PRÉFACE

India is a developing economy. Since independence it has set out on the path by conscious approach towards economic development, which has not led to removal either of poverty or of inequality.

Poverty, inequality and Development have remained important areas of study and inquiry in Economics. These areas have also been debated in many multi-disciplinary studies. Most of these studies concentrate on questions like, where do we go from here? For then the reference point of time is present and interesting area of action is future course of events.

This thesis starts with a look at the past. The most glaring phenomenon of economic history of nearly two centuries, being one of famines. Famines have always been devastating, something against which man remained helpless; like an ancient mariner in the doldrums, while looking at history guardedly the policy options open before a public authority became clear. For example, creation of man-days of employment was practiced since the moghul era 'Dashar Tax', was perhaps the earliest form of levy. History brings out the point very clearly: Unless the famished are cared for they will perish, this is no small lesson. It brings one directly face to face with appropriateness of policy.

Policy formulation in turn depends on understanding of Characteristics of the affected population. It also requires a close examination of structure of economic relationship obtaining in such areas. It calls for a study of impact of drought which could best be done when both drought and non-drought situations are studied. I had an opportunity to study the drought of 1974 and normal year of 1978.
Droughts generate shock in the household budget; this shock is not homogeneous. Some are affected intensely, others can salvage the situation once the drought was over. It means that if drought, which itself is never homogeneous, becomes a long term and intense phenomenon it will create a pauperising effect. This down slide is anti-thesis of economic development. The whole argument that whether there is any trickle-down, if yes then how much (b) at what speed and (c) upto what extent; becomes relevant here. In this context, this thesis is an attempt at looking at dimensions and characteristics of poverty in wake of a shock situation.

Gujarat is a predominantly drought-prone region. Out of its 19 districts are recognised as drought prone. Only 16 percent of the cropped area is irrigated and cropping intensity is only 6 percent. Mean rainfall as well as deviation around mean is very high. This does not leave much choice to the farmers. Thus the drought areas are inhabited by mostly illiterate farmers, who do not in case of small farmers, in particular, possess much of assets which could be sold in the market to tide over a short-term shock-situation like that of drought.

Such people who exist at 'at-risk' situation do not possess 'exchange entitlements'. The institutions of marketing of agricultural crops and rural credit have, to say the least, remained alienated. In fact both these are exploitative. Farmers contracting consumption loans find it difficult to come out of it even to-day. The exploitative character of the money-lender, a legacy of past, is still practically unbridled. This puts an additional burden on Government to start the
relief works in time, which again requires a very timely diagnosis of drought situation as well as a prompt administrative machinery. Marginal Farmers, landless labourers and small artisans lose their daily employment in face of drought. In absence of exchange entitlements they must have either immediate employment on public works or they are required to contract new debt which becomes heavier with passage of time because of usurious interest charged on them.

It is well received that there exists a structure of interest rates; i.e. for different purposes, credit worthiness and general situations different rates are charged at the same times. Capital market does not provide one piece solution of course, Government intervention, too, plays its role here. However, more fundamental issue is that the capital market is highly segmented. There are people who always borrow at relatively higher interest rates and there are other people who borrow at low rates. These segments are found to be hardened. It is this segmentation of capital market which robs the drought affected groups of population. The credit institution, as it exists, does not allow even normal times output spurts to offset the loss on interest account, as such exchange entitlements cannot be accumulated.

Simultaneously the product market is also alienated against the farmers and as a result, at times of normal year good crops they face market uncertainties. Thus rainfall and market uncertainties accentuate the situation, leading to inequality and poverty.

Cropping pattern of the region too is conditioned by rainfall uncertainty. Regions, which have higher and stable rainfall prefer cultivation of food crops, irrespective of the size-class of land holding.
Cropping pattern, in the context of the drought prone areas of Gujarat, condition employment. It is seasonal and, till yester years, very low paid. Ultimately this leads to the problem of levels of living.

With the help of empirical data this thesis brings out that:

(a) Rainfall plays a decisive role in levels of living. A look at p. 131 table 7.5 is sufficient. Where level of rainfall is high and variation low, i.e. where rainfall is more assured levels of living are relatively better. Extent of under nutrition is also minimum. But as one moves to worse situations gradually, viz. High mean high variability, low mean low variability and low mean high variability extent of under nutrition steadily increases.

(b) The proof above clearly shows how ineffective the style and content of economic development has remained. It has not been effective in reducing impact of weather.

It is a fact borne out with the help of empirical work presented in the course of this thesis that the type of development adopted by the country is meaningless for these people. Its content and approach needs serious rethinking.

The thesis is divided into 9 chapters. Definitions of droughts are presented in chapter-1. Chapter-2, discusses rainfall and economic characteristics of the areas. Chapter-3 surveys literature and brings out issues of study in clear focus, Chapter-4 gives a macro-level picture of the state level situation and shows extent of peaks and troughs in SDP as a result of drought. Chapter-5 discusses methodology.
of Agriculture is discussed at length in chapter 6.

In chapter-7 and 8 are presented impact on levels of living which is an ultimate result initiated by a chain of actions and reactions initiated by failure of rains. The last chapter provides conclusions and policy implications.

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