CHAPTER II

SELECT REVIEW OF LITERATURE
Introduction

In recent times attempts have been made to explore theoretically and empirically the distributional aspects of economic growth in terms of the interrelationship between economic growth, income inequality, poverty and welfare obtaining among the various regions and the socio-economic groups therein at national and international levels. Traditional development was conceived in terms of an increase in Gross National Product (GNP) and per capita income and accordingly earlier approaches to development problems during fifties and sixties stressed on raising the aggregate rates of growth of domestic product. The small gains of development seem to be monopolized by the upper middle and richer sections of the society. The claims that there has been acceleration in the growth rate, that poverty has been on the decline and that majority of the poor is getting better-off have no basis. Time has come to question the erstwhile strategies of development or growth and search for development paths that would result in growth with equity and elimination of poverty. As a consequence, studies on poverty have come into the fore and demanded the emphasis on income distribution, employment and growth.

The problem of rural poverty has been exposed 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. Hence an attempt is made to undertake this exercise in the following lines.

In his study (1975), "Economic History of India the Victorian Age" Dutt (1950) 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 rural poverty in particular.

A Study Group 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. Subsequently, the recommended figure was criticized 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. Further, there was no distinction between rural and urban areas.

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 underestimated the extent of rural poverty in India.
In his study "Size and Arial 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. Moreover he used uniform measure for all the regions to measure poverty.

Minhas (1970) slightly modified the study group's figure as Rs.200 per capita annum relating to rural areas on the ground urban cost of living tends to be somewhat higher at 1960-61 prices using the norm, he found that between 1956-57 and 1967-68, the rural poor declined by 10 million though the number of poor tend to use in bed harvest years. Minhas was also subject to criticism on the ground that he committed the same mistake as the Study Group by not taking into consideration the expenditure on clothing, fuel, light, health, education etc.

Bardhan (1970) used minimum level of income (i.e., Rs.15 per capita for rural and Rs.21 for per capita for urban areas) as norm and examined the trend of rural poverty over the years 1960-61 to 1968-69. Bardhan estimates 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 millions between 1960-61 and 1968-69).

Ojha (1970)\textsuperscript{9} 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 grams consumption. Ojha has also excluded the expenditure on health, education and housing.

Dandekar and Rath (1971)\textsuperscript{10} assuming a daily average energy requirement of 2250 calories for each person, which is equivalent to a little over 2800 calories per adult per day, 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 the rural population and 48.64 per cent of the urban population would have been living below the level of
poverty. The methodology followed in estimating the minimum calorie requirement and expenditure levels was questioned by many economists.

Vyas (1972)\textsuperscript{11} observed that there was a negative association between the combined impact of major institutional changes and agricultural growth and the incidence of rural poverty during 1950s. 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.

Panikar (1972)\textsuperscript{12} in his study of Kerala did not give any figure with regard to poverty in Kerala. He examined the reliability of minimum consumer expenditure norm of Dandekar and Rath under Kerala's conditions. His basic conclusions are that by ignoring regional factors, they reached growing 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 India, poverty is not a recent phenomenon (1973), the debate of Indian poverty during eighteenth century, vividly brought out the socio-economic conditions of that time and the effect the British rule on aggravating poverty among people in the country. Dadabhai Naoroji in his
paper, the wants and means of India, has given 40 shillings (Rs.200) per capita as high estimate of the gross production of India. In another paper "Poverty of India" also his estimate stood at 40 Shillongs (Rs.20) for the country as a whole. This he arrived at after taking into account the value of production in agriculture, manufacturing in industry, coals and mines, profits of foreign commerce etc. However, 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. Further he estimated it by taking into consideration the average prices of only few crops. As a result, Dadabhai's estimates led to underestimation of the values of production per capita in India.

Vaidyanathan (1974)\textsuperscript{13} in his paper "Some Aspects of Inequality in Living Standards of 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 has gone up from 59.5 per cent in 1960-61 to 67.9 per cent in 1967-68.

Byatly (1974)\textsuperscript{14} 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).

In a World Bank Study (1975) "Assault on World Poverty" McNamara, 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 agriculture credit and land reforms are 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. However, these programmes are difficult to carry out due to their earnings on the poverty base of the traditional elite in a developing society.

Griffin in his study (1976)15 "Land Concentration and Rural Poverty" remarks that the distribution of income in the agricultural sector and the standard of living of the majority of the rural population are greatly affected by the degree of land concentration. In each essay one encounters a constant refrain about the crucial role of agrarian reform in alleviating rural poverty. Griffin stressed that one of the great achievements in Taiwan is its ability to combine high rates of savings and growth with relatively equitable distribution of income. Many reasons are there for the even distribution of income in Taiwan. First, within the agricultural sector, the
distribution of income from farming is relatively equal. Absentee landlordism was abolished during the post-war agrarian reform, rents were fixed and are now quite low and the average size of holding and unit of ownership is small and the dispersion around the average slight. All these factors have contributed to a more equalitarian community. Some nations viz., Pakistan have achieved rapid growth, but this has accrued at the expense of equity. 42 Countries like Sri Lanka have been more equitable, but the rate of growth has been unsatisfaction.

In a study Bangladesh, Khan\textsuperscript{16} observes that in recent decades the rural economy of Bangladesh has not only failed to grow in terms of per capita output but also experienced remarkable increase in inequality and extreme poverty. He found that during the period of relatively successful a green revolution, which brought about significant increases in output and income, landlessness and near proletarianisation increased resulting in the aggravation of inequality of incomes.

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 adopted Sen's poverty index as well as traditional head count ratio and concluded that the time trend is insignificant but the series shows that the incidence of poverty fluctuates in response to various 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.

In a study of Karnataka, Thimmaiah (1983)\textsuperscript{17} 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 to agricultural labourers, marginal and small farmers only.

Amarthya Sen (1984)\textsuperscript{18} the Novel laureate of 1998, had focused his study mainly on the causation of starvation in general and of famines in particular. The traditional analysis of famines focusing on food supply is shown to be fundamentally defective – theoretically unsound, empirically inept, and dangerously misleading for policy. He uses an alternative method of analysis – the ‘entitlement approach’ – concentrating on ownership and exchange. Aside from exploring the underlying theory, the approach is used in a number of case studies of recent famines including the Great Bengal Famine of 1943, the Ethiopian Famines of 1973 and 1974, the Bangladesh Famine of 1974 and the famines in the Sahel countries in Africa in the Seventies.
According to his study, poverty is a matter of deprivation. The recent shift in focus – especially in the sociological literature – from absolute to relative deprivation has provided a useful framework of analysis. But relative deprivation is essentially incomplete as an approach to poverty, and can only supplement (but not supplant) the earlier approach of absolute dispossession. The much maligned biological approach, which deserves substantial reformulation but not rejection, relates to this irreducible core of absolute deprivation, keeping issues of starvation and hunger at the center of the concept of poverty. To view poverty as an issue in inequality, as is often recommended, seems to do little justice to either concepts. Poverty and inequality relate closely to each other, but they are distinct concepts and neither subsumes the other.

There is a good case for viewing the measurement of poverty, as is often asserted, as an ethical exercise, but primarily as a descriptive one. Furthermore, it can be argued that the frequently used “policy definition” of poverty is fundamentally flawed. The exercise of describing the predicament of poor in terms of the prevailing standards of ‘necessities’ does, of course, involve ambiguities, which are inherent in the concept of poverty, but ambiguous description is not the same thing as prescription. Instead, as Sen concludes, the arbitrariness that is inescapable in choosing between permissible procedures and possible interpretations of prevailing standards required recognition and appropriate treatment.
In his presidential address at a National Seminar on “Growth, Stability and Equity with the Agrarian Sector of Andhra Pradesh,” Parthasarathy (1985)\(^{19}\) 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. Further, growth benefits much more the top cultivators’ group rather than the bottom cultivators’ group in the state.

More recently, Tendulkar and Sundaram (1985)\(^{20}\) 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 relationship between growth rate and poverty. Besides the above said international and national studies, there are also some regional studies on this issue. An examination of these studies enables us to have an insight into the problem of poverty in general and rural poverty in particular.

In recent times attempts have been made to explore theoretically and empirically the distributional aspects of economic growth in terms of the interrelationship between economic growth, income inequality, poverty and welfare obtaining among the various regions and the socio-economic
groups therein national and international levels. Traditional development was conceived in terms of an increase in Gross National Product (GNP) and per capita income and accordingly earlier approaches to development problems during fifties and sixties stressed on raising the aggregate rates of growth of domestic product the small gains of development seem to be monopolized by the upper middle and richer sections of the society. The claims that there has been acceleration in the growth rate, that poverty has been on the decline and that majority of the poor is getting better-off have no basis. Time come to question the erstwhile strategies of development or growth and search for development paths that would result in growth with equity and elimination of poverty. As a consequence, studies on poverty have come into the fore and demanded the emphasis on income distribution, employment and growth.

Subramanian (1986) in his study on ‘Poverty and Inequality in Tamil Nadu’ using NSS data on consumption and other aspects, estimated the incidence of both urban and rural poverty. He applied the measures like traditional head count ratio, and Sen’s poverty indexes, Gini Ratios and Lorentz Curve techniques to study the inequality in the state. He uses the poverty line for state as the consumer expenditure level of Rs.15 per capita per month for rural areas and Rs.20 per capita per month for urban areas at 1960-61 prices. The important conclusions arrived at one that the absolute level of average real per capita consumer expenditure has been low in both
rural and urban areas and these levels has shown no increasing trend over time. Inequality in the distribution of consumer expenditure is generally worse in the urban areas than in the rural areas. The proportion of people below poverty line has been consistently high both in rural (47.15 per cent) and urban (49.89 per cent) areas. With regard to trend over 1961-62 to 1983 there is no clearly discernible trend in respect of the proportion of people below poverty in rural or in urban areas both in terms of head count ratio and Sen’s index.

Radhakrishna and Sudhakar Reddy (1986)\textsuperscript{22} in their paper on “Class Composition, Poverty and Agricultural Development,” using Rs.50 per capita expenditure per month as poverty line, conclude that rural poverty is concentrated among the agricultural labourers in almost all the districts and cultivators and self-employed in backward districts. Although agricultural development benefits all classes, it widen for equitable distribution.

Perraju Sarma (1987)\textsuperscript{23} examined the dimensions of rural poverty with reference to agricultural labourers in Andhra Pradesh. The study is based on field data collected by means of sample survey in Krishna district during 1981-82. He found that there is an association between the size of the household and the proportion of people below poverty line and also between the absence of female works and poverty. The international 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 generational change. Another interesting findings on assets is that the percentage of households below the asset poverty line (73) exceeds those below the income poverty line (41).

Bagchee Sandeep's (1987) appraised the poverty alleviation programmes of the Seventh Plan. It is stated that there was wrong identification of the beneficiaries to the extent of 15 to 20 per cent at the all-India level, though this ranged from 47 per cent to 70 per cent in different states. The selection of the activities was wrongly done without giving any consideration to the ability of the beneficiaries.

Lee, in his study of South Korea, (1988) observes that the size distribution of income is lower than in most other developing countries and that this relatively favourable distribution has remained essentially unchanged during a period of rapid structural change and economic growth. The initial equalitarian distribution of land not only created a low degree of inequality in asset and income distribution but also created the preconditions for a widely diffused adoption of new productive inputs. As a result, productivity and incomes have increased. Hence, it is found that the wide diffusion of growth contributed to the reduction in inequality and alleviation of poverty.
Radhakrishna et al., (1988) in their study have examined the poverty in the developed and backward areas of Andhra Pradesh based on the 38th round NSS data ensuring the poverty line of the Planning Commission. It was observed that about 80 per cent of the people in the backward area and 48 per cent of the people in the developed area are living below the poverty line. In the backward area, 50 per cent of the households are very poor while the percentage of very poor households in the developed area is 19 per cent.

Surjit S. Bhalla and Prem Vashistha (1988) in their paper have re-examined the issue of income distribution in the light of NCAER survey results and NSS data. While discussing the welfare of the individuals, they argued that family size is to be given due consideration. For example, the individuals in a two person household earning Rs.4000 can not be pronounced to be at the same welfare level as individuals in a four person household earning Rs.4000. They have pointed out that if the per capita criterion of Rs.15 per capita per month (1960-61 prices) is used, in 1975-76 prices this amounts to Rs.570.6 at the individual level or Rs.3429.3 at the household level (average family size = 6.01) on annual basis. On a household basis, poverty is 45 per cent of the population, on a per capita basis it is 40 per cent. In terms of identification the error is large 38 per cent of individuals classified as poor on a per capita basis are non-poor on a household basis. The authors have analysed the trends in rural poverty on
the basis of the estimates of Ahluwalia and Gupta and Dutta. According to Ahluwalia's estimates 54.1 per cent of the population was in poverty in 1956-57 and it has come down to 39.1 per cent in 1977-78. While it was 56.8 per cent in 1960-61 and has come down to 51.5 per cent in 1977-78 according to Gupta and Dutta's estimates. The authors have come to the conclusion that the NCAER surveys were not found to be useful for derivation of trends in absolute poverty and inequality. According to the NCAER survey, the absolute poverty has declined from 44 per cent of the population in 1970-71 to 40 per cent in 1975-76. But NSS data suggest that rural poverty in 1977-78 was 39 per cent compared to 46 per cent in 1973-74.

Bandopadhyaya (1988) in his book has analysed the poverty of nations from the global perspective particularly the mass poverty in the third world countries. He has laid emphasis on the international economic structure of dominance and dependency between the capitalist developed economies and less developed economies. Due weightage was given to the social, cultural and political factors of north-south relations over and above economic factors. In his view, class structure and social factors are the primary causes for mass poverty while the institutional factors are secondary. He had highlighted that tropical climate has been the main cause of poverty in the South. His book contains a comprehensive treatment of the mass poverty in the third world countries.
Rohini Nayyar (1989) has made a systematic attempt to measure poverty in rural India on a State-wide basis and analysed the inter-state differences in the poverty levels. The author has dealt in length with the estimates of absolute and relative poverty on the basis of different criteria and by using cross sectional and time series data. An attempt is made to interrelate poverty, malnutrition, health, education and morbidity to highlight the factors influencing poverty levels. The author has found significant relation between these aspects and inter-state differences in poverty through regression analysis. According to the author, agricultural workers constitute the majorities of the poor and an attempt is made to study their living conditions. In addition to these, major anti-poverty programmes have been reviewed and their impact has been assessed.

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.

A recent attempt by Minhas et.al., (1990) also showed conclusively that the actual incidence of poverty will be much more if state-specific PLS are employed. It is striking to note that the head count ratio estimated by them directly from NSS private consumer expenditure data came to 44.12 per cent in 1987-88 in Kerala in contrast to 16.4 per cent estimated by the Planning Commission.
Pranab K. Bardhan (1990) in his article "On the Incidence of Poverty in Rural India of the Sixties" has attempted to assess the changes over the sixties in the percentage of rural people below a well defined minimum level of living with special emphasis on the question of designing an appropriate consumer price index for the poor. Bardhan has come to the conclusion that NSS consumer expenditure data cannot be easily dismissed for the lower expenditure groups and opt for the official consumer expenditure data. According to Bardhan, the percentage of rural poor below Rs.15 per month in 1960-61 prices is 43 per cent in 1968-69, which is a relatively small rise from 38 per cent in 1960-61. Bardhan has proved with some evidence that the rise in price index numbers of agricultural labourers does not seriously over estimate that for the rural poor in general. The use of the national income deflator leads to a serious under estimation in the prices paid by the rural poor. The national income deflator covers the prices of both agricultural and manufactured commodities. Over the last decade, prices of agricultural commodities rose at a much sharper rate than finished products. Since the weight of manufactured consumable in the budget of the rural poor is likely to be much lower than the national average (which includes the rich and the poor, the urban as well as the rural sector), the national income deflator is very likely to have understated the rise in the prices paid by the rural poor. He has commented that for the imputation of consumption of self produced...
agricultural commodities, several alternatives like wholesale price, retail price, NSS average price have been used. But none of these may be the optimum price to be imputed for self-produced consumption in an imperfectly competitive peasant economy.

Independent South Asian Commission of the SAARC on poverty alleviation (1992) estimated that the number of the poor in this region to be between 330 to 440 million in the year 1991 based on the conventional “poverty line.” It opined that given the existing trends in population and economic growth in South Asia, the number of poor are likely to increase substantially. The problems of the poverty are further aggravated by various social deprivations and discriminations from which the poor suffer as well as by the special inaccessibility of outlying, remote and distance terrain which prevent the delivery of social goods and services. Further, the structural adjustment policy under implementation is likely to put further strains on the poor in the short term. The report reinforces the conclusion that the magnitude and complexity of the problem of poverty in South Asia is staggering. When coupled with the multifaceted crisis currently facing South Asian countries, the problem is becoming unmanageable, not only putting democracy at risk but also posing a threat to the fabric of South Asian societies.

The report narrates the inadequacies of the past development interventions and the modifications in the development paradigms and calls
for learning from the ground realities. It calls for a closer look into the experiences on the ground through social mobilization and participation of the poor in development programmes. The lessons include the following: building organizations of the poor for their empowerment and effectively overcoming the double burden of poor women. It calls for a strategy to mobilize the savings of the poor as a first step and channelising them for productive investment. This process must include a net transfer of resources for the poor besides according priority to agriculture with emphasis on food production and provision of food security, designing an employment oriented growth strategy and fostering human development at all levels. The Report strongly recommends a national level plan for the poor to be prepared and implemented by the respective Governments of SAARC countries.

Yugandar (1993) in his study on “Wages and Living Conditions of Agricultural Labourers in Chittoor District” has estimated that 28.59 per cent of the agricultural labour households are living below the poverty level and Sen’s Poverty Index has been estimated at 0.029 on the basis of per capita income. But on the basis of per capita expenditure, 61.11 per cent of the agricultural labour households are observed to be below the poverty norm and Sen’s ‘P’ Index has been estimated at 0.052. The above data shows that there is high incidence of poverty among agricultural
labourers and Sen's 'P' Index indicates that there is significant gap between poverty level and income of the agricultural labourers.

Subsequently a number of studies have been undertaken by research scholars which attempted more systematic evaluation of the poverty norm. Though Rs.20 at 1960-61 prices norm is frequently quoted, some studies have adopted expenditure norm to determine the poverty line. The National Sample Survey Organization conducted nation-wide surveys on consumer expenditure annually up to 1973-74 and by quinquennium thereafter employed desired calorie norm and to identify the expenditure class in the size distribution of the household consumption expenditure.

The cut-off expenditure so arrived at which is partly normative and partly behavioural, thus comprises expenditure on food items (equivalent to the calorie norm) and the balance of which is the actual expenditure on non-food items. It was generally found that rural households at the poverty level spent a little less than 60 per cent on foodgrains and substitutes, about 20 per cent other items of food and remaining 20 per cent on non-food items. The corresponding pattern of consumption for the urban poor was 36.5 per cent, 33.5 per cent and 30 per cent respectively. These proportions have shown only a gradual declining trend over the decades.

The World Development Report (1993), reassesses the development prospects in many under developed countries, potential for
improved performance in agriculture and rural poverty alleviation in those countries. It is also 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 rural poverty have largely disappeared, although stark differences in standard of living persist.

The regional disparities in levels of living in India have been quite large, for instance, the proportion of the rural population in the state of Bihar living in poverty in 1990-91 was about 58 per cent, more than 3 times higher than the proportion (18 per cent) in the combined states of Job and Haryana. Regressing the log of each poverty measure against time, they found that there was trend decrease in all the three measures in 9 of the 15 states, viz., Andhra Pradesh, Gujarat, Kerala, Maharashtra, Orissa, Punjab and Haryana, Tamil Nadu, Uttar Pradesh and West Bengal. The trend was not significantly different from 0 at the 5 per cent level in the other 6 states of Assam, Bihar, Jammu and Kashmir, Karnataka, Madhya Pradesh and Rajasthan. They observed a tendency for the absolute size of the trend to be higher for the poverty gap than the head count index and it was the highest for the squared poverty gap.

They have assessed the impact of growth and redistribution on poverty reduction by decomposing the two components. They reject the view that distribution must get worse as a low income country moves on
the path of growth. Nonetheless, the overall contribution of redistribution to change in the head count index has not been large in the long run. The growth in mean consumption has been more important, accounting for about 80 per cent of the cumulative decline by the end of the period of 1990. For the poverty gap index, the redistribution component accounted for about 40 per cent of the cumulative decline by the end of 1990; its contribution was 47 per cent for the squared poverty gap index. They affirm that favourable redistribution has been quite important for changes in the depth and severity of poverty. They find that both the urban and rural poor gained from growth; while urban growth reduced urban poverty, it also had adverse distribution effects within urban areas which militated against potentially higher gains to the urban poor. Urban growth had no discernible impact on rural poverty. Thus the process of growth through rural to urban migration contributed very little to poverty reduction in India.

They conclude that higher growth rates in agricultural yields and real non-agricultural output per capita, lower rates of inflation and higher growth in state development expenditure all lead to higher rates both in raising average consumption and reducing all the three measures of absolute poverty. These results also suggest that inter-state differences in initial conditions of human and physical resource development played an
important role in perpetuating inter-state variations in the incidence of poverty.

According to Holcombe (1995) there is a broad consensus in the development community about the priority of poverty alleviation and also about the importance of participation and empowerment. In the search for models or even magic solutions to poverty, the significance of participation and empowerment to the implementation of models is often overlooked. Participation and empowerment are essentially functions of process, not models. They occur only because of process set in motion by the staff or organizations implementing poverty alleviation. To make participation and empowerment of the poor possible, we need to enable the participation and empowerment of those staff working directly with the poor people. For how can staff who feel disempowered and excluded from participation be expected to encourage the participation and empowerment of poor people.

Revallion and Datt (1996) have compiled time series consumption data from 34 National Sample Surveys spanning 1951-52 for studying the living conditions of the poor. They have tried to establish the link between living conditions of the poor and key macro economic and sectoral variables which are considered to have important influence on poverty reduction. They provide a view of the different factors related to the process and structure of growth that impinge on poverty reduction. Three different poverty measures used were:
(i) The headcount index, given by the percentage of the population who live in households with a consumption per capita less than the poverty line. This measures the incidence of poverty.

(ii) The poverty gap index, defined by the mean distance below the poverty line expressed as a proportion of that line (where the mean is formed over the entire population, counting the non-poor as having zero poverty gap). This reflects the depth of poverty as well as its incidents.

(iii) The squared poverty gap index defined as the mean of the squared proportionate poverty gaps. Unlike the poverty gap index, this measure reflects the severity of poverty in that it will be sensitive to inequality amongst the poor.

Carr et al (1997) reflected on poverty and backwardness of South Asia exposing the possible reasons for the same. The intensity of poverty for both men and women of this region is accentuated by the entrenched caste, class and gender hierarchies prevalent in society, ethnic and religious discrimination as well as unequal distribution of resources, particularly land. They discuss eight case studies from South Asia which include Gujarat, Andhra Pradesh, and Tamilnadu in India, and from Sri Lanka, Pakistan and Bangladesh, and conclude that the strategy of empowerment through organizations play a pivotal role for the integrated development with all economic and social consciousness. Means to motivate women to
get them empowered are to be chalked out from different angles. Literacy awareness, enthusiasm, participation, access to credit, technology, market and services are most likely to lead to the sustainable development of the rural poor.

It has been observed that the entire tertiary sector is not parasitic in nature (Bhattacharya and Mitra (1997) a large segment particularly in the context of liberalization, is strongly associated with manufacturing sector, for example are being undertaken separately because of greater specialization, and hence these may form a part of the tertiary sector.

Haq (1997)\textsuperscript{39} states that South Asia, a region once justly proud of its rich heritage of the Indus valley civilization, now enjoys dubious distinction of lagging behind all other regions of the world in human development. South Asia is fast emerging as the poorest, the most illiterate, the most malnourished, the least gender-sensitive – indeed, the most deprived region in the world. While South Asia contains 22 per cent of the world’s population, it produces only 1.3 per cent of the world’s income. Nearly 40 per cent of the world’s poor live in South Asia. Its share (46 per cent) of the world’s total illiterate population is twice as high as its share of world’s population. There are more children out of school in South Asia than in the rest of the world and two-thirds of the wasted generation is female. The worst affected region for malnourished children is South Asia, not sub-Saharan Africa. South Asia’s Gender Equality Measure (GEM)
prepared by UNDP's Human Development Reports to reflect economic and political opportunities open to women compared to men, shows the lowest value (0.235) among all the regions of the world. The extent of human deprivation is simply colossal. The deprivation of human capabilities and access to opportunities as measured by a new Human Deprivation Measure (HDM) designed in this report far exceeds deprivation of income and affects over 510 million people. The HDM, like the HDI, is based on three variables: health deprivation, education deprivation and income deprivation. The HDM is considered to be more representative than the Capability Poverty Measure (CPM), which was designed in the UNDP's Human Development Report of 1996.

There are many lessons that South Asia can learn from the experience of East Asia according to Haq. The two Asian regions started at roughly the same nominal per capita income three decades ago, but East Asia (excluding China) now enjoys 27 times the per capita income of South Asia and twice its Human Development Index. The critical institutional factors explaining East Asia's success are sweeping land reforms and an equitable credit system. East Asia's investment in basic education contrasts sharply with the vast desert of South Asia. South Asia can finance an ambitious human investment plan in the next fifteen years by embanking on an additional 1.6 per cent of GDP. The report proposes a concrete 15 year plan of action for the SAARC countries to provide
universal primary education, basic health care for all, drinking water for the entire population, adequate nutrition for the malnourished children, family planning services for at least 80 per cent of the married couples and access to credit facilitates for the poor and the deprived.

Desai and Namboodri (1998) have analysed the determinants of alleviating absolute rural poverty with a view to identifying strategy and policy priorities to achieve it. They report that

(a) absolute poverty as well as agricultural growth have worsened after the reforms got initiated in mid 1991.

(b) In pre mid-1960s, poverty had an increasing time trend with its significant deceleration in both rural and urban India. But in post mid-1960s, rural poverty ratio had a declining time trend with its non-significant acceleration, while urban poverty ratio had a declining time trend with its significant acceleration.

(c) Both the peak and trough in these poverty ratios are lower in post mid-1960s period compared to prior to that and inequality in distribution of consumption expenditure and land ownership has also declined, albeit marginally.

The authors depart from the present policy emphasis for poverty alleviation and advocate six major approaches: (i) a major shift on industrialization strategy from “Machines First” to “Textiles First” because of its disbursed employment and income multipliers and linkages, (ii)
agricultural growth should receive higher priority than non-agricultural growth as it reduces rural poverty ratio; (iii) the strategy for technology led agricultural growth is more potent than land redistribution measures in alleviating absolute rural poverty; (iv) between poverty programmes and land reforms, latter may be prioritized more; (v) economic programmes for poverty alleviation may be prioritized next and (vi) price reforms through macro stabilization measures are to be followed up because of their effect on consumption and therefore poverty reduction

Ravallion and Datt (1996, 1999) shows that the effectiveness of non-farm growth in reducing poverty has varied widely across states, reflecting systematic differences in initial conditions. In states with low farm productivity, low rural living standards relative to urban areas, and poor basic education, poor people have been less able to participate in the literary rates, more than half the difference between the elasticity of poverty to non-farm output for the Bihar and that for Kerala is attributable to Kerala is substantially higher initial literacy rate the large urban to rural price difference for which Deaton (2003) finds no evidence in prices actually paid. Yields urban poverty rate higher than rural poverty rate. This finding seems implausible to most observers and that it does not go well with the evidence on other poverty related indicators. While it is possible that the average cost of living in Andhra Pradesh is lower than in the rest of the country it is unlikely that there is so much of difference between
Andhra Pradesh and other states. The same logic holds good when a comparison is made rural and urban areas within Andhra Pradesh”.

The Economic Survey 1999-2000\textsuperscript{41} says for eradication of poverty and unemployment the strategy is to (i) accelerate economic growth with durable prices, since there is evidence shows that rapid growth has strong poverty reducing effect, (ii) to focus on direct anti-poverty and unemployment programmes, and (iii) accord priority to government expenditure on social sections.

As per the poverty estimates released by Planning Commission based on Modified Expert Group Methodology, the percentage of people below the poverty line in the state works out to 15.77 per cent as against 26.10 for All India during 1999-2000.

The official counts from the latest quinquennial round (the 55\textsuperscript{th} Round, pertaining to 1999-2000) suggest considerable poverty decline between 1993-94 and 1999-2000. According to official estimates, widely relayed, the all India head count ratio declined from 36 per cent to 26 per cent over this short period. As is well known, however, the 55\textsuperscript{th} Round is not directly comparable to the 50\textsuperscript{th} Round due to changes in questionnaire design.

Kakwani and Pernia (2000)\textsuperscript{42} define prop-poor growth as one that enables the poor to actively participate in economic activity and benefit
from it significantly. If economic growth brings in a sharp increase in inequality it is possible that the incidence of poverty rises over time because the beneficial effects of growth get offset by the adverse effects of rising inequality, which means that the inequality effect may dominate over the growth effect.

HDR (2000)\textsuperscript{43} has no doubt put the problem in its correct perspective. Seen in this light, the problem India faces is gigantic. An increase of a few per cent in per capita GDP is hardly any indication that we are getting nearer to a solution of the problem. Experience shows that the bulk of the increase goes to the affluent classes. The problem the country faces in health care, sanitation, safe drinking water supply, gender equality are huge. The funds available with the government, which face a massive fiscal deficit are hardly enough and an increase in outlay by a few per cent over the years can help only in tinkering with the problem.

As the HDI (2000)\textsuperscript{44} emphasises eradication of poverty and related deficiencies in services need global effort. Two areas which can help promote employment on a massive scale are construction of roads and highways, as also house construction. Government again does not have adequate funds for it. Multinationals and other foreign companies are shy to enter the area for fear of low or negative profitability from toll expressways. Efforts would have to be directed to make the area attractive to them. Government is taking steps in this direction as also in attracting
foreign investment in other areas. Only with global efforts can poverty be eradicated the world over.

Byerlee (2000) shows that the ranking of commodity programmes under the efficiency and poverty criteria is not very different and the benefits to the poor increased marginally by using the poverty criterion in place of the efficiency criterion.

A commodity based approach for example would involve focusing on crops grown specifically by producing in disadvantaged areas which form as essential part of their diets. This approach focuses on the direct effects of agriculture on poverty through increase in yields and producer incomes. There are, however, indirect implications for poverty alleviation.

According to the Development Dictionary, poverty means “everything and every one under the sun” who could be labeled as ‘poor’ in one way or another. The list includes the hungry, the weak the crippled, the sick, the beggar, the landless and homeless and all others. Even a top ranking executive reduced to pauper after income tax paid may be included in the list (Tangwisutijet, 2000).45

In a study, (2000)46 The Food and Agricultural Organization reviews poverty in developing countries and the means of poverty alleviation. The study is concerned with absolute poverty in rural areas and 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. Rural poverty is the study observed that a highly complex problem. 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 the farm output. Case studies prepared for A.T.2000 (FAO 1981 – Agriculture towards 2000) show that the incident of poverty in rural areas is highest among landless labour and small holder households. The study further observed that mere economic growth in general or agricultural growth in particular will not sufficient to solve the problem of rural poverty. The alleviation of poverty within an acceptable the scale requires a political commitment to the reshaping the pattern of national economic growth and a new distribution of its benefits.

Revallion and Chan (2001)\textsuperscript{47} it is possible that while the distributional changes are “pro-poor”, there is no absolute gain to the poor,
and "pro-rich" distributional shifts may have come with large absolute gains to the poor. It is common to compare mean incomes across the distribution ranked by mean income.

Grootaert and Narayan (2001) have examined the relationship between local institutions, poverty and household welfare in Bolivia, focusing mainly on social capital. They find significant returns to household investment in social capital especially for the poor.

Deaton and Ghosh (2001)48 shows that abbreviation of questionnaires by aggregating groups of goods tends to reduce the total amount reported. It is therefore surprising that the highly aggregated employment unemployment questionnaire should give the same results as the highly disaggregated consumer expenditure questionnaire, especially if the presupposition is that the latter are biased upwards. And indeed the match is far from exact. The abbreviated questions generate less reported consumption for all food items, and much less for tobacco and pan. Secondly, the 50th Round's reports of expenditure on low frequency items (durables, footwear, education, etc) over the last 365-days were collected side by side with reports of such expenditures over the last 30-das, while in the 55th Round, the 30-day question was not asked for these items. Much of the concern about the food items in the 55th Round has come from possibility that dual reporting periods generate different results than a
single reporting period, and it is not clear why we can ignore this problem for the low frequency items in the 50th Round.

In the latest *Rural Poverty Report 2001*, IFAD\(^49\) focus on such issues as access to assets, markets and institutions as the sources of rural poverty. So, does World Development Report (WDR 2000 by World Bank) which also shows concern for such issues as in equality markets, assets and empowerment. No matter how successfully the global competitiveness is ensured to trigger growth the problem of poverty and of relative inequality might not be resolved automatically. This is because the empirical evidences suggest that the poor are embedded in certain inherited structural arrangements such as insufficient access to productive assets as well as human resources in terms of easy access to education, unequal capacity to participate in both domestic and global markets. This problem relating to the lack of ability to participate is further compounded by undemocratic access to political power. This speaks strongly in favour of distribution of social power including economic and political power resources (Elayne Yee in NST, April 27, 2002, p.9).

The World Bank Report (2000-2001)\(^50\) on the India’s effort for poverty eradication is more damaging “Highest rate of poverty in India” the work bank has said that India has become “home to majority of the world’s poor has drastically slowed down” in the current decade. The Bank also states the rate of poverty specially in rural areas.
The World Development Report (2000-2001)\textsuperscript{31} says that 35 per cent of total population of India is living under extreme poverty. The term 'extreme poverty' has an ominous suggestion. This is measured in terms of lack of money or income needed for basic requirements of life. The question of quality of living does not arise here. This percentage is a matter of controversy. The controversy is generated due to lack of proper statistics and data. The latest statistics gathered through the National Sample Survey (NSS) indicates that 27.1 per cent Indians are living below poverty line. Whatever may be the exact figure the undeniable fact is that a large proportion of our population is smarting under the pressure of poverty.

Sachs, Bajpai and Ramaiah (2002)\textsuperscript{52} observes that the economic growth across states in the nineties shows a tendency of divergence rather than the states with lower per capita income. Further, it has been noted that the states with higher levels of urbanization have grown faster, meaning that external economies of scale or agglomeration economies originating from concentration of population and activities in the poor in these states, at least in the urban areas might have benefited more than their counterparts in other states.

Across states in India, Ravallion and Datt (2002)\textsuperscript{53} find that the elasticity of poverty reduction with respect to non-farm output growth varies depending on initial conditions like literacy and land distribution.
Deaton and Dreze (2002)\textsuperscript{54} analysed two major sources of trends in poverty in 1993-94 and 1999-2000. Firstly, exhaustive analysis of unit record consumption data for 1987-88, 1993-94 and 1999-2000 has yield a new set of price indices to correct for spatial, rural, urban and temporal price variations at the state level (Deaton 2003). These prices indices are different from the official consumer price index for agricultural labour (CPIAL) and consumer price index for industrial workers (CPIIW) and price indices that underpin the export groups poverty estimates.

The poverty estimates by Deaton, Sundaram and Tendulkar, and Himanshu and Sen (2002)\textsuperscript{55} are all based on internal corrections of the 55\textsuperscript{th} round unit record data. A number of other researchers have followed alternative approaches. While there is no clear dividing line between the these other methods and those already discussed, the papers discussed in this subsection rely more heavily on forecasting using external evidence. This is perhaps most explicit in the paper by Datt, Kozel, and Ravallion (2001) which takes a forecasting approach using an econometric model that links poverty rates to their plausible determinants, including agricultural yields, non-farm growth, development spending and inflation. They use the estimated model to project poverty in 1999-2000, ignoring the flawed data from the 55\textsuperscript{th} Round. According to their calculations, the changes in the explanatory variables would have warranted a decrease in the headcount ratio from 39 per cent of India's population in 1993-94 to 34 per cent in
1999-00, suggesting that the pace of poverty reduction in the 1990s was slightly lower than in the 1980s, and lower than might be expected given India’s high rate of economic growth in latter half of the 1990s. The differences between official and predicted rates of progress are in large part due to slower progress in some of India’s largest and poorest states, particularly Bihar, Uttar Pradesh, and Maharashtra. Bihar and Uttar Pradesh alone account for over half the difference between official estimates and predicted poverty levels. Datta, Kozel and Ravallion’s projections are similar to the adjusted calculations by Sundaram and Tendulkar, but show a good deal less (more) poverty reduction than does Deaton’s (Himanshu and Sen’s) method.

Hirway (2002) found that the number of poor was exaggerated to 2-3 times and the below poverty line list left out many of the bottom 5% of poor households. His study disclosed that frequently large farmers, traders, businessmen, shop owners are included and the poor living in dilapidated huts are out of the (BPL) list there was a general agreement among the poor that these lists are wrong. He also noted that everyone clamoured for inclusion mainly for cornering material benefits. Sometimes bribe was charged and as the poor could not afford it they got excluded.

The Ninth Plan 1997-2002 also makes extensive references to poverty eradication. It says "economic growth and employment opportunities in themselves may not be sufficient to improve the living
conditions of the poor. They need to be accompanied by measures to enhance the social and physical conditions of existence.” It adds, “Primary education, primary health care, including the preventive and promotive, safe drinking water, nutrition and sanitation require heavy investment, which has to be provided out of public funds.” However, it adds “since the requirements of social infrastructure vary significantly across regions, greater decentralization of decision-making than exist at present is desirable”.

At the beginning of the Tenth Five Year Plan (2002-2007) it was projected that with a growth target of 6.5 per annum during the plan period (2002-2007), only 18.61 per cent of the population would be below poverty line by 2001. The shortfall can be attributed to the uneven performance of states in poverty alleviation the distribution of poor across states is also disparate, with Uttar Pradesh, Bihar, Madhya Pradesh, West Bengal and Orissa accounts for 69 per cent of the poor in 1999-2000. (Table depicts broad estimates of rural poverty across major states between 1993-94 and 1999-2000). The Tenth Five Year Plan (2002-2007) aims at harnessing the benefits of growth to improve the quality of life of the people by setting the following key target reduction in poverty ratio from 26 per cent to 21 per cent by 2007. The Plan addresses the issue of poverty and the unacceptably low levels of social indicators. Although these have been objectives in
earlier plan, in this plan they were specific monitorable targets, which will need to be attaining along with the growth target.

Human Development Report (2003)\textsuperscript{59} introduced Human Poverty Index to measure poverty. It is a composite index including various features of deprivation in the quality of life. Human poverty index contains many aspects like lack of freedom, inability to participate in decision-making, lack of personal security, inability to participate in the life of community and threats to sustainability and intergenerational equity etc., which cannot be measured (Deaton, A.) 2001.

A different set of internal corrections to the 55\textsuperscript{th} Round were provided in a series of papers by Sundaram and Tendulkar (2001, 2002, 2003).\textsuperscript{60} Because the questionnaire for the 55\textsuperscript{th} Round asked households to report their high-frequency purchases (food, pan, and tobacco) at both thirty and seven days, the length of the interview was much longer than had been the case in the 50\textsuperscript{th} Round. In consequence, the NSSO abandoned the traditional practice of asking the same households who answered the consumer expenditure schedule also to answer the questions on the employment and unemployment schedule, instead using different sample of households for each schedule. Such a procedure has the disadvantage that there is no measure of household expenditure for the households in the employment-unemployment sample, so the NSSO introduced a new, abbreviated (one-page) questionnaire on consumers’ expenditure that was
used for the households in this sample. The reporting period for this supplementary survey is 30-days for all of the “high” and “intermediate” frequency goods, so that, in principle, these data can be used instead of the data on food, pan and tobacco in the CE survey, avoiding any contamination of the 30-day reports by the inclusion of the 7-day recall in the questionnaire.

Asian Development Report (2003), the People’s Republic of China (PRC) was one of the world’s most egalitarian societies in the 1970s. However, in the 1990’s, the PRC became one of the moral unequal countries in the Asian and Pacific region and among developing countries in general (Riskin, 2001). This retreat from equality has been unusually rapid. The Gini Coefficient was 0.29 in 1981 but increased to 0.39 in 1995 (World Bank, 1997). The Gini Coefficient of inequality in household income rose by 1.0 percentage point per year between 1988 and 1995 (Knight and Song, 2001). The process was encouraged by the PRC government’s policy of “letting some people get rich first” since the introduction of reforms and opening in 1978. At the same the PRC’s poverty reduction efforts have been a great success. The poor in rural areas were reduced from 250 million in 1978 to about 26.4 billion in 2001 and the rural poverty incidence rate decreased to 3.3 per cent, mainly supported by rapid income growth. The average annual growth rate of gross domestic product (GDP) was 9.8 per cent during the 1980s, 9.7 per cent during the

A more recent treatment that combines forecasting with limited use of the 55th round data is that of Kijima and Lanjouw (2003). Their forecasts are based on the household level factors that are the ultimate determinants of poverty, and the procedure works by using 50th Round data to regress household expenditure on household characteristics, such as education of household members, land-holding, household sized, caste, and a set of district dummies. The fitted regression is then taken to the 55th round data and used to predict total household expenditure based on the same factors, and these predictions are then used to estimate poverty. Kijima and Lanjouw's poverty projections show about half as much poverty reduction as those from the Deaton method, close to the estimates of Himanshu and Sen. The major question about these calculations is that, if there had been major reductions in poverty over the 1990s, and if, as might be hoped and expected, those reductions in poverty were driven by increases in the rate of return of factors such as labour, education, and land, then the calculations would not pick it up. The procedure is based on the assumption that the returns to factors cannot change, and is thus an inherently conservative methodology. Those who argue that the reforms have reduced poverty in India are not arguing that they have augmented India's supplies of factors, at least not in the short run, but that they have raised the rate of return to
those factors, for example by allowing people to participate (directly or indirectly) in global markets that were previously closed to them. The Kijima and Lanjouw poverty calculations rule out any such effects by construction, and so cannot address the question of whether or not they exist.

Deaton's (2003)\textsuperscript{62} poverty line of Rs.309.62 for rural Andhra Pradesh for the year 1999-2000 is adopted. Deaton was made adjustments to the consumer expenditure data and the estimates the incidence poverty.

According to Deaton's calculations, most of the "official" decline in poverty is real. For rural households, where the official calculations show the headcount ratio falling from 37.3 per cent in 1993-94 to 27.0 per cent in 1999-2000, Deaton finds that the fall is from 37.3 to 30.2 per cent, so that seven out of the ten points are confirmed. In the urban sector, he estimates a headcount ratio of 24.7 per cent, as opposed to the official 23.6 per cent, so that the fall in the poverty rate is reduced from 8.8 points to 7.5 points. The underlying fact that drives these results is that there was a very substantial increase in consumers' expenditures on the six expenditure categories that were consistently surveyed using 30-day recall, and that it is hard to reconcile that increase without there having been a substantial increase in total expenditure, and thus in the fraction of the population that is poor.
Chen and Ravallion (2004)\textsuperscript{63} have estimated between 1981 and 2001 the percentage of people living below the poverty line of $108 per day (at 1993 purchasing power per unit) increased in sub-Saharan Africa from about 42 per cent to about 46 per cent. But this may have little to do with globalization and more to do with unstable or failed political regimes, wars and civil conflicts which affected several countries in Africa, if anything, such instability only reduced their extent of globalization as it scared off many foreign investors and traders.
REFERENCES:


44. Human Development Index, 2000.


51. Ibid.

52. Ibid.


