CHAPTER II
REVIEW OF LITERATURE

The high degree of inequality of income and wealth, the concentration of economic surplus in relatively fewer hands lead to socio-economic disparities in which powerful dynamic forces tend to perpetuate and even accentuate low standard of living of significant proportion to our population. The intensity of the socio-economic disparities is determined by the extent of variations in the distribution of wealth and income, volume of production for self consumption, the nature and extent of allocation of Government expenditure, the extent of participation in decision making bodies. In other words the socio-economic disparities are determined partly by the variations in the absolute level of real income and consumption and partly by the relative distribution of income, wealth, power and social status in an economy. In this chapter a few empirical studies conducted on the socio-economic disparities at the National as well as State levels have been reviewed inorder to have an overview of the research work already done in the field as well as to judge the methodological limitations of these studies with a view to incorporate improvements in the methodology of the present empirical investigation so as to eliminate the existing methodological limitations to the maximum possible extent. This chapter has been divided into two sections. The related empirical studies conducted at the National level as well as at the State levels other than
Himachal Pradesh have been reviewed in section 2.1, whereas section 2.2 deals with the review of related empirical studies conducted in the State of Himachal Pradesh.

**Section 2.1**

**Review of Related Studies at the National Level**

This section deals with the review of relevant studies at the national as well as State levels other than Himachal Pradesh.

1.

Oommen (1961) conducted a study on the distribution of agricultural income in Kerala for the year 1955-56 to 1957-58. This study reveals that 54 per cent of the total population in Kerala depends on agriculture for their livelihood as against the 70 per cent for the country as a whole. The agricultural sector contributes about 55 per cent to the total State Domestic Product (SDP). By applying the Gini-ratio’s he worked out the concentration, coefficient of agricultural income 0.21 and that of land holdings 0.66, which clearly indicate that agricultural income is more equitable distributed than their land holdings. This study concludes that in Kerala, there is comparatively egalitarian distribution of agricultural income. The agricultural non-labour class is better off compared with the agricultural labourers who form about 33 per cent of the agrarian population.
Sastry (1961) conducted a study on rural income differences in four States of South India. In order to analyse the level of income as well as to explain the forces at work for the existence of high or low level of income. By using the secondary data he concluded that the average annual income of an agricultural labour is lowest in Madras, while it is the highest in Coorg the differences is of the order of 90 percent. Two States in this region namely Mysore and Madras have smaller levels of income than either the Zonal average or the all India average. A further analysis of the data on income by sources reveal that income from agricultural labour is the major source in Mysore, Madras, Travancore and Cochin. The percentage contribution of agricultural labour in the total income varies from 50 per cent in the case of Mysore to 70 per cent in the case of Travancore cochin. The important issue investigated from the available data was in terms of wages paid to men and women in agricultural and non-agricultural activity. In the first place wage rates both for men and women are generally higher in non-agricultural employment. This would clearly mean that where non-agricultural employment is a major source of income and wages paid to non-agricultural employment are higher, the latter, i.e., higher wages certainly explain the high level of income in the State. The second important inference is that wages paid to men labour are significantly higher in both agricultural and non-agricultural occupations for all the States in South India. In the first place, significant differences in income levels do exist between the States in
South India. Secondly, while factors like agricultural and non-agricultural occupations, size of holding, earning strength, wages paid to men and women and number of days worked influence the level of income, on one factor taken by itself, can explain fully or consistently the high or low level of income prevailing in the different States. This study is also limited to the rural sector of the study area. Further the study is restricted to the agricultural labour families who constitute roughly about one half of the entire rural population in South India. Another important limitation of the study is that significant differences with in each State are concealed whenever we talk in terms of State averages.

Narasimham (1969) conducted a study on the inequalities in the distribution of holdings and incomes of the farmers in India. By using the data on the cumulative percentage distribution of agricultural holdings in the country for the years 1953-54 and 1961-62. He analysed the impact of land reform measures taken during 1953-54 to 1961-62 on the distribution of operational holdings of farmer in 1961-62 as well as the relation of the inequality in incomes of the farmers to the inequality in their operational holdings, owned or leased, and its significance for the development of potentially viable small farmers. He concluded that the degree of inequality of incomes among the farmers in 1961-62 much less than that of the inequality of their operational holdings. About 20 per cent of farmers
operating 2 per cent of total area received 6 per cent of total income, 50 per cent of farmers operating 12 per cent of the total area received 24 per cent of total income, while 90 per cent of farmers operating 56 per cent of total area received 68 per cent of the total income. The possibility of receiving incomes proportionately more than the size of the holdings operated by these farmers might have countervailed the unfavourable influence of the inequality of their operational holdings on the distribution of their incomes.

Vyas (1972) found a decline in the incidence of rural poverty during the 1950's and traced that to the combined impact of major institutional changes and considerable agricultural growth during the period. The proportion of rural poor below the poverty line (Rs. 240 per capita per annum) fell from 45 per cent in 1954-55 to 38 per cent in 1960-61. The period after 1960-61 witnessed neither agricultural growth nor institutional change, but an increase in poverty. This study is based on the amount of income needed to meet out the minimum food requirements and no allowances have been made to minimum non-food items, hence the extent of poverty is underestimated.

The Centre for Development Studies (1975) examined the incidence of poverty and food-intake for the period 1960-61 to 1970-71 for Kerala State. This study concluded that the average per capita calorie intake for the urban population was directly related to the per capita income and per capita output of food-grains in the State. On
the other hand, the per capita calorie intake of the rural population was directly related to per capita food production and inversely related to the levels of inequality in ownership of holdings. It has been suggested that raising the level of income in rural areas through public works programme was by itself unlikely to bring about a significant reduction in poverty in the absence of both growth of production and reduction in inequalities in rural areas.

Alam (1976) conducted an empirical study of Khirnia village in Bihar in order to study the levels of living of agricultural labourers. He concluded that agricultural wages accounted for 74 percent, whereas non-agricultural wages and farm income constituted 16.7 and 3.8 per cent respectively of the total household income. About 94 per cent of the total household income is spent on food-items and the remaining 2.7 and 2.9 per cent was spent on non-food-items and on intoxicants respectively. The household income of these agricultural labourers was not sufficient even to meet out the basic necessities of life. The household expenditure of these households generally exceeds their income. It has been suggested that the levels of living of these households can be raised by providing increasing gainful employment opportunities to them.

Ahluwalia (1978) examined the trends in the incidence of rural poverty for seventeen different years, spanning the period 1956-57 to 1973-74 for India as a whole as well as for the individual States. He adopted the per
capita consumer expenditure of Rs. 15 per month at 1960-61 prices. He calculated the equivalent poverty lines for different years by using consumer price indices for agricultural labourers. Ahluwalia adopted both Sen's poverty index (Ps) and the traditional 'head count' method. The results indicate fluctuations in the incidence of poverty in response to variations in real agricultural output per head, though no significant time trend was discernible. He found a statistically significant inverse relationship between rural poverty and agricultural performance for India as a whole. This relationship was also observed in several States, but there was also evidence of other factors at work, which tended to increase the incidence of poverty independently of variations in agricultural output per head.

Sandhu and Mahajan (1980) conducted an empirical study in order to estimate the key determinants of disparity in farm income of Batala Block of Punjab and Marh Block of Jammu and Kashmir in adopting the New Agricultural strategy (NAS). They concluded that large farmers gained much more than the small and marginal farmers. The contribution of farm size to inequality in farm income was 81.29 per cent on the Batala farms and as much as 101.39 per cent on Marh farms. It implies that farm size is one of the most important factors responsible for causing disparity in farm income of small and large farms. They further stated that the degree of inequality caused by farm size is greater in Marh block than that of Batala block. It shows that the extent of farm income inequality can be reduced by redistribution of land in
favour of small and medium farmers in Marh block. This study shows that 1.53 per cent area under HYV seeds contributed positively in Batala block and 1.32 per cent negatively in Marh block towards farm income inequality. It shows increase in farm income inequalities to the extent of 0.26 per cent on Batala farms and decrease in inequalities by 0.14 per cent in case of Marh farms. It might have happened due to the factors viz; better accessibility to credit, enough investible funds etc. to large farmers. It has been concluded that farm income inequalities occurred mainly due to varying farmsize per cent area under HYV, per acre, yield, increasing technology and hired labour. The rapid technological changes have also led to widening the income disparity in the farm economy of Batala block more than that of Marh even though the distribution of the factors like area under HYV seeds, per acre yield, increasing divisible technology, hired labour etc., are less unequal that in the Marh block.

Balakrishna (1981) by using the data on Net Domestic Product for the period 1974-75 to 1977-78 concluded that during the four years ending in 1977-78 incidence of rural poverty was on the decrease, both in relative terms as well as in absolute numbers. The planning commission's estimate of rural poverty for 1977-78 given in the Draft Plan (1978-83) i.e. 47.85 per cent is higher by 4.35 per cent when compared with Balakrishna's estimate of 43.5 percent. He has used the data of Net Domestic Product
from agriculture (1960-61 prices) for 1974-75 and 1975-76 from the Reserve Bank of India. Since the corresponding data were not available for 1976-77 and 1977-78, he used the data on Net National Product from agriculture (1970-71 prices). The regression relationship between the Net Domestic Product from agriculture (1960-61 prices) and Net National Product from agriculture (1970-71 prices), has been worked out by using the data for the period (1975-76). The required Net Domestic Product data for 1976-77 and 1977-78 were obtained from this regression equation. The main limitation of this study is that Balakrishna has used different data from different sources by using different base years. Hence the validity of the percentage of rural poor calculated is doubtful. Further, as different socio-economic groups are differently affected in rural areas by the movement of prices, the quantification of poverty at aggregate level is meaningless unless the focus is on clear cut analytical socio-economic groups, like the fractile classes and occupational groups. Further Balakrishna has not used the fractile price indices for the respective categories. Thus, his study is of an aggregative nature.

Sarkar (1983) by using the National Sample Survey (NSS) data, estimated the disparities in inter-state consumer expenditure for the period 1957-58 to 1973-74. He stated that Himachal Pradesh which showed a high relative level of living in 1966-67 as well as in 1973-74 but could not classified by relative rank for 1957-58 has been considered as a State with unchanged relative level of living
over 1957-58 to 1973-74. The study based on average per capita consumer expenditure which indicate an unsatisfactory trend in respect of Uttar Pradesh, Andhra Pradesh, Madhya Pradesh, Jammu and Kashmir, Karnataka, West Bengal and Assam during 1957-58 to 1973-74. The States in which per capita consumer expenditure deteriorated were Assam and West Bengal during 1957-58 to 1973-74, whereas Tamil Nadu and Orissa did not show signs of improvement of deterioration during this period. Though the level of living was low, improved trend was found for, Maharashtra, Bihar, Gujrat and Kerala. Inspite of the improved level of living of Kerala in 1973-74, its relative per capita expenditure position was unsatisfactory.

Paul (1984) by using the NSS data of 1970-71 estimated the occupation-wise wealth inequalities and poverty in Punjab. He stated that in the rural sector, land assets constitute the largest proportion of total wealth among the small cultivators (68.28%) and cultivator households (76.60%). The buildings as an asset rarely earn any rent in the rural areas hence the buildings contributed law proportion in the total stock of wealth. The disparity in the distribution of land assets in rural sector was lowest among cultivators (Gini-coefficient= 0.52) and highest among other rural occupation (Gini-coefficient = 0.81). In the rural sector, proportion of households reporting no wealth was negligible in both the occupation, wealth is more unequally distributed than consumption expenditure in all the occupation group of Punjab. The distribution of building
assets in urban sector was more uneven than that in rural sector. The relationship between wealth-wise and poverty is found to be rather weak. This implies that wealth is not an accurate index of earning potential of a household.

Singh (1987) studied the trends in consumption and poverty levels in Uttar Pradesh, by using the NSS data for the year 1957-58 and 1977-78, inorder to find out the level and pattern of consumption in rural areas of Uttar Pradesh and as well as to study the extent to which the increased agricultural output and incomes are reflected in the consumption levels of different sections of rural society. The value of consumer expenditure has increased from Rs. 17.75 to Rs.72.68 or by 310 percent. While all items of consumption show marked increase in normal terms over the period the increase in expenditure on non-food items was relatively sharper (i.e. 375%) as compared to the increase in expenditure on food items (i.e. 284%). The food-items account for the bulk of consumption expenditure i.e. nearly 70 per cent leaving little margin to meet out other basic needs. Food-grains claim the largest share (nearly 60%) of the expenditure on food items. The pattern of consumption has remained more or less unchanged between 1957-58 and 1977-78, except that the percentage expenditure on other food-items has clearly declined and the percentage expenditure on non-food items has increased pushing up the share of non-food items at the cost of food items. Over 60 per cent of the rural population has a per capita consumption level below the State average of Rs. 72.68 per month. There is a
sharp inequalities in the consumption level in rural areas of Uttar Pradesh. Thus, while the poorest 5.28 per cent of the rural people have consumption levels of below Rs. 30 per month, the richest 4.63 per cent have a consumption level of over Rs. 150 per month. The average value of consumption per person per month in the top expenditure class (Rs. 200 and above) was almost 100 times more than that in the lowest expenditure class (below Rs. 10). The people in the lowest expenditure classes (i.e. below Rs. 35 per month) were unable to meet the absolute minimum requirement of food. The proportion of expenditure on fuel and lighting also goes down with the rise in the level of consumption. The percentage expenditure of other main non-food-items i.e. clothing, footwear, miscellaneous goods and services, and durable goods was however, positively associated with the level of consumption. Poverty line which was defined either in terms of a minimum necessary expenditure level or in terms of an expenditure level corresponding to minimum nutritional requirements. All persons belonging to expenditure classes below this poverty line are regarded as poor. The rural poverty was quite high in Uttar Pradesh. Thus in 1973-74, in Uttar Pradesh, 23.26 per cent of the rural population was below the line of severe destitution, 39.12 per cent below the line of destitution and 53.01 per cent below the line of poverty.

Singh and Lal (1987) by using the NSS
data on consumer expenditure for the period 1977-78 to 1984-85 worked out the extent of poverty. He concluded that during the period 1977-78 to 1984-85 more than 35 million people crossed the poverty line and the poverty ratio declined from 48.3 per cent in 1977-78 to 36.9 per cent in 1984-85. The figures also indicate that the reduction in poverty has been more in the rural areas than in the urban areas. The Census estimates place the poverty in Kerala at about 66 percent, whereas, according to Danadekar it was about 91 percent. The figures for rural and urban areas in Maharashtra were 31.4 per cent and 61.0 per cent and for Bihar were 68.5 per cent and 37.4 respectively. The Seventh Plan increased the allocation to Rs. 3474 crore from Rs. 1661 crore in the Sixth Plan in order to reduce the percentage of population below the poverty line to less than 10 by 1994-95.

This study concluded that all was not well with the IRDP. The beneficiary oriented approach of the IRDP has not served the purpose for which it was started, as the benefits in a large number of cases have gone to the wrong type of households for whom the programme was not meant.

Julka and Soni (1988) by conducting an empirical investigation in district Patiala of Punjab, during 1979-80 estimated the inequalities of income, land ownership and associated assets among cultivating households. They concluded that top 10 per cent of the households account for over 38 per cent of household income, 34 per cent of crop output, 25 per cent of milk output. The rural economy
indicates that it is the uneven distribution of land, productive material wealth, demographic traits, quantity and quality of work force which led to sharp inequalities of income in an agricultural economy.

Dev (1988) by using the NSS data estimated the regional disparities in agricultural labour productivity and rural poverty in India. This study examines that the living standards of this segment of the rural population generally depend upon the level of labour productivity attained in agriculture and its impact on poverty population at the level of States is useful for obtaining a better understanding of the pattern of agricultural development and rural poverty in India. Data base for estimating the incidence of rural poverty at the all India and State levels is provided by the NSS consumer expenditure surveys carried out in 1964-65, 1972-73, 1977-78 and 1983. The level of labour productivity in Punjab was significantly above that in the other States in India. For the triennium ending 1964-65, the value of the labour productivity in Punjab was estimated at a little over Rs. 2,200 a level which was more than double the average in all the other States (excluding Haryana) taken together. In Bihar and Rajasthan, it was not even one fourth of the level in Punjab. In Kerala, Maharashtra, Assam and Madhya Pradesh too the labour productivity was relatively low (i.e. less than one-third) to the labour productivity in Punjab. During the initial stage in the diffusion of bio-chemical technology, labour productivity increased significantly in Punjab (54
percent) and Haryana (44 percent). Labour productivity also increased by more than 10 per cent in Assam and Tamil Nadu. A comparison of the triennial averages for 1962-65 and 1970-73 also shows a decline in the level of labour productivity in 7 States namely, Orissa, West Bengal, Bihar, Madhya Pradesh, Andhra Pradesh, Gujrat and Maharashtra. The weighted (unweighted) coefficients of variation in the level of labour productivity across the States increased steadily from 31.9 per cent (44.6 percent) in 1964-65 to 51.8 per cent (70.9 percent) in 1972-73, 52.1 per cent (74.4 percent) in 1977-78 and 64.2 per cent (86.6 percent) in 1982-83. He concluded that the growth in labour productivity have also revealed such disparities. This implies increasing interstate disparities in the standard of living of agricultural workers which has a bearing on the incidence of poverty in rural areas.

Mahendra Dev (1988) by using the NSS data worked out the dimensions of interstate variations in the incidence of poverty among the agricultural labour households in India. The incidence of poverty revealed that the estimates which was around 52 per cent in 1963-64 increased to 56 per cent in 1977-78 but declined to around 46 per cent in 1983. Thus even in 1983 more than half of the persons in the agricultural labour households were below the poverty line. On the basis of increase in the share of agricultural labourers, marginal and small farmers, he concluded that at least 50 per cent of the numbers of the
workforce and their families and thus of the total population must be considered to be in a situation where the level of living can only be abysmally low and the mode of living highly insecure and precarious. He concluded that even in 1983, more than 50 per cent of the persons belonging to agricultural labour households at the all India level were poverty stricken. Agricultural labour households report the highest incidence of poverty as compared to other types of households in all the States.

Paul (1988) by using the 25th NSS Round data for rural Punjab studied the disparities in the levels of living. This study revealed that per capita consumption inequalities were the lowest among all cultivators (Gini-coefficient =0.2672). This study shows that children ratio in the households on the lower side of distribution was higher than that in the households on its upper side. Hence per capita consumption expenditure figures tend to overstate the relative economic status of households with higher children ratio lying on the lower side on distribution. In the case of cultivators, distribution overstates degree of inequality on the lower side and understates it on the upper side. This shows that as we move from lower to higher deciles in distribution the children ratio first decreases and than tends to increase. Since children requirements are less than adults, per capita consumption expenditure figures tend to understate the relative economic status of cultivator households on the extreme side of distribution. On the lowerside of
distribution consumption is less unequally distributed among wage earners than among all small cultivators. This study intended to show the importance of household composition in the analysis of inequality measurement based on household survey data. The relative performance of the distribution of per capita consumption expenditure have been examined by comprising with the distribution of per equivalent adult consumption expenditure.

Paul (1989) conducted an empirical investigation inorder to estimate the composition and distribution of income among the households in rural Haryana. He concluded that in rural Haryana, agriculture contributed half the total household income and occupies a markedly predominant position. On the income scale the farm household occupy the most significant position with a 65.46 per cent share in the total income and as much as 68.37 per cent of their income comes from agriculture only. The annual income of 49 per cent of the households as a whole was less than Rs. 7500 and their share in the income was only 18 percent, 94 per cent of the labour households have less than Rs. 75,00 as their annual income and even in the case of remaining households none has been found to be having more than Rs. 15,000 as their annual income. There were wide income disparities in rural Haryana. The bottom 20 per cent shared only 5.44 per cent of the total income and the top 20 per cent shared as much as 46.72 percent. This State of income inequality was more pronounced among the farm
households than the non-farm households. It has been noticed that households falling in the higher income brackets also tend to have greater total wealth, larger holdings and lesser ratio of young and old members to total family size, and the influence of these on household income was by no means negligible.

Kumar (1990) by using the consumption data of National Accounts Statistics studied the variations in the consumption as well as the growing disparities in agricultural incomes. He stated that there has been a marked rise in the overall savings rate and an increase in the share of household assets in rural areas. The per capita availability of cereals during the quinquennium 1981-85 was only 17.6 per cent higher than during 1951-55, while the availability of total foodgrains was 8.9 percent. He concluded that levels of food consumption particularly of the rural poor, show a very significant relation to per capita food output. Over the seventies the ratio of gross savings to GDP increased steadily reaching a peak of 24.7 per cent in 1978-79 and staying at 23.0 per cent in 1980-81. The savings rates in both the public and private sector have registered increases over this period but it was clearly the household sector that has saved the most. A widely noted feature was that households have opted for more investments in financial assets in recent years as against physical assets. The proportion increased from 36.4 per cent during 1951-52 to 56 per cent during 1961-66 and was 54.1 per cent during 1983-84. It has been concluded that low
consumption levels, increasing disparities in agricultural incomes and changes in savings behaviour, were not only interlinked, but were in some sense related to a general demand problem.

Kakwani and Subbarao (1990) by using the National Sample Survey data for fifteen major States of 'India' for 1972-73, 1973-74, 1977-78 and 1983 estimated the rural poverty and its alleviation in India. They concluded that the beneficial effects of growth on the incidence of poverty can be nullified by adverse movements in the inequality of consumption. Indeed, whether analysed at the State level or all India level, this has been the case during 1973-77 when high growth rate in average consumption per capita was accompanied by a sharp rise in consumption inequality, thereby considerably reducing the total impact on the reduction of poverty incidence. To this extent, the policy response in the form of a series of anti-poverty interventions since the mid-1970's aimed at raising the income/consumption levels of the poor and ultra poor was basically a sound policy response. During the period 1977-83, average consumption grew slowly, but consumption inequality fell in many States and the reduction in the incidence of poverty was greater in magnitude than in the earlier period of high growth. Our separate analysis of the 'poor' and 'ultra poor' suggests that the beneficial impact of a reduction in inequality is more pronounced for the 'ultra poor' than for the poor, by the same token a worsening of
inequality hurts the ultrapoor proportionately more than the poor. While it is difficult to identify precisely the factors that may have contributed to the decline in inequality in many States during 1977-83, the role of direct interventions cannot be minimised. The poverty ratio has become more responsive to the changes in mean income and income inequality in all States except Bihar and West Bengal.

Khan (1991) estimated the magnitude of poverty and nutrition level of the rural population in Assam. The poverty line for 1983-84 (at current prices) was drawn at a per capita monthly expenditure of Rs. 107/- for rural area and the percentage of total rural population living below the poverty line was estimated at 37.4 percent. The incidence of poverty was quite high in Assam. The Fifth Five year Plan Draft of Assam estimated that out of 95.41 lakh population in the State, 88.34 lakh were living in rural areas and 7.07 lakh in urban areas, constituting 51.10, 52.65 and 37.37 percent of the total, rural and urban population of the State respectively were below the poverty line during 1970-71. The Planning Commission estimate shows that out of a total of 112.65 lakh persons in Assam, 107.12 in rural and 5.53 lakh in urban areas constitute the total, rural and urban population of the State respectively were below the poverty line during 1977-78. The Directorate of Economics and Statistics of Assam on the basis of Central Statistical Organisation (CSO) data estimated that the magnitude of poverty in 1983-84 for rural population was 49.6 percent.
Further nearly 49.6 per cent of the rural population comprising 44.5 per cent children (0-14 years) lying below the poverty line were under-nourished and malnourished. The expenditure required to meet the rural population minimum needs of nutrition was estimated at Rs. 49.09 at 1973.74 prices. For the group of the people whose monthly per capita expenditure fall short of the minimum requirement, their calorie-intake also falls short of the required 2400 calories.

22 Rao (1991) by using the NSS data of 27th, 32th and 38th rounds estimated the trends in consumption and poverty in rural north-eastern India. He concluded that during the period from 1971 to 1981 the density of the population in the north-eastern region as a whole increased by 36.46 per cent i.e. from 77 to 104 persons per sq. Km of geographical area. While the yield per hectare of foodgrains and cereals both at all India level and in the region show an increasing trend. The study clearly indicate the growing inequalities in consumer expenditure of the rural areas of north-eastern India, in sharp contrast to the mild reduction of inequality at the all India level in 1983 over 1972-73. With the exception of Manipur, the inequalities in consumer expenditure increased sharply in all the north-eastern States in 1983 over 1972-73. Assam showed small but steady increase in inequality, while in Manipur the inequality declined in 1977-78 over 1972-73, but increased again in 1983 although very marginally. The rural areas of north-eastern region were suffering from a higher incidence
of poverty when compared to rural areas of all India. The foregoing analysis suggests that for the rural areas of north-eastern States the consumer expenditure over the period remained mostly stagnant. There is strong evidence that the disparities between the various expenditure classes are widening and the inequalities in consumer expenditure are increasing sharply. Though the proportion below poverty line in rural north-eastern India has fallen in 1983 over 1972-73, it is still on the very high side ranging from 60 to 72.50 per cent compared to all India figure of 51.67 in 1983.

Section 2.2

Review of Related Studies in Himachal Pradesh

This section deals with the review of studies conducted on the dimensions of socio-economic disparities in the State of Himachal Pradesh. The labour Bureau Shimla (1965) through a Family Living Survey among the workers working in transport, factories, mines and plantation studied the consumption pattern which reveals that of the total consumption expenditure about 60 per cent was incurred on food-items 18 per cent on non-food-items such as fuel, light, clothing, bedding and footwear and the remaining is spent on miscellaneous items. According to the study conducted by the Federation of Chambers of Commerce and Industry 1972 revealed that about 34.1 per cent of the State population was living below the poverty line.

Directorate of Economics and Statistics (1974) conducted a survey on household consumption
expenditure in the rural areas of Himachal Pradesh. The main results of the survey indicate that in the rural area the per capita monthly consumer expenditure on food-items was 72.5 per cent of the total monthly per capita consumer expenditure. A large chunk of per capita monthly expenditure on food-items was spent on cereals in the rural areas. Among the cereals the highest per capita monthly expenditure was incurred on maize and its product.

Directorate of Economics and Statistics 25 (1975) conducted or socio-economic survey in the backward areas of Shimla district with a view to study the levels of socio-economic development in these areas. It was found that the average size of holding in this area was 1.15 hectare and an average farmer belonged to the 'small and Marginal farmers' category. The annual per capita income from various sources worked out Rs. 557. The Pradesh's per capita annual income for the corresponding year stood at Rs. 1,050. This indicates the low level of income in these areas. Agropastoral pursuits accounted for 61.84 per cent of the household income. The per capita consumer expenditure among the sample households during 1974-75 was Rs. 581.94. The food-items alone accounted for 66.14 per cent of the total consumption expenditure. All the sample households were living below poverty line. About 49 per cent of the total sample households were under debt and 75 per cent of the total loans were taken mainly for domestic consumption. About 93.25 per cent of the households had obtained loans from village moneylenders.
In the 27th Round of National Sample Survey (1978) made the first serious attempt to gauge the extent of unemployment in the State of Himachal Pradesh. According to 1972-73 data, the total number of unemployed persons in Himachal Pradesh was estimated at 5.99 lakhs, of which 5.43 lakh were in the rural sector. According to 27th Round of National Sample Survey the unemployed rate was 32.19 per cent and according to 1971 Census this was 28.33 percent. The annual rate of growth of unemployment thus worked out 1.93 percent.

Directorate of Economics and Statistics (1979) conducted a socio-economic survey of the backward areas of Mandi district of Himachal Pradesh, inorder to study the pattern of household income and consumption expenditure. This study concluded that the average size of holding was 1.40 hectares. The per capita annual income worked out Rs. 558 for the year 1974-78, out of which 45 per cent income was derived from agriculture, 15 per cent from animal husbandry and 40 per cent from wages and services. The per capita consumption expenditure for the sample households has been worked out Rs. 540 during 1974-75. The food-items alone accounted for about 21 per cent of the total consumption expenditure. Further on the basis of the definition of poverty line laid down by the Planning Commission in the approach paper to the Fifth Five Year Plan, and by inflating it with the price rise in terms of, all India wholesale price indices, this study revealed that the entire population
among the sample households was living below poverty line during 1974-75. About 25 per cent of the households were indebted and nearly 76 per cent of the total loans were obtained for domestic consumption alone.

Singh and Rathore (1982) by applying the time criterion to the first hand information collected from a sample of 120 cultivating households scattered in different parts of the State for the year 1978-79, they concluded that the male members on large farms are relatively more dependent on self-employment than their counterparts on small farms. This is so because some members of small farms follow the occupation of wage earners. In the case of females, they were self employed than males but their proportion on small and large farms did not vary significantly. This study revealed that the males of small farms were gainfully employed for nearly 56 per cent of their time. In the case of female members half of their time was utilised for social and family affairs. Finally they concluded that seasonality was visible, in crop production work. The per cent of total time spent on this activity was mainly male specific in nature, accounting for nearly 12 per cent time of workers of small farms and 6 per cent of large farms. The family and social affairs are most time consuming and unproductive in nature. These activities were mainly female specific in nature and accounted for nearly 50 per cent of female labour time on both the small and large farms.

Saraswat and Swarup (1982) conducted a
zone-wise empirical study on the farm family labour utilisation in Himachal Pradesh in order to study the pattern of farm family labour, extent of surplus labour as well as the possibilities and difficulties of its mobilisation for accelerating the process of economic development in the State. They worked out a wide variation in the percentage of surplus of farm labour in various climatical zones i.e. 20.17 to 36.86, 27.44 to 40.01 and 29.67 to 33.07 in the low mid and high hill zones in respect of large and small cultivators respectively. The outside employment was available in only low and mid hills and had inverse relation with elevation. If we take into account the outside employment, the percentage of labour surplus significantly changes in case of small farm holdings of low-hills; It decreased from 36.86 to 17.76 percent. They concluded that farm family labour was surplus to the extent of about 40 per cent in a year, in all size groups by and large in all the zones of the State.

30 Sharma (1982) by using the NSS data assessed the extent of rural poverty in the State of Himachal Pradesh for the year 1972-73 and 1973-74. He worked out the extent of rural poverty equal to 31.53 per cent and 47.01 per cent for the two years respectively. Mukherjee and Kishore (1982) by using the NSS data of consumer expenditure for the year 1973-74 calculated the value of the minimum calorie requirement (i.e. 2400 calories per person per day) to be Rs. 37.54 per capita per month and the resultant percentage of rural poor falling below this minimum has been
worked out 45.65 percent. The average total monthly consumption expenditure of these poor households has been worked out at Rs. 49.14 out of which Rs. 37.54 was spent on food -items and the remaining amount of Rs. 11.60 accounted for non-food-items like fuel light, clothing, footwear, health and education etc..

Singh (1982) conducted an empirical investigation of 120 selected households scattered in 10 villages of Himachal Pradesh with a view to study the employment pattern. By using the time criterion he concluded that on small farmers the male spent 41.20 per cent and females spent 48.5 per cent time in 'gainful employment' i.e. farm work, looking after cattle and other farm work. Looking after cattle constitutes 70 per cent time of males and 80 per cent time of females to their total gainful employment. The two activities viz; looking after livestock and social as well as family affairs constitute about 72.6 per cent of the male working time and nearly 89 per cent of the female working time during the year.

Department of Economics and Statistics (1983) conducted a socio-economic survey of Malana village in Kullu district, with a view to study the socio-economic life of Malana people in the context of present day development of the rest of the district and the benefits of modernization if any, taken by these people. It was concluded that 79.3 per cent workers were directly or indirectly engaged in agriculture. Only 4 per cent population was
literate and the percentage of workers working for more-than six months in a year was 49.61 percent. It was observed that more than 42 per cent of the income was derived from agriculture and animal husbandry, 30 per cent from the sale of medicinal herbs and 23 per cent from manual work of wage earners. About 79 per cent expenditure was incurred on food articles. Nearly 21.3 per cent of the households were under debt and the main source of loans were the landlords/moneylenders, about 90.6 per cent of loans were taken for meeting the household consumption expenditure, and only 9.4 per cent were for the purpose of house construction.

Thakur (1984) conducted an empirical investigation during the year 1980-81 in the mid-hill zone of Himachal Pradesh, in order to estimate the dimensions of rural poverty and unemployment as well as to estimate the extent of disparities in the distribution of household income and consumption expenditure among the sample households. He concluded that the percentage of poor was the highest on the smallest size of holdings and showed a decreasing tendency with an increase in the size of holdings. He further stated that the percentage of unemployed in terms of idle, poor, willing and misemployed is the highest on the marginal size of holdings and it shows a decreasing tendency with an increase in the size of holdings. Similarly the percentage of underemployed workers was the highest on the marginal size of holdings and it decreased with an increase in the size of holdings. The small farmers shared the minimum amount of
total income and consumption expenditure, whereas the large farmers enjoyed the lion's share. Finally he stated that the percentage value of livestock and agricultural implements was the lowest on the marginal size of holdings and showed an increasing tendency with the increase in the size of holdings. On larger holdings, per capita income was high and disguised unemployment was absent. The percentage income from crops was lowest, while percentage share of income from wages and services was the highest on the marginal size of holdings. He also concluded that per capita value of productive assets, showed an increasing tendency with an increase in the size of holdings.

Institute of Public Administration (1987) conducted a study on the indebtedness among the rural poor in Himachal Pradesh, with a view to highlight some of the aspects of indebtedness of the IRDP beneficiaries and assessing the extent of indebtedness, purpose of loan, nature of loans etc. It was found that on an average, a family was indebted to about Rs. 2260 in the State and 25 per cent of the beneficiaries were under debt. The main source of finance remained shopkeeper as 35 per cent of the indebted families were financed by this agency. Of the total 60 per cent had reported the purpose of loan as domestic consumption while 19 per cent IRDP families had incurred debt for social and religious ceremonies. Thus about 79 per cent of the total families had taken loans for non-productive purposes.

Institute of Public Administration
undertook concurrent evaluation of IRDP beneficiaries in Himachal Pradesh. The results of this study are based on the data collected for the State, relating to the change in the economy of the households by the Integrated Rural Development Programme. Out of the total sample under study, 90 per cent of the beneficiaries belonged to agriculturist and the average annual income of the IRDP beneficiaries from the productive assets was estimated Rs. 1,430 in Himachal Pradesh. At the State level, on an average a family had been assisted with loans and subsidies to the amount of Rs. 3683. At the current market prices, 52 per cent of the beneficiaries had crossed the income level of Rs. 3,500 per annum per family. This is the old poverty line which does not hold good in view of high inflationary trends in the recent past. Only 8 per cent beneficiaries had crossed the new poverty line of Rs. 6400 per annum per family, a norm suggested as per the Seventh Five Year Plan.

Sharma and Oberoi (1988) conducted an empirical investigation of 200 sample households in Kasumpti Block of Shimla district with a view to find out how the various development programme have benefited the target groups and how have their gains been shared by different categories of farmers in terms of income distribution, distribution of consumption expenditure, distribution of ownership of productive resources and their access to Government subsidized services. They concluded that inequality among the different components of household income was maximum in case of farm income followed by income from
dairy activities etc. The income inequalities were more among marginal and small farmers compared to medium and large farmers. In the case of household consumption expenditure the degree of inequality was less than that of household income and female illiteracy was higher than male illiteracy. They remarked that the gains of various development programmes were mainly pocketed by rural elite.

Singh (1988) conducted an empirical investigation in the rural areas of Rewalsar Block of Mandi district with a view to analyse the distribution pattern of household assets, household income, pattern of consumption expenditure and to work out the pattern of savings, investment and indebtedness among the sample household falling on different holding groups. He concluded that the literacy percentage increased with the increase in the size of holdings. The percentage share of households income from agriculture and industries increased while the percentage share of household income from services and wage work decreased an the increase in the size of holdings. The percentage value of land to the total value of household assets increased with the increase in the size of holdings. It was found that as the size of holdings increased, the percentage share of expenditure on food-items to the household total consumption expenditure decreased, whereas the percentage share of expenditure on non-food-items increased with an increase in the size of holdings. The percentage change in the value of land to the total change in the value
of household assets was highest on the marginal size of holdings and decreased with an increase in the size of holdings. Contrary to it, the percentage change in the value of livestock, buildings, furnishing articles, electrical appliances etc., increased with an increase in the size of holdings. He further concluded that 65 per cent of the households falling on the marginal holding group were indebted, and as the size of holding increased the percentage share of loan taken for productive purpose increased and for non-productive purposes decreased.

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Thakur, (1991) conducted an empirical investigation of 137 households in Bilaspur district with a view to examine the socio-economic conditions and characteristics of the economically weaker-sections which constituted marginal and small farmers, agricultural labourers and backward classes in the rural areas. She concluded that the households in the rural areas with uneconomic size of holding supplemented their income by working as labourers on wage basis. The per capita value of household assets was lower among the households falling on the marginal size of holdings. The percentage share of agricultural income to the total household income increased with an increase in the size of holdings, whereas, the percentage share of wage-income decreased with an increase in the size of holdings. The percentage of unemployment was higher among the households falling on the marginal size of holdings group. She further concluded that the percentage of expenditure on food-items decreased with an increase in the
level of income. The income of the sample households falls short of their consumption expenditure, hence all the sample households were living below the poverty line. The weaker-sections were confronted with a number of socio-economic problems, such as high dependency ratio, low literacy percentage, low income, high consumption expenditure, unemployment and high incidence of indebtedness in the rural areas of district Bilaspur.

Sharma (1994) conducted an empirical investigation of 200 sample households in the tribal areas of district Kinnaur with a view to estimate the extent of inequalities with respect to the distribution of household assets, income and consumption expenditure by size class of holdings. By calculating the Lorenz ratios and Gini-coefficients he concluded that the distribution of household assets, income and consumption expenditure by size class of holdings is highly skewed. The smaller farmers shared the lowest percentage of the total value of assets, income and consumption expenditure, whereas the large farmers enjoyed the lion's share. By using the normative plus approach (i.e. the income needed to meet out the minimum food and non-food requirements) as well as the measures of relative poverty (i.e. Head Count Ratio, Gini-coefficient, Sen's measure of poverty, 1973 and 1976) he worked out that the percentage of poor both in absolute number as well as in relative terms was the highest on the smallest size of holding group and it
indicate a decreasing tendency with an increase in the size of holdings. The per capita burden of debt has been estimated highest on the marginal size of holdings and it indicates a decreasing tendency with an increase in the size of holdings. He pointed out that the households falling on the smaller size of holdings have taken loans mainly from the village moneylenders at a very high rate of interest especially to meet their non-productive domestic requirements viz; household consumption, treatment of prolonged illness, expenses on religious and marriage ceremonies etc; and as a result of it these households have fallen into debt-trap; whereas, contrary to it the household falling on the larger size of holdings have taken loans mainly from banks at low rate of interest inorder to make investment in productive activities, which further multiplied their household income. Finally he stated that the Anti-Poverty Programmes which have been implemented inorder to reduce the disparities between the tribal 'poor' and 'not poor' proved their functioning contrary to the objectives and expectations i.e. the most better-off household benefited the most and worse off benefited the least under the Poverty Alleviating Programmes in the tribal area under study. But due to sharp variations in topography, climate and socio-economic conditions and characteristics between the tribals and non-tribals of Himachal Pradesh, the empirical findings of this study can not be applied with hundred per cent precision to the State as a whole in general and to the non-tribal areas of the State in particular.
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