverty line .... A quick evaluation of the JRY concluded by the PEO supports the above observations. The survey shows that on an average, about 15 days of employment was generated per person in 1990-91. At an average wage-rate of Rs.20.00 to Rs 25.00, this would yield a supplementary income per person of about Rs 300-400 per annum. This is rather meagre in the context of the poverty line of Rs 6400 during the Seventh Plan.

In view of the above, it was felt that there is a need for integrating various anti-poverty
programmes with the sectoral programmes in a specified area so as to ensure a sustainable increase in employment and income of the rural poor and the infrastructural and environmental development of the rural areas.

1.6 Conclusion

Agriculture continues to be the primary sector of the Indian economy accommodating bulk of its growing workforce. Rapid growth of rural labourers without stable asset base, increase in the number of small and marginal holdings which are fragmented and uneconomic, higher dependence of agriculture on rainfall due to limited availability of assured irrigation, slow growth of urban industrial sector, large scale sickness among small scale industries, higher rate of illiteracy have ultimately resulted in the growing incidence of rural poverty inspite of the sincere and concerted efforts to alleviate rural poverty and unemployment through eight Five Year Plans besides Annual Plans. Several programmes were taken up to reduce the problem of poverty which has been one of the primary objectives of successive Five Year Plans. Later it was realised that the development programmes taken up in Five Year Plans could not confer benefits on the landless labourers and other vulnerable sections of the rural community. Hence specific poverty alleviation programmes were initiated and implemented. But multiplicity of programmes through multiplicity of institutions have resulted in overlapping, confusion and duplication to the neglect of some regions and sections. To avoid these, Integrated Rural Development Programme was initiated so as to bring all the target oriented beneficiary programmes under one umbrella. It is being implemented through all the blocks in the country.

A review of the different estimates of the incidence of rural poverty by different experts and institutions reveal that there has been a significant impact on rural poverty and the proportion of rural poor has been on the decline. But in absolute numbers the decline is very insignificant. A review of the different estimates discussed in the chapter
confirms that there is still not less than 30 per cent of the rural population living below
the poverty line. The low rate of growth in the per capita income at constant prices,
increase in the number of small and marginal farmers, low growth rate of consumer
expenditure indicate that the incidence of rural poverty is still a major problem to be
tackled with.

A review of the poverty alleviation strategies in the India's Five Year Plans reveal
that there are several deviations from plan to plan and the review of the performance of
different plans suggest that the benefits of poverty alleviation programmes are not
commensurate with the objectives. Eighth Plan rightly observes that poverty alleviation
programmes are to be integrated with the sectoral and area development programmes.
Additional income and employment generation should be attained with in the frame work
of overall economic growth. Temporary benefits through generation of temporary
employment programmes and non-viable economic activities will not solve the problem
of rural poverty.

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18. Ibid., p.13-14

19. Ibid., p.14-15
20. Ibid., p.15-16

21. Ibid., p.17


29. Ibid., - pp.6-9


51. The figures have been computed from the different Censuses of India.

52. The figures have been computed from Agricultural and Rural Labour Enquiry Reports.


59. Ibid., P.1

60. Ibid., P.1


62. Ibid., p.169.

63. Ibid., P.170.


65. Ibid., P.50.


69. Ibid., P.36

70. Ibid., pp.36-37.