CHAPTER-I

INTRODUCTION
One of the conspicuous features of developing economies is poverty. When a vast majority of the people are not having the basic needs of life, namely, food, shelter and clothing, it indicates poverty.

In developed countries also we find poverty but its magnitude is much less when compared with that of the 'Third World Countries' or 'Developing Countries.'

Poverty can be distinguished in two ways: absolute poverty and relative poverty. Absolute poverty of a person means that his consumption-expenditure is so small that he lives below the minimal subsistence level. The term relative poverty refers to inequalities in income i.e. people with lower-incomes are relatively poorer than the people in higher-income brackets. Number of studies have been conducted at macro-level on poverty in the world and poverty in India; variety of causes indicated and statistical surveys made to show their range in the world map. For the purpose of the study they are put in two sections:

a) Brief account of poverty in India
b) Poverty in the World

A) BRIEF ACCOUNT OF POVERTY IN INDIA

In India, even after forty five years of planned economic development, we face the problem of mass poverty. From the studies of Prof. Dandekar and Prof. Rath, it is perceived that 40 to 50 per cent of the urban population lived below poverty line during sixties the extent of poverty in the urban areas remained constant. According to the Sixth Plan (1980-85), 51 per cent of the rural population and 38 per cent of the urban population live below the poverty line and it was 48.4 per cent for the country as a whole. And it is
learnt that people living below poverty line in rural and urban area percentages are 21.68 and 11.55 respectively during the Seventh Plan period.

In the light of the norms of poverty, it has been established that landless agricultural laboures, marginal and small farmers constitutes the class of poor of the rural areas. The class of urban poor constitutes those who migrate from rural areas to urban areas in search of employment as rickshaw pullers, headload carriers, domestic servants, sweepers etc.

B) BRIEF ACCOUNT OF POVERTY IN THE WORLD

The bulk of the World's poor about 750 million (85 per cent of the people) live in rural areas. Half of the people in South Asia, mainly in India and Bangladesh, live in absolute poverty. A sixth live in East and Southeast Asia, mainly in Indonesia; another sixth in Sub-Saharan Africa. The rest about 100 million people are divided among Latin America, North Africa and the Middle East. With the partial exception of Latin America (where about 40 per cent live in towns), the poor overwhelmingly dependent on agriculture are primarily rural dwellers; a majority of them are small farmers and marginal farmers (50%) and landless labourers (25%). Some minority groups, for example, the Indians in Latin America and the Scheduled Caste, Scheduled Tribes and Backward Classes in India are also over-represented among the poor.

Absolute poverty, which is indicated by the level of income, the value of assets, consumption-expenditure and the level of debt. Majority of the population in less developed-countries are subject to relative poverty indicated by gross inequalities among different sections of the population. The studies carried out at the international level by the World Bank and the Food and Agricultural Organisation of the United Nations have brought into focus the severity of the poverty, particularly poverty of the rural areas,
particularly in over populated countries like India, Bangladesh and Pakistan in the Third World Countries and highlighted the need for anti-poverty programmes.

CONFIGURATION OF POVERTY

Poverty, in economic terms, has been existing since the day when individuals in their social setting started making comparative assessment of economic advantages and disadvantages among fellow individuals.

Robert Hunter defines a poor man as "any person who for whatever reason was unable to provide himself and his dependents with a decent standard of a living."³

For developing countries like India, poverty may be viewed from the subsistence angle and may be defined as failure to meet the norms of basic requirements of life.

In general terms, poverty can be distinguished by two categories, namely

1) absolute poverty  2) relative poverty.

ABSOLUTE POVERTY

Absolute Poverty is defined by income level below which even minimum standards of nutrition, shelter and personal amenities cannot be maintained.

RELATIVE POVERTY

Relative Poverty, another dimension of poverty, is reflected by the extreme differences in levels of living between the top and bottom strata of society.⁴

Relative poor are characterised with little assets of their own and, in case of landless poor no asset at all. They mostly depend upon labour work which is available at a very low rate of remuneration. Thus, the inequality is widened both in respect of assets and work; eventually they come under absolute poverty. Relative poverty is merely a problem of inequalities in the distribution of land and assets and some say that this problem is of developed countries where there is a high per capita income, unequal distribution of income and wealth.
ESTIMATION OF POVERTY

The earlier approaches in the issue of poverty focused on the interrelationship between economic growth, income inequality and poverty.

There are two types of indices for measuring the extent of poverty. The most common index is the percentage of population in poverty or the head-count ratio, popularly referred to as the incidence of poverty. This can be expressed as:

\[ Q = \frac{n}{p} \]  

Where 'Q' denotes the proportion of population below the poverty line, 'n' denotes the absolute number of people or persons in poverty and 'p' denotes the population of the country and the state or the region.

To find the value of Q, one has to define first what constitutes poverty so that value of 'n' can be ascertained.

A second index of poverty aims at measuring the poverty-gap or the income-gap ratio. This is the aggregate income needed to bring all the poor above the poverty line. The income-gap ratio can be expressed as:

\[ I = 1/Q \cdot \frac{1}{1-1} (Z-Y_i) \]  

Where 'I' denotes the income gap ratio, 'Q' denotes the number of persons below the poverty line, 'Z' denotes the poverty line and 'Y_i' denotes the income of the i-th persons the below poverty line.

The income-gap ratio is useful for estimating the amount of income-transfer needed to lift the poor above the poverty line.

STATEMENT OF THE PROBLEM

Poverty is world-wide phenomenon. The bulk of World's poor (680 million or about 85 percent of the world population) live in rural areas. Of the total rural poor, small
farmers constitute over 50 per cent and landless labourers form about 25 per cent.5 Besides absolute poverty, which is indicated by the level of income, the value of assets, consumption expenditure and the level of debt, majority of the people in less developed countries are subject to relative poverty indicated by gross inequalities among different sections of the population. The studies carried out at the international level by the World Bank,6 and the Food and Agricultural Organisation 7 of the United Nations have brought into the fore the severity of poverty; particularly poverty in the rural areas in the Third World Countries and highlighted the needed for anti-poverty programmes.

The question of defining the poverty-line was first mooted by the Indian Labour conference in 1957. Subsequently, a working Group 8 of the Planning Commission (1962), based on the balanced diet in terms of nutrition recommended by the Indian Council of Medical Research in 1959, prescribed in 1962 a nationally desirable minimum level of consumer expenditure to serve as the cut-off point.

After nine years, Dandekar and Rath (1970) took up the issue and defined the poverty line in terms of expenditure level at which households on an average seemed to have adequate energy intake.9 Sukhatme(1977), who contended that the norm of energy requirement used by the two economists was the average requirement of a healthy and active population and not the minimum below which a person should be considered unnourished. He suggested that the lower end of the range of the energy intakes of a standard healthy individual be used as the cut-off point for determining under nutrition and the poverty.10 The view was attacked by Nilakant Rath,11 Ojha,12 Gosh,13 Raj Krishna,14 Adiseshaiah15 etc. They support Dandekar and Rath's view, i.e., the criteria consumption expenditure levels. Although these studies vary in methodologies and in other aspects, one point is common viz., the predominance of poverty in rural areas.
As a result of these studies and their recommendations, the government of India, like those in other developing countries, has initiated anti-poverty programmes like SFDA, DPPAP, NREP, IRDP, Minimum Needs Programme etc., to alleviate poverty in general and poverty in rural areas in particular. Despite these programmes, the magnitude and incidence of poverty in rural areas has been on the increases. This is primarily due to lack of understanding of the problem in a proper perspective, failure to identify the genuine and needy beneficiaries and leakage and lapses in the delivery systems.

REVIEW OF LITERATURE

The problem of poverty in rural areas has been explored from time to time by different agencies at different levels-international, national and regional. In a study of rural poverty, a select review of literature at different levels throws light on the dimensions and dynamics of rural poverty.

In a World Bank study, "Assault on World Poverty," Mc Namara, former World Bank President observes that growth is not equitably reaching the poor and the poor are not significantly contributing to growth. Development strategies, therefore, need to be reshaped in order to help the poor to become more productive. The study suggests that agricultural credit and land reforms are the key elements in helping the rural poor to become more productive. Unfortunately, the flow of credit to poorer sections has been inadequate due to lack of sufficient collateral and high administrative costs of small loans to them.

Food and Agricultural Organisation has reviewed poverty in rural areas in developing countries and the means of poverty alleviation. The study, based on absolute poverty norms, has come to the conclusion that one of the origins of this poverty must lie in inadequate access to land and other factors leading to insufficient production. By projecting World Agricultural perspectives and policy issues up to the year 2000 A.D. with particular attention to developing countries, the study found that over the next two
decades the developing countries could double their food and agricultural production, but it observed that improved food production must go hand in hand with a more equitable distribution of this larger output. The study concludes that a sustained effort is needed on many fronts. Limited access to land due to unequal distribution of land or population pressure is undoubtedly a major contributory cause of insufficient production but the inherent quality of the land and quantity of labour and capital are also the determinants of the level of farm output. Case studies prepared for A.T.2000 (FAO 1981-Agriculture towards 2000) show that the incidence of poverty in rural areas is highest among landless labour and small holder households.

The study has further observed that mere economic growth in general or agricultural growth in particular will not suffice to solve the problem of rural poverty. The alleviation of poverty within an acceptable time scale requires a political commitment to the reshaping of the pattern of national economic growth and a new distribution of its benefits.

In its World Development Report 1980, the World Bank states that the absolute poverty affects a total of about 780 million people throughout the world.

The World Development Report reassesses the development prospects in many under-developed countries, potential for improved performance in agriculture and rural poverty alleviation in those countries.

It is observed that all countries where agricultural development has been strong, economic growth had advanced at a rapid rate. As a result, in many middle-income countries, the worst kinds of absolute poverty in rural areas have largely disappeared, though stark differences in standard of living persist.

Poverty in India is not a recent phenomenon. The debate on Indian poverty during eighteenth century vividly brought out the socio-economic conditions of that time
and the effect of the British rule on aggravating poverty among people in the country. Dadabhai Naoroji in his paper, 'The wants and Means of India,'\textsuperscript{21} has given 40 shillings (Rs.20) per capita as high estimate of the gross production of India'. In another paper also "Poverty of India,"\textsuperscript{22} his estimate stood at 40 shillings (Rs. 20) for the country as a whole. He arrived at this after taking into account the value of production in agriculture, manufacturing in industry, coal mines, profits of foreign commercial trade activities etc. His estimates omitted the contribution of railways to national income, to profits of trade, to salaries and pensions, to non-agricultural wages and all other sources from which a man who does not grow food himself may obtain the means of purchasing it.\textsuperscript{23} Dadabhai's estimates, taking into consideration the average prices of only a few crops, have led to underestimation of the values of production per capita in India.

Rao (1938)\textsuperscript{24} in his essay on the National Income of India, with a different methodology, has accepted Dadabhai's figure, revising it by just 15 per cent as Rs.23.4 for 1867-68. For 1948-49, Mukherjee (1969),\textsuperscript{25} using his price-index series, inflated the Dadabhai's estimate as Rs.142 at 1948-49 prices.

In his study, "Economic History of India in the Victorian age", Dutt (1950)\textsuperscript{26} has emphasized that the inequity of land-tenure system and the heavy taxation on backward agriculture during British rule have contributed to the reinforcement of poverty in India in general and poverty in rural areas in particular.

A study Group\textsuperscript{27} of the Government of India (1962) recommended the nationally desirable minimum level of consumer expenditure of Rs.20 per capita per month at 1960-61 prices. This recommended figure was criticised on the ground that it was an underestimation as it excludes the expenditure on health and education assuming that they are provided free of cost by the state according to constitution.
Chatterjee and others (1963) in their paper "A preliminary Study on the Dietary Levels of Households in Rural India" found that about 53 per cent of the rural population fall below the norm of 2400 calories per capita per day. He uses NSS consumption data which does not take into account the non-food expenditure. Thus they have under-estimated the extent of rural poverty in India.

In his study, "Size and Areal Distribution of level of living in India". Mukherjee (1969) with a different methodology, and considering the country's population as a whole (without any bifurcation of rural and urban) has arrived at the conclusion that in terms of the density of the poor Orissa, Kerala, Bihar, Mysore and Andhra Pradesh are poorest States in 1963-'64. But he did not consider the price-variation, type, nature and intensity of activities, cropping pattern and climatic factors in different regions of the country. He has used uniform measure for all the regions to measure poverty.

Minhas (1970) slightly modified the Study Groups figure as Rs.200 per capita per annum relating to rural areas on the ground that urban cost of living tends to be some what higher at 1960-'61 prices. Using the norm, he found that between 1956-'57 and 1967-'68, the rural poor declined by 19 million though the number of poor tend to rise in bad harvest years. Minhas was also subject to criticism by the study Group as he failed to take into consideration the expenditure on clothing, fuel, light, health, education, etc.

Ojha (1970), adopting a different methodology, estimated the poor both in rural and urban areas for two different years. Using calorie-norm of 2250 per capita per day for an average Indian he worked out the minimum required food consumption as 518 grams for rural areas and 432 grams for urban areas. According to his estimates 51.8 per cent of rural population and 7.6 per cent of urban people fell below poverty line. For the year 1967-'68, he concluded that 70 per cent of the rural population were below the
minimum level of food grains consumption. Ojha too has excluded the expenditure on health, education and housing.

Bardhan (1970)\textsuperscript{32} used minimum level of income (i.e. Rs. 15 per Capita for rural and Rs. 21 for capita for urban areas) as norm and examined the trend of rural poverty over the years 1960-'61 to 1968-'69. Bardhan estimated that of the total population 38 per cent in rural areas and 44 per cent in urban areas during the year 1960-'61 at the same year prices fell below poverty line. During 1968-'69 at 1960-'61 prices Bardhan estimated that 54 per cent of the rural population and 41 per cent of the urban population fell below poverty line. Bardhan found that the rural poor have increased at a staggering rate (i.e. by 95 million between 1960-'61 and 1968-'69).

Dandekar and Rath (1971),\textsuperscript{33} assuming a daily average energy requirement of 2250 calories for each person, estimated the level of consumer expenditure at Rs. 15 per capita per month in rural areas and Rs. 22.5 per capita per month in urban areas at 1960-'61 prices. Accordingly they found that in 1960-'61 about 33.12 per cent of rural population and 48.64 per cent of the urban population would have been living below the level of poverty. This methodology was questioned by many economists.

Vyas (1972)\textsuperscript{34} observed that the proportion of rural poor fell from 45 per cent in 1954-'55 to 38 per cent in 1960-'61, though there was no agricultural growth and no sectoral changes.

Vidyanathan (1974)\textsuperscript{35} in his paper "Some Aspects of Inequality in Living Standards in Rural India", by using Rs. 21.44 as average per capita consumption per month at 1960-'61 prices, found that about 15.65 per cent were living in poverty. With regard to trend, based on NSS data, he observed that rural poverty had gone up from 59.5 per cent in 1960-'61 to 67.9 per cent in 1967-'68.
Bhatty (1974) estimated the poverty levels for different categories at different income levels for 1968-'69 by using the techniques of Sen's poverty index and head count ratio. He observed that incidence of poverty was maximum among agricultural labourers' category (89.56 per cent) followed by non-agricultural workers (78.77 per cent) and cultivators (70.28 per cent).

Planning Commission (1977-'78) in its draft plan estimated that 48 per cent of rural population and 41 per cent of the urban population in India fell below poverty line.

In a meticulous study, Ahluwalia (1978) using the norm of the per capita consumer expenditure of Rs.15 per month at 1960-'61 prices for both country as a whole and for different states examined the trends in the incidence of rural poverty for about two decades from 1956-'57 to 1973-'74. He concluded that the time trend is insignificant but the series shows that the incidence of poverty fluctuates in response to variations in real agricultural output per head. He found that there is an inverse relationship between rural poverty and agricultural performance for the country as a whole. The same trend was also noticed in several individual States. There was also evidence that there are processes at work which tend to increase the incidence of poverty independently of variations in agricultural output per head.

Tendulkar, and Sundaram (1985) in their study "Growth Trickle Down Effects and Poverty," have concluded that the percentage of population below poverty line has fluctuated without any trend towards increase or decrease both for the rural and the urban population. The absolute population of the poor has, however, been rising at an annual average rate of 3.5 million in case of rural areas and 1.45 million in respect of urban areas. Further, they found that there was no relation between growth rate and poverty.

Panikar (1972) in his study of Kerala, without mentioning the figures, examined the reliability of minimum consumer expenditure norm of Dandekar and Rath under
Keral's conditions. His basic conclusions are that by ignoring regional factors, they reached wrong conclusions about the cost of nutritionally adequate diet in Kerala. By using national-minimum norm Dandekar and Rath have overestimated the number of the poor in Kerala. It is found that the diet for Kerala to attain minimum norm at 1970-71 prices would cost Rs.28.30 per head per month and the total per capita consumption expenditure corresponding to this diet would be Rs. 37.80.

In a study of Karnataka, Thimmaiah (1983) using primary data collected by the Institute for Social and Economic Change concluded that poverty is inversely associated with the level of development of the districts. He found that rural poverty is confined only to agricultural labourers, marginal and small farmers.

The Bureau of Economics and Statistics in its report (1981-'82) found that 44.6 per cent of rural population in Andhra Pradesh fall below poverty line (Rs.61.30) average monthly per capita expenditure has been used as the cut-off point. It is found that the highest percentage of families below this poverty line was in Chittoor district (61.3 per cent) while this percentage was lowest (28.6 per cent) in East Godavari district.

Parthasarathy (1985), in his presidential address at a National Seminar on "Growth, Stability and Equity with in the Agrarian Sector of Andhra Pradesh" held that poverty ratios in Andhra Pradesh are sensitive to growth performance in agriculture although it is not significantly true in the case of bottom classes. Growth lowemess, benefited much more the top cultivators 'group rather than the bottom cultivators' group in the state.

Radhakrishna and Sudhakar Reddy (1986) in their paper on "Class composition, poverty and Agricultural Development," using Rs.50 per capita expenditure per month as poverty-line, have concluded that rural poverty is concentrated among the agricultural labourers in almost all the districts and cultivators and self-employed in back-ward districts.
Perraju Sarma (1987) examined the dimensions of rural poverty with reference to agricultural labourers in Andhra Pradesh. The intergenerational decline in occupational status and access to land have been the important factors explaining poverty among agricultural labourers. But there is no association between income, poverty and generation change.

In his paper 'Poverty in Andhra Pradesh', Sudhakar Reddy (1989) concluded that though there is a declining trend in the incidence of poverty in seventies and eighties the people below poverty line in the year 1986-87 were still higher (41.85 per cent) in rural Andhra Pradesh. The studies which were conducted up to 1992 have concluded more or less on similar lines. As such, they do not merit further review. But special mention has been made regarding the independent studies made by Suresh Chandragupta, L.R.Jain, S.K.Gupta, Abhijit Sen and C.P. Chandrasekhar (1993-94) as they have established poverty ratio to be in the range of 40 per cent.

NEED FOR THE PRESENT STUDY

Most of the studies reviewed so far have examined the problem of poverty at a macro-level. India is a vast country with different agro-climatic regions and different socio-economic conditions. Hence there is imperative need for conducting a micro-level study to get a correct picture of the region-specific problems. The present micro-level study confined to is Hindupur Mandal, Anantapur District, Rayalaseema region in Andhra Pradesh.

OBJECTIVES OF THE STUDY

The following are the objectives of this study:

1. To study the Socio-economic background in Anantapur district with special reference to Hindupur Mandal
2. To Identify the problems faced by Hindupur Mandal

3. To examine the role of institutional support in the provision of extending financial assistance to implement different anti-poverty programmes in the Mandal of Hindupur and

4. To suggest remedial measures to overcome the problems faced by the Hindupur Mandal in overcoming poverty.

METHODOLOGY

The present study aims to survey the various activities of different anti-poverty programmes and their performance during the year 1995-96 in the Hindupur mandal. The data for the analysis have been collected from different financial institutions which have been functioning in Hindupur Mandal. One hundred Schedules were distributed among the identified beneficiaries. The responses of the beneficiaries have been recorded in order to evaluate the performance of different anti-poverty programmes implemented in the Mandal. The identified beneficiaries have been selected on random basis, with a view to get at the near realistic picture in respect of the role played by the local financial institution to overcome poverty in four villages in the Mandal Chalivendala, Manesamudram, Kirikera and Pulakunta have been selected for the study; at the rate of 25 identified beneficiaries have been randomly picked up to elicit their responses to evaluate the role of the local financial institutions in reducing the intensity of poverty in the Mandal. The data collected has been analysed using the simple statistical tools wherever necessary.

IMITATIONS OF THE STUDY

Since it being a micro-level study, the conclusions arrived at need not necessarily reflect or represent the overall picture of the district as a whole. The findings of the study are strictly confined to Hindupur Mandal alone. The results of this study are with reference to the year 1995-96.
CHAPTERISATION

The study, for the sake of convenience, has been divided into six chapters. The chapter outlay is indicated here under:

1. Introduction and Methodology;
2. Poverty in India; and efforts to reduce poverty;
3. Aims and objectives of different anti-poverty programmes;
4. Profile of Anantapur District and Hindupur Mandal along with a brief profiles of the sampled villages;
5. Role of financial Institutions in reducing intensity of poverty in Hindupur Mandal;
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12. Ibid.

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14. Ibid.

15. Ibid.


22. Ibid., pp. 2-3.

23. Ibid., p. 3.


27. Study Group., op.ct.


44. Radhakrishna, R. and Sudhakar Reddy, S.(1986)"class Composition Poverty and Agricultural Development " Published in the Volume of Andhra Pradesh Economic Association fourth annual conference held at the centre for Economic and Social Studies, Hyderabad during 11-12, January.