CHAPTER II

REVIEW OF LITERATURE

Poverty being a concrete reality affecting the Indian society for the past several decades, individual researchers and institutions has attempted from time to time to measure its extent, dimensions. This section provides a general picture of Indian-poverty, studied against its nature, extent and dimensions and activity diversification. There is voluminous literature on poverty and activity diversification adopted by rural households to deal with the problem of poverty.

Poverty

Myrdal\(^1\) (1970) observed that the challenge of world poverty is one of the most important contemporary readings on poverty. Apart from interpreting rural poverty as an outcome of social and economic inequality, it epitomizes the policy prescription.

In India, poverty is not a recent phenomenon. Ample evidence of its incidence among the masses is found in the literary and descriptive accounts of the pre-colonial and colonial times (Ganguli, 1976)\(^2\). According to Desai\(^3\) (1986) the word poverty in the absolute sense,

---

referred to a condition of acute physical want, starvation, malnutrition, disease, want of clothing, shelter, education and almost total lack of medical care.

Yadav\(^4\) (1980) considered a person as poor, if he was living in conditions of insufficiency of basic needs, namely food, shelter and clothing. Appu\(^5\) (1977) regarded poverty, as a person’s lack of command over adequate goods and services to satisfy his basic needs relating to food, clothing, housing, medicine and education.

According to Thimmaiah, \(^6\) (1985) poverty is the inadequacy of income to meet the basic necessities of life. Dasgupta\(^7\) (1981) concluded that poverty in an area was generally characterized by low level of income or low level of consumption of either the whole population or a part of the population.

According to Pant,\(^8\) (1980) the concept of poverty was somewhat wider and included not only those who were unemployed, but also those who were fully or partly employed but earned very little because of low productivity and low wages. Varadarajan and Aiyasamy\(^9\) (1983) viewed

---

poverty as an attribute of the families experiencing deprivation not only in nutrition, but also in health, education sanitation, clothing and purchasing power.

Ahluwalia, (1978) defined absolute poverty as the below subsistence level reflected mainly in inadequacy of food intake and the consequent under-nourishment on a mass scale. In developing countries, the definition of subsistence might also include other essential minimum needs like clothing, housing, education and health.

Subramaniam (1986) in his study on Poverty and Inequality in Tamilnadu by using NSS data for 11 years ending 1983, observed that the absolute levels of average real per capita consumer expenditure had been low in both rural and urban areas and these levels had shown no trend of increase over time. The study revealed that the proportion of the population in poverty has been consistently high in both the rural and the urban areas, and also showed that the trends in the number of people in poverty. The number of people in absolute poverty had been comfortably keeping pace with the general rate of growth of population in the urban areas of the state.

For the present study, poverty is defined as a condition where a person is deprived of any one or a combination of economic factors like income, employment, productive assets and social factors like education, health care and sanitation, necessary for a minimum standard of living. In India, the major objectives of the Government's Poverty Alleviation Programmes are the uplifting of the selected poor families in each block below the poverty line.

The term poverty line was used by Bandopadhyaya\(^2\) (1988) for the first time. The qualification of poverty in terms of calories of consumption was originally devised by him. World Bank, Indian Planners and Government Commissions subsequently adopted it. The earliest and a very comprehensive study was made by Dandekar and Rath\(^3\) (1971) where Poverty line was estimated in terms of nutritional adequacy which was put at 2,250 calories per capita per day. The income equivalent of this calorie norm was Rs. 170/- per capita per annum for rural households and Rs. 271/- per capita per annum for urban households at 1960-71 prices.

Bardhan\(^4\) (1973) estimated poverty line at Rs. 15/- per capita per month for the rural households and Rs. 18/- per capita per month for the urban households at 1960-62 prices.

---

Minhas\(^5\) (1986) estimated the poverty line at Rs. 200/- per capita per annum for the rural areas and Rs. 240/- per capita per annum for the urban areas at 1960-61 prices. As against this,

Ojha\(^6\) (1970) estimated in 1967-68, 289 million persons lived below the poverty line. As compared to 52 per cent in 1960-61, 70 per cent of rural population was below the poverty line in 1967-68. Panikar\(^7\) (1972) considered per capita consumption expenditure of Rs. 37.80 as essential for food consumption at 1970-71 prices.

Mundel\(^8\) (1983) estimated poverty line for the State of Tamilnadu as Rs. 57/- per capita in 1973-74 prices based on a nutritional intake norm of 2435 calories per head per day. Thakur\(^9\) worked out the per month minimum food and non-food requirements in monetary terms of Rs. 77.61 and Rs. 52.93 respectively at 1980-81 prices.

Kurien\(^10\) (1978) estimated that for Tamilnadu in 1970-71, 56 per cent of cultivators consisting of those operating a hectare of wet land or three hectares of dry land, 87 per cent of agricultural labourers and 85 per cent of non-agricultural labourers were under the poverty line.

---

Elango\(^2\) (1985) used Kurien's definition of Rs. 15.30 at 1960-61 prices fixed the cost of nutritionally adequate diet of 2400 calories of rural Tamilnadu. He used the food expenditure norm to measure the poverty of the households at Rs. 919/- per capita per year as the cut-off point for the poverty line, by using the rural price index of Tamilnadu as the deflator of price. According to his estimation, about 46.90 per cent of the households were below the poverty line.

Pandey\(^2\) (1996) witnessed a marginal decrease in the area under foodgrains, along with a substantial increase in the area under non-foodgrains (1980-81 to 1994-95). Da Costa\(^3\) (1971) measured the extent of poverty in India for the year 1963-64. He divided the poverty stricken people into the poor, the destitute, and the seriously destitute. His line of poverty was Rs. 15 and Rs. 24 per month in rural and urban areas respectively. He found that 34.6 per cent of the total population below this poverty line. Rao and Chandrasekhar\(^4\) have examined the inter-state and inter-temporal dimensions of the incidence of poverty in urban area for the period (1963-64 to 1973-74).

A study by Sastry\textsuperscript{25} (1981) examined the incidence of poverty and its inter-relationship with economic development, inequality and poverty in the three sub-regions of Andhra Pradesh (Coastal Andhra, Rayalaseema and Telengana) and its districts separately for rural and urban areas. For quantifying poverty, both positive and normative approaches were followed. Under the positive approach, fulfillment of varying calorie requirements of per capita per day (Rs. 1,800, 2,000, 2,250) was fixed.

**Inequality**

Bhatty's\textsuperscript{26} (1993) estimate was on the basis of the National Council of Applied Economic Research Survey for the period 1968-69. He used Sen's index of poverty and considered five poverty levels in terms of per capita annual income in 1968-69 (Rs. 180, Rs. 240, Rs. 300, Rs. 360 and Rs. 420). The study revealed that the inequality in the distribution of per capita consumption expenditure was uniformly less than the inequality in the distribution of income. Considerable variation in inequality in consumption expenditure was found in States between one occupation and another. Of the three occupational classes viz., agricultural labourers, cultivators, and non-agricultural workers, agricultural labourers were found to be the most deprived among the occupation classes.

\begin{itemize}
\end{itemize}
Vaidyanathan\textsuperscript{27} (1984) examined the pattern of inequalities in per capita consumption levels by principal occupation, land holding categories and household size. He also attempted to find the inter-state variation in the degree of inequality in consumption. The necessary data were collected from the N.S.S. and the study covered the period 1960-61 to 1967-68. The poverty line considered was Rs. 20 per capita consumption expenditure per month (at 1960-61 prices) and estimated that the proportion of rural poor had gone up progressively from 59.5 per cent in 1960-61 to 60.4 per cent in 1964-65, and further to 67.8 per cent in 1967-68. The results indicated large variations in the incidence of poverty among the states.

The study by Saith\textsuperscript{28} (1991) investigated the relationship between rural poverty, prices and agricultural production in India for the period 1956-57 to 1973-74 on the basis of secondary data. His study revealed that price raises accentuated poverty more powerfully than production improvements. The study also unfolded some of the determinants of rural poverty in India as percentage deviation of price index from trend level.

\textsuperscript{28} Saith (1991), Asian Rural Industrialization Context, Features, Strategies in Janbreman and Sudipto Mundle (eds) op. cit.
Inter Regional Variation

Sanyal made the trends in poverty in fifteen major states and India as a whole during the period 1954-55 to 1971-72. This study revealed a substantial decline in the Sen measure of poverty from 0.6 in 1954-55 to 0.55 in 1961-62 and subsequently it has increased to 0.58 in 1971-72. At the state level, an increasing trend in the incidence of poverty was observed in Bihar, Orissa, Punjab, Uttar Pradesh, and West Bengal.

Rajaraman (1975) studied the changes in rural poverty and inequality in Punjab on the basis of the N.S.S. consumption expenditure data 16th - 1960-61, 17th - 1961-62 and 25th - 1970-71 rounds. The results revealed a rise in the percentage of population below the poverty line, which had increased, from 18.4 per cent in 1960-61 to 23.28 per cent in 1970-71. The larger increase in poverty was among the agricultural labourers. In 1960-61 and 1970-71 agricultural labourers formed 17.5 and 23.2 per cent of all rural occupational groups. In 1960-61 they comprised only 22.6 per cent of the households living in poverty, but in 1970-71, their share increased to 40.5 per cent.

Nayyar\(^{30}\) (1980) made an attempt to measure poverty and inequality in rural Bihar by examining the distribution of consumption along with distribution of land among the agricultural labourers for the period 1960-71. The findings of the study showed that 41 per cent (17.5 million people) of the population was below the poverty line in 1960-61. In 1963, this percentage was 54 and in 1964-65 it declined to 52.5 and again it rose to 59 per cent in 1970-71.

The character of poverty among the rural poor in the West Godavari district of Andhra Pradesh was examined by Parthasarathy et al.,\(^{31}\) (1995) drawing data from a sample study of Employment and Unemployment of Rural Labour conducted in West Godavari district for the period 1971-72. They considered two poverty line (i) at the level of Rs.450 per capita and (ii) at the level of Rs.300 per capita. The study observed an increase in the per capita income by 0.65 as a result of an increase in employment per worker per day. An increase in the wage rate by a rupee is associated with an increase in per capita income by Rs. 121.15. Thus, the authors underlined the need for employment oriented technology for ameliorating rural poverty.

---

Magnitude of Poverty

Gagur\textsuperscript{32} (1980) estimated the extent of poverty and identified the causes of poverty by using both primary and secondary data. The study found that 21.17 and 11.13 per cent households were below the poverty line on the basis of the minimum needs approach and calorie requirement approach respectively.

Sharma's\textsuperscript{33} (1992) examined the generational and temporal dimension of poverty among agricultural labour house holds in the Krishna district of Andhra Pradesh during 1981-82 on the basis of primary data. The study revealed that 41 per cent of the households were below the income poverty line, whereas it was 26 per cent in the case of landed and 47 in the case of landless households. On the basis of asset poverty, 73 per cent were found to be below the poverty line. The relatively low incidence of poverty on the basis of income poverty was attributed to the high level of development attained by the district and also due to the rise in the real wages and money wages of agricultural labourers. No significant association was observed between caste and poverty. However, poverty was identified with specific occupational groups. Higher family size and dependency ratio were found to be independent factors explaining poverty. In addition,

\textsuperscript{32} Gagur, Keshav, Dev (180), Extent and Measurement of Poverty in India Mittal Publications, Delhi.
\textsuperscript{33} Sharma, K.L. (1992), Dynamics of Social Transformation in Rural Rajasthan Since Independence Sheokumaral, Umed Rajanhar. Rural Social Transformation, New Delhi.
Significant association between poverty and absence of female workers was also observed. However, there was no association between poverty and the level of employment. A generational decline in occupational status and access to land were observed and this was found to have aggravated the problem of poverty. Further, inter-generational occupational change was seen more in the case of other castes than scheduled castes. The decline in the access to land among the sample households was due to the adverse effect of tenancy reforms.

The centre of Regional Studies, Utkal University, measured the extent of rural poverty in the two villages (Basantapur Sasam and Kaushalyapur) of the district of Puri in Orissa in 1982. On the basis of calorie-intake, the study found about 52 and 44 per cent households below the poverty line in Kaushalyapur and Basantapur villages respectively.

The impact of liquor consumption on poverty in Ahmedabad slums was studied by Radhakrishnan et al., (1982) for the period 1973 on the basis of primary data.

**Diversification**

An appraisal of the empirical findings of various authors on activity diversification of rural sector provides seminal conclusions. The

Conclusions represented host of hypotheses which were tested at different regional and national settings. In view of the enormity of literature in the area, a bird’s eye view on the major directions of these studies is presented. Largely, the important studies undertaken in 1980's and 1990s are mentioned. It is the World Bank, which made a significant examination of the key role of rural non-farm sector in the generation of employment and in the diversification of the rural economy at the country level (World Bank 1978).

These studies triggered off a number of studies in the direction with precise trend estimates regarding the role of various determinants of non-farm employment in the 1990s. The time series studies have probed into the role of development process and the specific issues such as rural – urban employment linkages. In delineating the diversification process under specific causes a few studies are worth mentioning.

Vaidyanathan (1986) hypothesized that the more prosperous a region, the greater is the inequality of distribution of land. He used two explanatory variables, crop output per head of agricultural population and Gini index of concentration of operational holdings. He found a significant and positive relationship between the incidence of non-agricultural employment and crop output per head of agricultural

population but a negative relationship between non-agricultural employment and inequality of operational holdings.

Mahendra Dev\textsuperscript{36} (1990) found that land productivity was significantly and positively associated with rural non-farm employment. Gini concentration co-efficient for a rural household was negatively and significantly associated with level of rural farm employment. However, he did not find a significant association between crop outputs per head of agricultural production and the level of non-agricultural rural employment. The results indicated that the agricultural development had a positive impact on promotion of rural non-agricultural employment.

Eapen\textsuperscript{37} (1995) found that land-man ratio and percentage of marginal total land holding were positively related to non-farm employment in 1981. She concluded that in 1981, while both demand related and distress factors were important for growth of non-agricultural employment, in 1991 only distress related factors and urbanization were important.

Vijay Sankar Vyas\textsuperscript{38} (1992) affirms that an aspect of rural social transformation of a society is basically reflected in its changing

\begin{thebibliography}{99}
\bibitem{36} Mahendra Dev (1990), Non-Agricultural Employment in Rural India: Evidence at a Disaggregated Level. Economic and Political Weekly, 29(21), pp. 1285-96.
\end{thebibliography}
occupational patterns. On this basis, he identified two major characteristics of Indian rural society; social transformation have been restricted to small parts of the country and even such as change has rather been slow. Occupational change has taken place mainly in area where cash income from agricultural output has grown substantially. The basic reason for the slow transformation of rural economy is found to be non-availability of both economic and social infrastructure.

Jeyaraj\(^{39}\) (1994) found that the degree of urbanization, commercialization of agriculture and the rate of literacy among male workers significantly and positively affected the level of non-farm employment among rural male workers. Singh et al.,\(^{40}\)(1993) indicated that, non-farm income level has a strong positive influence on the adoption of activities such as dairy farming which is less land dependent, but provide higher income than the income from crop cultivation. This study indicated that diversification towards non-farm occupation, enhances income through inducement to diversity, within the farm sector.

According to Chadha et al.,\(^{41}\) (1992 diversification resulted in increased opportunities for self-employment among the rural poor, as well as to substantial increase in per capita worker as well as per family

---

incomes. Azad et al.,\(^\text{42}\) (1985) noted the increase in employment opportunities as a consequence of agricultural diversification as well as increase in entrepreneurial skill of marginal farmers, while Singh et al.,\(^\text{43}\) (1991) found that rural development schemes such as SFDA, MFAL etc also had a positive impact on employment and income through diversification of farm and non-farm activities.

Haque\(^\text{43}\) (1985) analyzed the relationship between rural diversification and poverty in 19 Indian states, using the results of the 32\textsuperscript{nd} Round (1977-78) of the NSS. He contended that going by the NSS data, no generalization could be made about the effect of diversification on rural poverty; while diversification reduced the incidence of poverty in some states like Punjab, Haryana, there does not appear to be a major impact on poverty in states like Andhra Pradesh and Tamilnadu.

**Non-Agricultural Employment and Poverty in Rural India**

This section reviews the recent Indian literature on (i) the growth of the non-agricultural employment and possible reasons for it and (ii) the causes and consequences of such a development and their impact on poverty.

---


It has been pointed out in an international survey of literature that Asia is the only continent where the output share of manufacturing has gone up over the last 25-30 years. However, employment elasticities in the sector fell significantly between the 1970s and 1980s.

The share of the primary sector in GDP mostly agriculture declined steadily between 1977-78 and 1990-91, and its share in employment also fell during the period, though still accounting for most of the employment in the economy. A slow transfer of labour away from agriculture and towards the non-agricultural sector is noted.

The results of the recently brought out Fiftieth Round National Sample Survey (NSS), 1993-94 indicates that the trend of a shift in the structure of the workforce away from the primary sector continues atleast for the male workforce. The tide, however, appears to have changed for the female workers in rural areas (Unni 1996b)\(^4\).

Papola\(^4\) (1987) argued that given the dualistic nature of the labour market in India, most of the new employment in the restructured economy may occur in the unorganized sectors, which are characterized by poor conditions of work, low earnings and lack of any social security.

---

However, a sharp increase in rural poverty was observed in 1991 and 1992, but only a moderate fall in urban poverty (Gupta, 1995). Tendulkar and Jain (1995) attributed this to a fall in agricultural output, pronounced increase in prices and a decline in foodgrain availability in rural areas.

The increase in rural poverty in 1991 and 1992 and fall in non-agricultural employment were also explained by Sen and Gosh terms of reduction in government expenditure in rural areas. This occurred through a cut in government, budget spending on rural development and fertilizer subsidy, reduced transfer to state governments, diminished real expenditure in rural employment and anti-poverty schemes, reduced spread and rising prices of the PDS for food and cuts in social sector expenditure (Ghosh, 1995).

Visaria and Basant (1994) noted three broad trends in rural non-agricultural employment in India: (i) During the last three decades 1961-1988, the share of the non-agricultural sector in the total rural labour force had increased. The trend is more clearly evident among male workers than among female workers (ii) within the rural non-

agricultural sector, the increase in the share of tertiary sector exceeds that in the secondary sector (iii) the bulk of the increase in the rural non-agricultural sector is explained by the increase in the proportion of casual workers.

**Alternative Hypothesis**

The consumption linkages operated through an increase in income of the rural farmers, would result in an increase in demand for goods and services produced in the nearby villages and towns. Agricultural wages were also expected to rise with increase in agricultural productivity, so that the labourers would also have an increased demand for food and the non-food items. Production linkages, both backward and forward, would also emanate from the agricultural sector. Backward linkage from agricultural to non-agricultural sector was the demand from farmers for inputs produced in the non-farm sector, such as ploughs, engines and other tools. Forward linkage reflected the need to process agricultural goods so that agro-processing industries, e.g. rice-milling and tobacco processing, would stimulate the growth of agricultural productivity, via investment of surplus back into agriculture. Thus a virtuous spiral of demanded growth would be set in motion, both in the agricultural and non-agricultural sector.
Empirical Validation

The first set of studies has utilized regional level data, i.e., disaggregated by state or district, to analyze the problem. These studies analyze the relationship between various macro indicators and the proportion of non-agricultural employment. Some of the indicators used to proxy for the linkages theory. Prime movers outside agriculture and the distress-induced hypotheses are agricultural development, and or labour productivity in agriculture, urbanization, poverty and unemployment.

The second kind of empirical studies are based on household or individual level data collected through village studies. While the majority of such village studies are descriptive, a few try to translate the macro level arguments for the growth of the non-agricultural sector into micro-level rationale of the household of individual worker for participation in this sector.

These studies are also of two-types. The first one was cross-sectional econometric estimates of the relationship between the level of non-farm employment and either level and growth of the independent variables. The second type tries to estimate the employment and changes in various macro indicators. Such aggregate level estimates, using cross-sectional or pooled data, suffer from the fact that both sets
of growth rates may differ across regions for many reasons, introducing bias which might swamp any relationship which exists (Lanjouw and Lanjow, 1995).50

Harris51 (1991) tried to assess the agricultural income demand led growth of rural non-agricultural activities in the market town of Arni and its surrounding villages in Tamilnadu. The analysis portrays an economy in which there is concentration of wealth (rich farmers in villages and small businessmen in towns) amidst general poverty and in which antediluvian forms of capital (money lenders and pawn brokers) remain powerful. This has led to the weakening of linkages effects of the recent agricultural growth.

He concludes that while agricultural growth may be a necessary condition for rural diversification of a non-revolutionary kind it is certainly not sufficient.

Shukla52 (1992) noted that trading activity and non-thousand manufacturing benefited from the rural infrastructure, particularly roads, whereas household industry was relatively disadvantaged. While supporting the agriculture growth-led model, she noted that agricultural

growth was necessary, but not a sufficient condition and highlighted the need for good rural infrastructure.

There are also available a number of micro level studies which are based on village surveys. They collect quantitative data at the level of households and individuals, and qualitative information. Such studies are also of two types. A large number of village level studies, which do not necessarily focus on non-agricultural employment, but provide some insights into these types of activities from the first kind of studies. These studies are mainly descriptive and do not attempt any statistical analysis. The second kind of studies analyzes micro level data at the household or individual level, statistically or econometrically, to understand the rationale and processes of participation in non-agricultural employment. There are relatively few such studies available.

The foregoing review on poverty and activity diversification, provide a number of empirical insights as to the question, whether poverty can find its solution in diversification of activities in terms of non-farm employment, in preference to seeking solution with in agriculture, say through crop diversification. The present study in this direction and the succeeding chapters analyze the question through empirical evidences.