

# *eSays*

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## DEBATING POVERTY



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# Debating Poverty

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## **Editor's note**

eSocialSciences was launched with the intention of bridging the knowledge gap in society so that the growing body of information and knowledge accumulating in the corridors of academia and elsewhere may become accessible to all.

This series of eSSays is an attempt to fill that gap and make social and economic research impacting policy available to enhance public debate in this time of change when the country is about to engage in what has been termed the world's largest election. We also hope that this will constitute useful reference material to policy makers, journalists, and 'aam aadmi' as well.

These dossiers are guest edited by eminent scholars working on the issue and include a range of informative and thought provoking contributions. We have tried to include data and infographics that may be useful and have compiled a reading list for each. We hope you will find them useful.

The first in the series is *Debating Poverty* and is guest edited by M. H. Suryanarayana from the Indira Gandhi Institute of Development Research, Goregaon Mumbai. We are grateful to him for drawing together a number of informative and engaging essays from accomplished scholars in the field.

**Padma Prakash**

*Editor*

# Poverty Line: Pursuit of an Elusive Minimum

**M.H. Suryanarayana**

*What do we mean by poverty? What is the poverty line? Why do we need estimates of poverty line and poverty? How does one use these estimates in policy making? This paper tries to evaluate the various variables for estimating a minimum poverty line. It studies the experience of India in dealing with poverty and food security and estimating the poverty line during pre-independence, post-independence and the reform era.*

Poverty lines estimated *a la* Tendulkar Committee method (Government of India (GoI), 2009) by the Planning Commission for 2011-12 worked out to Rs. 816 per capita per month in rural India and Rs. 1000 in urban India. Commentators called these numbers crazy. Some academic experts debunked their utility because, as per their estimates, virtually the entire population has a calorie intake less than the norm and is undernourished. Some ridiculed the Planning Commission arguing that with Rs. 33 one could not buy even a kilo of rice, not to speak of the subsistence bundle. The Government's response to the entire hue and cry has been to constitute yet another committee under the chairmanship of C. Rangarajan to review the methodology for poverty estimation.

This raises several questions: Are these numbers unrealistic? Is it true that the entire population is really undernourished? Is there a need for a food security provision for the entire population?

To answer these questions, let us try to draw a perspective on the question of poverty line and estimate of poverty as it evolved in India. What do we mean by poverty? To what does a poverty line refer? Why do we need estimates of poverty line and poverty? How does one use these estimates in policy making? How imperative is it? If it is so imperative, how does one estimate the subsistence minimum and its monetary equivalent at a point in time and over time in a vast country like ours?

Poverty refers to a situation when an individual cannot provide for himself with the minimum subsistence essential for survival in a society. Poverty line is nothing but this subsistence minimum generally expressed in terms of its cost. With this information, we can decide if an individual with some given income is poor or not; if he is poor, we can also determine the extent of income shortfall from the poverty line, what in other words is called extent of deprivation. It can also be used for budgeting, that is, to estimate the

amount of resources required for poverty alleviation by direct cash transfer. Information on deprivation and its profile across regions and social groups is important to formulate development strategies, identify appropriate policies and facilitate their targeting. Policy targeting is imperative in a poor country like India because, it has limited income and resources for such policies and development programmes.

The estimation of the poverty line is a challenge, because India is predominantly rural country characterised by informal market structures and is undergoing structural changes in the course of its economic development. As a result, the subsistence norm as well as its cost will keep changing. It is precisely this issue that the expert groups and expert commentators have failed to address. It is this singular failure that has led to estimates of increasing undernourishment with declining poverty. This paper seeks to explain this paradox and the experts' failure to address it by providing an account of the evolution of the Indian Poverty Line.

In absolute numbers, 321 million Indians were poor of which 261 million (a share of 81 per cent) were from rural areas and 60 million (a share of 19 per cent) from the urban. Thus, poverty is predominantly rural in India though the sector's share in the total number of poor has been declining over time (Table 1). By 2004-05, the number of rural poor declined to 221 million, while the urban ones increased to 81 million.

**Table 1: Official Estimates of Poverty**

Year	Rural		Urban		Combined		Share of rural sector in poverty (%)
	Number of persons (million)	% of persons	Number of persons (million)	% of persons	Number of persons (million)	% of persons	
1973-74	261.29	56.4	60.05	49.0	321.34	54.9	81.3
1983	251.96	45.7	70.94	40.8	322.90	44.5	78.0
1993-94	244.03	37.3	76.34	32.3	320.37	36.0	76.2
2004-05	220.92	28.3	80.80	25.7	301.72	27.5	73.2

Source: GOI (2008b; pp 79-80)

### **Indian Poverty Line: How It Originated**

The poverty line originated in India during the pre-independence era. Decades prior to Indian Independence, our freedom fighters were acutely aware of the causes and consequences of appalling deprivation in the country. Naoroji (1901), argued that British rule had bled India. The total income generated in the country was not enough to meet even the subsistence requirement of the Indian population.

How did he verify this? He defined the minimum subsistence as the amount of food required “for the bare wants of a human being, to keep him in ordinary good health and decency” (*ibid.*, p. 25). He called this minimum ‘necessary consumption’ and measured it in terms of the diet prescribed by the Government Medical Inspector of Emigrants on

March 26, 1870, for the emigrant coolies during their voyage. The diet did not consider energy requirements for work; it included rice or flour, dhal, mutton, vegetables, ghee, and vegetable oil and salt.

The scale of diet is as in (Table 2):

**Table 2: Scale of Diet: Government Medical Inspector of Emigrants, March 26, 1870.**

Rice diet for one man (ozs.)		For flour diet (ozs.)	
Rice	20.0	Flour	10.0
Dhal	6.0	Dhal	4.0
Preserved mutton	2.5	Preserved mutton	2.5
Vegetables	4.27	Vegetables	4.27
Ghee	1.0	Ghee	1.0
Mustard oil	0.5	Mustard oil	0.5
Salt	1.0	Salt	1.0
Total	35.27	Total	29.77

Source: Naoroji, 1901; p. 25.

Note: One ounce (oz.) = 28.35 gram.

Naoroji used this reference bundle to estimate the cost of necessary consumption in 1867-68. His estimates of costs of necessary consumption ranged from Rs 16 to Rs 35 per capita per year in various regions of India. In other words, these estimates were real and one would know how much one could buy with Rs. 16 - Rs. 35. While his prices and cost estimates were real, the reference bundle did not pertain to the population under review but to emigrant coolies.

He compared such estimates with the corresponding income generated across regions. This showed that “even for such food and clothing as a criminal obtains, there is hardly enough of production even in a good season, leaving alone all little luxuries, all social and religious wants, all expense on occasions of joy and sorrow, and any provision for bad season” (*ibid.*, p. 31).

### **Policy Choices: Before and After Independence**

The Indian National Congress constituted a think tank called the National Planning Committee under Pandit Nehru in October 1938, to arrive at a policy for poverty reduction. Its task was to formulate a comprehensive scheme for National Planning in order to address problems such as of “poverty and unemployment, of national defense and of economic regeneration”. The Committee did not define a poverty line but acknowledged that “lack of food, of clothing, of housing and of every other essential requirement of human existence” (Nehru, 1946) were the constraints on subsistence living. It defined explicit goals for development policy once the country got independence.

Development pursuit should seek to “ensure an adequate standard of living for the masses, in other words, to get rid of the appalling poverty of the people” (*ibid.*). It recommended a ten-year plan to secure for the population in general (i) a nutritious food basket providing for a balanced diet of 2400 to 2800 calories per adult worker; (ii) clothing (30 yards per capita per annum); and (iii) housing (100 sq. ft. per capita). Evaluation of development policies would be in terms of indicators like per capita income, life expectancy and literacy rate.

On getting independence, India had a huge development agenda to pursue. The government adopted five year planning as a specific development strategy to pursue the agenda. Policy goals were defined largely in terms of broad objectives like growth, development, industrialization and reduction in inequalities. After two successive five year plans, the Government decided to review five year development strategies and their outcomes. For this purpose, it set up a task force called Committee on Distribution of Income and Levels of Living. It appointed a working group to look into the question of defining a national subsistence minimum.

The working group recommended a minimum of Rs. 20 per capita per month (Rs. 25 for urban areas) at 1960-61 prices (GoI, 1962). This normative minimum was considered adequate to ensure minimum energy requirements for an active and healthy life and also minimum clothing and shelter. The norm did not provide for expenditure on health and education, which were to be provided by the State, as per the Indian Constitution. Acknowledging that “the minimum which can be guaranteed is limited by the size of the total product and the extent of redistribution which is feasible” (*ibid.*), the Government prepared a ‘*Perspective of Development: 1961-1976*’.

The Government kept this minimum of Rs. 20 per capita per month at 1960-61 prices as the goal for the Fifth Five Year Plan. The *Perspective* unambiguously stated that (i) poverty removal should be the central concern of planning in India; (ii) every citizen should be assured of a minimum income within a reasonable period of time; and (iii) the minimum itself should be revised upwards with economic progress (*ibid. p. 13*). The *Perspective* recognised the constraints due to limited resources for investment; it worked out growth imperatives of planning for a minimum living. Its estimates showed that the economy would have to grow at the rate of seven per cent per annum during 1966-1976 to ensure a nutritionally adequate diet for the bottom third decile group of the population (*ibid. p. 18*).<sup>1</sup>

One is not really sure how the working group arrived at the estimate of Rs. 20 as the poverty line. The late V.M. Dandekar and N Rath (Dandekar and Rath, 1971) were probably the first to define an income/consumer expenditure norm for poverty with reference to an explicit average daily per capita calorie intake norm of 2250 kcals for

<sup>1</sup> The Task Force admitted that the economic status of the poorest twenty per cent would not increase only by growth unless provided for by specific policy interventions.

both rural and urban areas. They made use of the estimates of household consumer expenditures collected in the annual National Sample Surveys (NSS) to arrive at their numbers.

One might ask how much one could buy with the amount specified by these poverty line numbers generated from the NSS household budget information. One could not have bought the minimum bundle at market prices even in the rural areas for several reasons. To begin with, the NSS does not really estimate expenditures on different food items at market prices. Depending upon whether a given household meet its consumption requirement from its own farm / the retail markets, the NSS uses producer (farm-harvest) / retail markets prices to estimate total expenditure on food. Retail prices exceed the producer price by trade and transport margin; hence, a poverty line estimated using a mixture of producer and consumer prices as done in the NSS calculus would not guarantee the minimum bundle at market prices.

Secondly, rural households experience economies of scale in food production and consumption when they cook food not only for their own use but also for payment of wages-in-kind (cooked food) to the farm labour households. Hence, NSS-based unit cost of calories could be underestimates. In addition, the NSS does not credit wage payments received in kind to the consumption account of the labour household to avoid double counting, reporting errors and to get unbiased estimate of average consumption for the country. This would also affect NSS choice of the threshold from the household distribution profile to define the poverty line. So, poverty lines estimated using household budget information would not guarantee the minimum bundle at market prices, even for a small family which cooks food for itself not to speak of the single member household relying on restaurants for food consumption.

### **Estimating Official Poverty Line**

In 1977, the Government set up a Task Force on Projection of Minimum Needs and Effective Consumption Demand. Its task was to review academic research and information on the subject and develop it further to facilitate drafting of the Sixth Five Year Plan (GoI, 1979; p. 4). The Task Force defined the poor as “those whose per capita consumption expenditure lies below the midpoint of the monthly per capita expenditure class having a daily calorie intake of 2,400 in rural areas and 2,100 in urban areas” (GoI 1981, p. 81).<sup>2</sup> It estimated poverty lines corresponding to these norms using the NSS data on household consumer expenditure for the year 1973-74. It obtained a poverty line of Rs 49.09 per capita per month at 1973-74 prices for rural all- India and Rs. 56.64 for urban India. Its estimates of poverty corresponding to these norms were 56.4 per cent for rural India, 49.23 per cent for urban India and 54.9 per cent for the country as a whole. In absolute numbers, 321 million Indians were poor of which 261 million (a share of 81

<sup>2</sup> These are norms for the total population worked out as a population weighted average of age-gender-activity specific calorie allowances recommended by the Nutrition Expert Group (1968) (GoI 1979; p. 9)

per cent) were from rural areas and 60 million (a share of 19 per cent) from the urban. Thus, poverty is predominantly rural in India, though the sector's share in the total number of poor has been declining over time (Table 1). By 2004-05, the number of rural poor declined to 221 million, while the urban ones increased to 81 million.

Given the poverty line and the data on size distribution of population across monthly per capita expenditure classes, poverty estimate given by the headcount measure, that is, the proportion of the population living below the poverty line for the base year is simply read, as the cumulative proportion of population with consumer expenditure less than the poverty line. Since the method is very similar to the one followed by Dandekar and Rath, there is no guarantee that the amount specified would fetch you the desired minimum at market prices. But these estimates played a useful role in plan calculations and projections.

### **Computing Official Poverty Over Time**

How do we estimate poverty line and poverty for subsequent years? The poverty line has to be updated to account for changes in prices since the consumer expenditure data are at current prices. Experts used deflators ranging from simple wholesale price index to national income deflator and cost of living index numbers for different occupational groups like the agricultural labourers. Depending upon the index used, experts came up with varying estimates and conclusions. So the Government appointed an Expert Group in 1989 to look into the methodology for estimating poverty and the question of re-defining poverty line (GoI 1993).

The Expert Group (GoI, 1993) recommended a price index obtained as a weighted average (to account for the relative importance of different items of consumption) of subgroup price indices of Consumer Price for Agricultural Labourers (CPIAL) for rural all-India. The Expert Group recommended the same poverty lines as those by GoI (1979). It is to the credit of this Expert Group for an explicit clarification that poverty line defines on an average the level of per capita per day expenditure "which meets a normative minimum standard of living, deemed reasonable. Calorie intake is but one of the ingredients, though an important one, of the minimum standard, but the poverty line makes an allowance for non-food consumption needs as well on the basis of observed consumer behaviour." (GoI 1993, p. 30).

How satisfactory is the methodology recommended by the Expert Group? While updating poverty lines for subsequent years, experts should have considered the peculiarities of the information base and ongoing institutional changes in the country. Till the 1970s, the rural landless labour households, which constitute a major subset of the poor, used to get paid in kind. It was no longer so in 1993. With economic development, there is increasing monetisation so much so, that at present the fraction of the labour force getting paid in kind is negligible. In other words, they depend upon the market for their

entire food consumption involving purchases of not only food articles but also overhead items like fuel and other complementary items. Updating poverty lines is not simply a question of accounting for changes in prices. It would also involve accounting for additional costs because of the imperatives associated with commercialization of labour and commodity markets. Failure to account for such changes would provide a part of the explanation of ostensibly low poverty lines.

### **Poverty Line in Reform Era**

The era of reform began in 1991 with the government's efforts to reduce the fiscal deficit involving, inter alia, targeting the subsidized public food distribution system (PDS) only to the poor. Such an approach called for estimates of poverty line for identification of the poor and implementation of programmes.

In spite of such efforts, the New Millennium has begun with a bleeding rural India. One hears periodic reports on farmer suicides and deaths due to starvation. Policy and academic papers published empirical findings of (a) a secular decline in average cereal consumption and calorie intake of the total population (GoI, 2008a); and (b) a child population, half of which is underweight. Such a depressing scenario on multi-dimensional deprivation has called for a reform of conventional welfare programmes towards a rights-based approach like Mahatma Gandhi National Rural Employment Guarantee Act and Food Security Act. As regards food security, experts advocate universal PDS on the ground that virtually the entire population is undernourished.

It is in this context, that the government set up the Tendulkar Expert Group to review the methodology of estimation of poverty (GoI, 2009). The Tendulkar Committee debunked the calorie norm. It accepted the conventional all-India urban poverty estimate for the year 2004-05, since in its perception it was widely accepted and was not controversial. It justified its choice of the corresponding poverty line by citing its adequacy to provide adequate energy, meet minimum educational and medical expenses. It recommended a revised methodology to construct price index numbers to work out equivalent poverty lines for rural and urban sectors across states using prices implicit in the NSS data. As per its revised concept and methodology, poverty worked out to be 41.8 per cent in the rural sector, 25.7 per cent in the urban and 37.2 per cent in the country as a whole in 2004-05.

Experts debunk even these numbers, since they believe that virtually the entire population is undernourished as judged by the 2400/2100 calorie norms for rural/urban India. However, they are not on a sound footing. This is because the century-old calorie norm is no longer valid. Calorie needs of the people must have only declined due to economic growth, improved sanitation and health facilities, standard of living, technology, transportation and infrastructure. This would call for a downward revision in cereal and calorie norms. This is further confirmed by the NSS time series data on

household consumption distribution, which throws up a picture slightly different from that of the average for the total population cited in the eleventh five year plan document (GoI, 2008a). The NSS estimates show (i) a secular decline in per capita cereal consumption and calorie intake of the upper five/six decile groups only; and (ii) a stable/marginal increase in those of the bottom decile groups of population in rural and urban India. The two series converge at a lower norm implying reduced calorie requirement. Still, if there is any evidence on under-nutrition and anaemia, it could be due to malnutrition and inadequate health care at crucial stages of life as demonstrated by 'Asian Enigma' (Ramalingaswami *et al.*, 1996).

The pursuit of an elusive minimum continues unabated, sans an integrated empirical framework and perspective on issues related to deprivation. And now, the government has constituted another committee whose report is awaited with bated breath.

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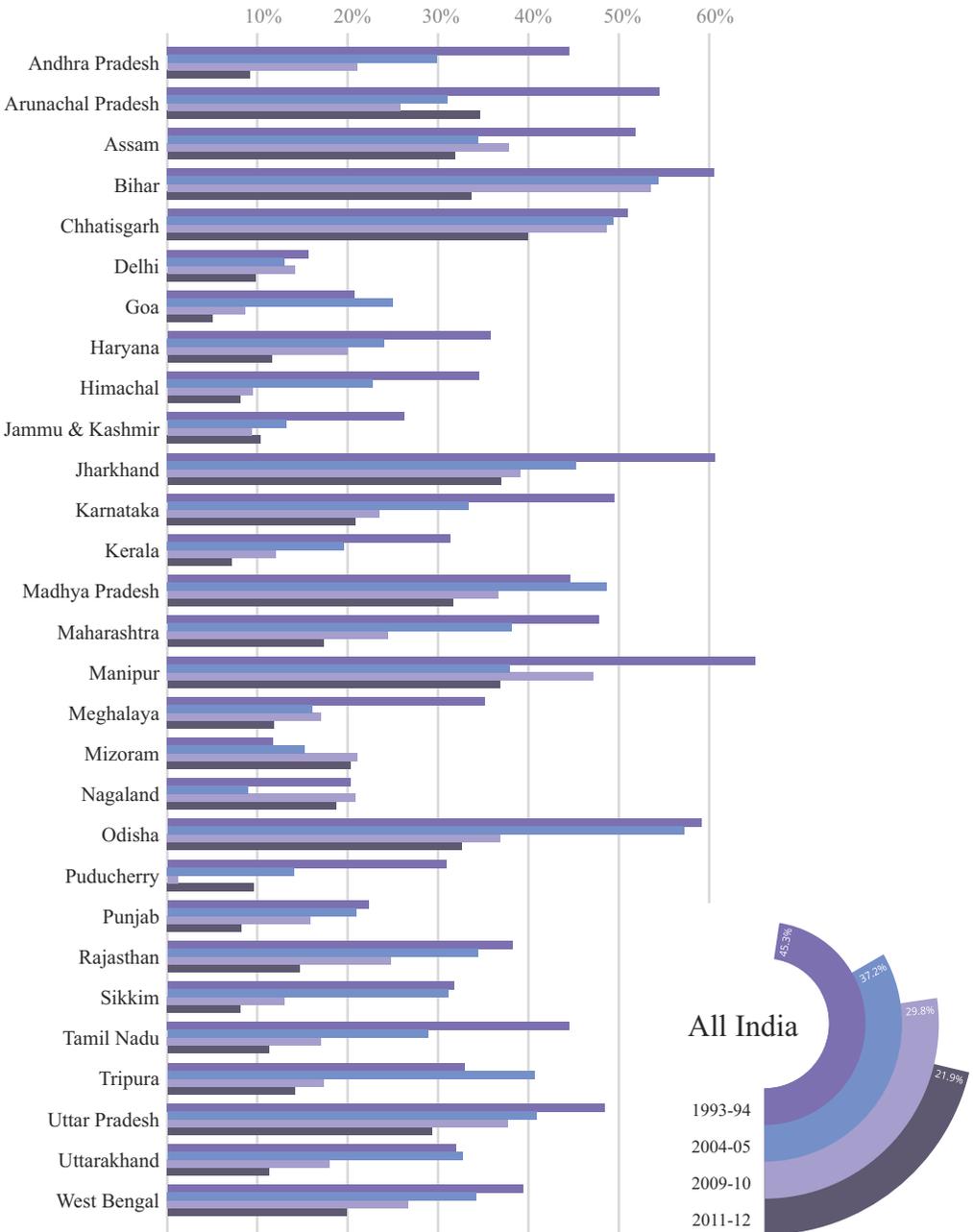
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# Poverty Rates Across Time & States Of India



Source: Review of Expert Group to Review the Methodology for Estimation of Poverty, Planning Commission, 2009; Press Note on Poverty Estimates, 2011-12, Planning Commission, 2013; PRS.

# Fixing Poverty vs. Fixing the Poverty Line

**Anirudh Krishna**

*Economic growth is regarded by some as a sure fix for poverty; growth causes poverty reduction, some have proclaimed; but the chain of evidence in support of this assertion is less than clear. Macro-micro links have not been established that can show how growth in the aggregate flows down to improve the prospects of poor individuals. The vectors of poverty – the reasons why some people fall into poverty while others rise out of it – are not automatically fixed on account of economic growth. Instead of simply banking upon economic growth, targeted policies have been followed in every country that has succeeded in achieving single-digit poverty rates. Because poverty is multi-dimensional in nature, developing a many-faceted set of public policies is essential.*

A great deal of public discussion about where to set the poverty line has recently captured the national discourse about poverty and welfare in India. Diverse viewpoints have resulted, naturally, in producing divergent estimates of the number of people who can be properly regarded as poor. These discussions, often contentious and sometimes ironic, have nevertheless missed a critically important point. Whether someone is today below the poverty line (however defined) certainly matters. But what matters as much, and arguably more, is whether tomorrow and the day after she will be able to keep the wolf from her door.

Most poor people do not have a steady job and thus no regular income. Multiple earning opportunities are cobbled together to construct tenuous livelihoods that are filled with uncertainty and risks. Whether one has enough to eat today is no assurance that next month one will not have to go hungry or to deprive a sick child of medicines. Because there is no foreseeable stream of income, investments in building a better future become risky gambles.

One step forward is followed too often by two steps back. Calamities occurring with frightening frequencies push people deeper into poverty. Children are pulled out of school during months and seasons when there is no money to pay for bus tickets, uniforms or books. Essential home repairs, like fixing leaky roofs, cannot be undertaken, because the little that is left over after meeting daily survival needs is required to repay old debts.

## The Two Faces of Poverty

Reducing vulnerability and volatility is as important as raising the “average” incomes of poorer families. Statistical averages have little meaning when one’s prospects fluctuate widely from day to day. Those who work as construction labourers may find no work on particular days. Others employed in agriculture are ruined by droughts and climate impacts. Some have struck a Faustian bargain with employers, accepting low but steady wages instead of letting fate determine what they will make. That still does not free them from the risks of disease or disaster, which deepen and perpetuate poverty.

Falling into poverty is widespread across India, prevalent in richer as well as poorer states. Investigations that I conducted in Andhra Pradesh, Gujarat, Karnataka and Rajasthan showed how poverty commonly has two faces.

Many rise out of poverty, largely by dint of their own efforts, assisted by a little bit of luck (mostly coming in the form of adverse events not happening, such as family members not falling seriously ill). But many other families have concurrently fallen into poverty, crushed by large unforeseen expenditures, mostly arising on account of ill-health.

Between 3 and 4 per cent of the Indian population falls below the poverty line every year because of high medical expenses, among the largest proportion among any country. Few among these newly impoverished people are able to bounce back. Most remain persistently poor. It is not only people who were previously just above the poverty line who have suffered such reversals of fortune. Even relatively well-to-do families have become chronically poor on account of events beyond their individual control.

*Take the example of Ram Prasad (name disguised) who is my neighbour in the central Indian village where I have lived for extended periods over several years. When I first met Ram Prasad, 10 years ago, he wasn't rich in terms recognizable to city dwellers, but he wasn't poor either by any account. He owned four acres of land, which he farmed together with his family. He also owned six cows, two buffaloes, a pair of oxen, and a small herd of goats. Additional flows of money came in occasionally when Ram Prasad and his 18-year-old son worked as casual labour at a nearby stone quarry. He was saving up to buy a new diesel water pump and to deepen the well on his agricultural land.*

*But fate decreed otherwise. First, his father became seriously ill, ultimately requiring intestinal surgery, which cost the family close to Rs. 70,000, more than the entire amount they had saved. His daughter's wedding, coming immediately after, required the expenditure of another Rs. 60,000. The herd of*

*animals was sold to pay for these expenses, and some amount was borrowed from relatives and friends. In a bid to quickly repay the money that he owed to others, Ram Prasad began to work long hours at the stone quarry, but a third event occurring in quick succession proved too much to overcome; the proverbial straw on the camel's overloaded back. A large rock fell upon him one afternoon while he was working at the quarry, breaking his leg in two places. There was no medical attention or even first aid at hand. After several hours he has was taken to the district hospital, more than 40 kilometres distant by road. Treatment was both expensive and ineffective. A month later, his injured leg had to be amputated at the knee. His expenses and his debt had mounted hugely, even as his ability to earn an income had been emasculated. Today, Ram Prasad's is among the poorer families of this village. Their land and well are mortgaged, and they have no money to repay these debts. His younger son and daughter have stopped going to school. Ram Prasad is hardly alone in this respect. There are many others who have fallen into chronic poverty in this village. Similar stories were narrated in every other village and urban settlement where I conducted such investigations.*

The fear of the wolf at the door is not merely an unpleasant fiction. It is the reality that too many people in India currently live.

### **No Automatic Cure**

Poverty is being created and deepened even as schemes are launched to reduce poverty. The problem is that the lived nature of poverty – with big swings in individuals' prospects from day to day and month to month – has been mostly overlooked, because planners are fixated upon estimating how many people are poor today.

Official statistics create an unreal world in which poverty policies are framed. Even more unreal statistics are being called for by some who have taken part in a largely fruitless public debate.

The fastest way to reduce poverty is by lowering the poverty line: it requires no great insight to realize that the lower the poverty line is set, the fewer people will be found below it. But doing this does not improve a single poor person's life. It merely makes some rich people feel less guilty about the lives that they lead.

Instead of getting enraptured by statistical jugglery concerning the 'true' poverty line, let's get serious about making poverty history. Doing so will require, first, accepting that the poor in India are not a separate nation. People no different from most of us have become poor, not because of character flaws or bad habits, but mostly because of events and circumstances beyond their individual control, as in Ram Prasad's case.

Economic growth is regarded by some as a sure fix for poverty; growth causes poverty

reduction, some have proclaimed; but the chain of evidence in support of this assertion is less than clear. Macro-micro links have not been established that can show how growth in the aggregate flows down to improve the prospects of poor individuals. The vectors of poverty – the reasons why some people fall into poverty while others rise out of it – are not automatically fixed on account of economic growth. If that were so, then the United States, with per-capita income more than 10 times that of India, should have zero poverty, instead of its actual poverty rate of 15 per cent.

Instead of simply banking upon economic growth, targeted policies have been followed in every country that has succeeded in achieving single-digit poverty rates. Because poverty is multi-dimensional in nature, developing a many-faceted set of public policies is essential. There is no single or homogeneous group of ‘the poor’. There are smart and less smart people within this group, as well as more and less physically capable ones – just as there are among richer individuals.

No uniform policy can effectively assist all poor people. We need to recognize and address key distinctions, recognising particular sub-groups.

### **Health Care Comes First**

The subgroup of the newly impoverished and those in danger of falling into poverty in the future should be best assisted by policies that protect them from the apparition of the wolf at the door. Unlike what some comfortably rich people might believe, people do not stay poor because of lack of effort. Most try hard to break out of poverty, but the recurrence of adverse events pushes them back. Ram Prasad and his family were working hard, trying to raise themselves further upward, but two expensive health episodes pushed them into poverty that has proved hard to overcome.

Ill health and high health care expenses constitute the single largest reason for falling into poverty and remaining poor. Poor people suffer illnesses more often than others. They also pay more than others for treatment, running down their own or their relatives’ meagre savings, or more often, borrowing from moneylenders at exploitative rates.

Growth in India has not made things any easier for people like them. In fact, growth that has gone together with unregulated commercialization of medicine has made things worse for many people, forcing millions into debt just in order to pay for the treatment of a loved one. People don’t need to live in fear of losing their shirts every time a family member suffers an illness or has an accident.

A caring health policy has been part of the arsenal employed by every country where single-digit poverty ratios have been achieved or can be reasonably foreseen. Simply growing one’s way out of poverty is not possible or likely – unless health care is simultaneously widened and improved. Countries, such as the United States, which are rich on average but do not provide everyone with affordable access to high-quality

health care, have higher poverty rates than others, such as Sweden or South Korea, whose per-capita GNP is not as high. More than half of all personal bankruptcies in the United States occur on account of high medical expenses. Countries with much lower levels of per-capita GNP have also lowered poverty by investing in publicly available health care. They include Colombia, Chile, Cuba, and Costa Rica – and at one time also included Sri Lanka. Through diverse mechanisms, with some countries relying on public provision and others preferring to work through the market, invoking mandated insurance, these countries have substantially reduced the fear of the wolf at the door.

India, too, requires to invest more substantially – and more effectively – in making adequate health care available to all its citizens. This is only partly a question of extending medical insurance. Provision and regulation are equally essential parts of the required solution. There are still areas in India where one must travel a considerable distance in order to avail oneself even of primary care. In many states, governments are unable to exercise control over grassroots-level health care providers whose salaries the taxpayers defray. As a result of large-scale absenteeism, coupled with callous and sometimes corrupt behaviours on the part of government medical staffs, many people, even poorer ones, have moved over to the private for-profit health care system, which has developed its own pathologies, including over-prescription, overcharging, and unnecessary procedures. Collectively, these shortcomings in the health care systems, public and private, have resulted in intensifying a “medical poverty trap.”

Unless health care becomes more effective through a combination of better provision, stricter regulation, and affordable access, poverty will continue growing in India. There will be many more unfortunate occurrences of people falling into persistent poverty, paralleling the experience of Ram Prasad and millions like him.

### **Raising Social Mobility**

Simultaneously, other policies are needed that will enable individuals born in poverty to rise to the full extent of their individual potential. Improving education for all is certainly important, but so too, is raising the aspirations and the confidence levels of poorer kids.

Social mobility is low in India compared to other countries. Recent investigations show how hardly anyone born to poverty, no matter how smart or hard working she (or he) may be, has achieved a high-paying position of any kind. Studies that have compared pairs of sons and fathers show how most often “the apple has not fallen far from the tree,” implying that individuals whose parents are poor tend to remain poor themselves. I examined this proposition by looking at the social and educational backgrounds of more than 1,500 new entrants to a variety of engineering colleges, business schools and higher civil services – each of them a highly sought after career destination. I

looked not only at the top-tier institutions (like the IITs, IIMs, and IAS) but also at middle- and lower-tier engineering colleges and business schools and other, lower-paid civil services.

The results of these investigations give cause for considerable concern, showing how, in general, the English-speaking urban professional elite is being reproduced, with the sons and (increasingly) the daughters of salaried and self-employed professionals themselves joining higher education and higher-status occupations in the largest numbers. People who were brought up and educated in rural areas are at a severe disadvantage. Their numbers at any of these institutions, including lower-tier ones, are far below their population proportions. The longer the time spent at rural schools, the greater tends to be this disadvantage. Simultaneously, family wealth also makes a considerable difference to the chances of entry, particularly when low wealth goes together with other disadvantages, such as less-educated parents. A combination of disadvantages – being rural and poor, or SC/ST and rural, or the child of less educated parents and female, or low wealth and vernacular education – constitutes an almost insurmountable handicap. Only a handful of such multiply-disadvantaged people have managed to gain entry, even within the lowest-tier institutions considered in our investigations.

On the positive side, a possible way out of this discouraging situation was also revealed by these investigations. Detailed follow-up interviews with “outliers” – those few individuals who despite facing long odds have made it into one of these institutions – showed how, to a considerable extent, socio-economic disadvantages have tended to operate via the medium of “soft skills,” including information, motivation, aspirations, and career guidance. People growing up in poor rural and urban communities have little access to the kinds of information resources that middle-class families abundantly possess and take for granted. Few school-goers in poor rural areas even aspire to be engineers or MBAs. A vast majority does not even know that such possibilities exist. Those who do somehow gain the knowledge of these possibilities remain unsure of how to proceed. Since hardly anyone from their immediate environment has become an engineer or MBA or IAS in the past, young people in situations of economic and social disadvantage suffer not only because of lack of resources and low-quality education; they suffer additionally from a shortage of inspiration and a dearth of role models. Investing in soft skills can help make up for socio-economic disadvantages. The few disadvantaged individuals who have nevertheless secured entry to gateway academic institutions and the civil services were almost invariably benefited by some helpful individual – a cousin, uncle, teacher, or family friend – who motivated them and provided them with information and career guidance, helping cover the gaps in soft skills. One cannot, of course, hope that such a chance provider of soft skills will automatically arise to assist every capable and hardworking young person.

Institutions and programs are required, especially in rural areas and urban slums, that can help endow individuals with soft skills. More equal societies have invested in building such public programs – including career counselling agencies, mentoring programs, employment exchanges, textbooks detailing diverse career paths, interactive web sites, radio and TV links, and so on.

Programs that initially help even a few talented and hardworking individuals from poor rural and urban slum communities make it into places of high standing will act as a crucial stimulus, showing the way ahead to others like them. Communities which gain the confidence that their sons and daughters have a real chance of becoming engineers, MBAs and the like will shed the scepticism and lack of hope that presently beset so many of them. People motivated in this manner will no longer hopelessly accept absentee teachers and low-quality teaching; their children's futures are critically at stake. A bottom-up dynamic can and must be unleashed before top-down efforts become more meaningful, productive and resilient.

Combating poverty has multiple avenues, thus there are many reasons for feeling optimistic. Making people's lives less volatile and vulnerable to downfalls, by cutting down the numbers who become poor, will help reduce future poverty. Simultaneously, raising realistically poorer individuals' prospects for upward mobility – through a combination of improving education quality and investing in soft skills – will help achieve larger gains, not only in terms of social justice, but also in relation to aggregate economic progress.

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# Agriculture: Is it a Destination for the Poor?

R S Deshpande\*

*The rural poverty ratio has always been higher than the urban ratio and contributes a larger number of the poor. This is not only due to the larger populations in the countryside or the lack of employment. There are cultural peculiarities of the sector that forces those in agriculture to stay poor. There is evidence of a nexus between poverty and agriculture.*

Eminent economist V. M. Dandekar once remarked that the agriculture sector had become the mainstay of the poor. It is now a known fact that the agricultural sector has a very high density of poor. This is a historical truth but rarely has any attempt been made to look into its genesis and emergence. When Theodore Schultz analysed the transformation of traditional agriculture, he argued that the low level equilibrium (Guatemala and Senapur) and the necessity of augmenting the human capital improvement. Schultz highlighted the 'near zero' marginal productivity in agriculture. Over the years, the situation in agricultural sector has not changed substantially. One can now also affirm that the seed of poverty in agricultural can be located within capital starvation and the near stagnated marginal value productivity. The rural poverty ratio has always stayed higher than urban poverty ratio and constitutes a larger number of the total poor. This result is not due to the distribution of population or lack of employment opportunities only. There are some inbuilt cultural peculiarities of the agricultural sector that forces the inhabitants of the sector to stay poor. We argue here that the culture of agriculture itself has developed in a way that it inhibits the populace from crossing the poverty barrier very easily. Further, I deal with the evidence a nexus between agriculture and poverty. We do not have reliable data on agricultural incomes and hence the estimation of poverty for agriculturists is a difficult task. But poverty estimates for rural areas could be the best and nearest proxy. The genre of the technology has also contributed significantly towards this situation. We do not contest the fact that poverty has declined in rural areas, but would rather search for the residual persistence of poverty.

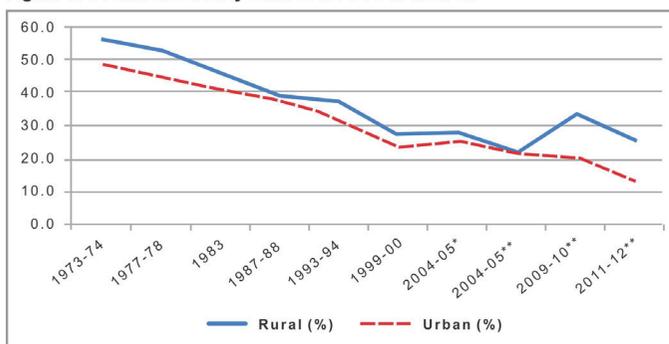
## **Agriculture and Culture**

Agriculture emerged within civilizations as the only livelihood or vocation besides hunting. Therefore the emergence of the term agriculture deals with 'culture'. Its basic

function in the early years was that of the only livelihood support system and thus, self-sufficiency. Markets did not emerge very strongly till about a hundred years before. During initial development experience, livelihood concerns were the first criteria in the farmers' decision calculus. Dandekar's remark came from his logical view of the nature of the work and production organization associated with agriculture as a typical livelihood system.

The argument begins with the seasonal production cycle in crop husbandry. The farmer begins the initial operation on a clean slate, as the summer months would have produced no direct earnings, and the marriage the festive seasons of the summer would have brought the household economy to a critical threshold with cash crunch. Cultivation begins with the obtaining of 'Taccavi Loans (Crop Loans)' and the farmer continues the farm operations in the company of the usual risk factors including monsoon. Cultivation operations continue, supported either through the savings of the last year, or from fresh borrowings. After harvesting, the meek market participation of the agriculturists' decides the income flow. Over the generations, for Indian agriculturists, farming has become a way of life. Initially, the farmer borrows to meet a shortage of funds for the crop cultivation and takes the obvious risk of crop failure, associated with a probable risk of more than 20 per cent anywhere in the country. A farmer has no alternative but to confront the factor and the product markets with little information, and in both arenas, the farmer is the price taker and not a price leader. That makes a critical difference. Market risks compound the other risks associated with cultivation. It is really a wonder that despite the fact that about 40 per cent of the farmers said they would prefer to quit farming, they continued in the profession till a break point. Finally, it is poverty and an association of land-based hope that keeps them company in the profession. This has been accepted as a cultural reality by the farmers by now. The logical arguments indicate a significant stress on the farmers' income flows, and hence poverty is an unavoidable outcome. So the question is: how then is rural poverty said to be declining?

**Figure 1: Decline in Poverty Ratios: 1973-74 to 2011-12**



Source: Planning Commission

## **Poverty: Rural and Urban**

The quality of absolute poverty in India is not homogenous across sectors or regions. The regional differences are evident in terms of urban and rural poverty, both in calorie terms or income accrued. Rural India has always stayed at higher a level of poverty head count than urban India, not so much due to the degree of availability of food, but largely due to the extent of access to food. Almost the entire food production of India comes from rural areas, but when it comes to the consumption, it is the urban area that dominates.

The trends in poverty now indicate that poverty ratios are declining both in rural and urban areas. Figure 1 is based on official data of Planning Commission shows the declining trend in rural as also in the urban areas. But some subtle differences are interesting.

- First, the rural poverty ratio stays above that of the urban areas ratio for all the years, even though the growth of urban areas through rural-urban migration is significant.
- Second, the trend in poverty ratio is declining more smoothly in urban areas as against the fluctuations in the rural areas. This gives us a hint that the dependence on monsoon (year to year fluctuations in income flows) plays a critical role in rural poverty decline. The decline of poverty staggers even with a little shock to the agricultural sector, but urban areas probably have a cushion effect against this. That is not a big deal of an observation, but during the same stress period urban poverty still shows a declining trend, indicating the continuing availability of the same amount of food in urban India when rural India (producer of total food) confronts food stress.

The official poverty line of Rs.26 for rural and Rs.32 for urban areas (at 2010-11 prices) has been debated and commented on by many. The comments came not only from political circles but have equally attracted the attention of academics too. As a field worker and one who travels through rural areas often, I can vouch for the fact that 'bare' medical survival is possible with this amount in both rural and urban areas; but that cannot be called living by any stretch of the term. Even the destitute need slightly higher amounts to survive, and given the poor safety nets in rural areas, it is quite insufficient even to survive.

Let me not get into that debate now but I need to focus on the issue of the quality of rural poverty. In rural India where agriculture is the major occupation, the cultivators and agricultural labourers are the two groups that are predominant among the poor. Over the decades, as per Census of India definition the share of 'cultivators' among the workers is declining and the share of 'agricultural labourer' is increasing. This process indicates the economic marginalization of workers in rural areas and their degeneration in the status from cultivators to agricultural labourers. The decline of the poverty ratio

therefore should be credited to the availability of that proverbial Rs.26 to remain afloat, but probably just above the line, so that one sinks down with the slightest shock.

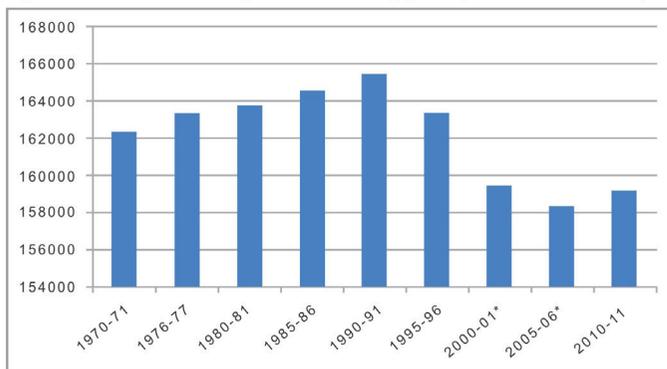
**Table1 : Changes in Workforce: 1991-2011** (Numbers in Lakhs)

	1991	2011	Change
Tot Workers	3141.3	4817.4	1676.1
Cultivators	1246.8	1186.9	-59.9
Agri Workers	859.9	1443.3	583.4

Source: Census of India 1991 and 2001

The disappearing cultivator is a matter of concern. Table 1 shows that as per 1991 census, India had 1246.8 lakh workers recorded as cultivators and this number came down by 59.9 lakhs by 2011. This change in two decades means that almost 3 lakh cultivators have disappeared from the fold every year. They may get into the fold of ‘Other workers’ or become ‘Agricultural labourer’. The increase in the number of agricultural workers is also substantial, and there are enough reasons to believe that the cultivators would have changed to agricultural labourers.

**Figure 2: Total Number of Operational holding (in '000): 1970-71 to 2010-11**



Source: Agriculture Census

This fact can also be corroborated with the agricultural census data. Figure 2 shows the changes in the number of operational holdings as given in the agricultural census over the years. There was some increase in the number of operational holdings until the 1990-91 Agricultural Census, but a sharp decline after that till the recent Agricultural Census. Across the agricultural censuses, the area operated has also changed substantially. According to 1970-71 Agricultural Census the number of Marginal and Small Holdings were 49.6 million; this has increased to 117.1 million. The area operated by the Marginal and Small holdings increased by 36.7 million hectares; and the area under the Medium and Large holdings has reduced by 39.6 million hectares. As a result, 29.97 lakh hectares

seem to have gone out of agriculture. This fact needs to be read with the decline in the number of cultivators in the population census and the decline in the poverty ratio as seen from the Planning Commission data. There are only three possibilities.

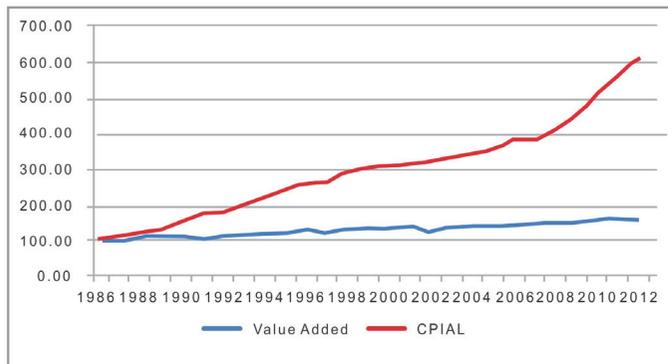
- First, the agricultural income per hectare has increased. As a result, a large number of farmers, despite marginalization of the size of holding, have crossed the poverty barrier. That means farming has become remunerative!
- Second, if farming is not remunerative, as in fact indicated by the NSSO 59th round and other sources of data (Deshpande and Prabhu, 2005), then only the increase in agricultural wages or the availability of other employment opportunities could have helped the farmers/agricultural workers stay above poverty line. Real wages need to increase for that purpose.
- Third, there is a possibility of the rural poor crossing the official poverty line, but staying in the close neighbourhood of that income threshold with the help of many ongoing schemes. This is the most probable reason, explaining the clustering of persons just ‘Above Poverty Line’ but just near the poverty threshold. The result is, therefore, deceptive and the dependence culture in the farm sector continues to haunt the sector.

### Poverty and Agro-Climatic Regions

The hypothesis that poverty declines with agricultural growth was attempted by Montek Singh Ahluwalia, 1978, 1985). Ahluwalia concludes that

The second issue (considered in this chapter) is the relationship between rural poverty and agricultural income levels per head. Three conclusions have emerged: (1) There is fairly strong evidence of an inverse relationship between agricultural income per head and the incidence of rural poverty, especially if account is taken of lagged effects.

**Figure 3: Agricultural Value Added per Worker and CPIAL: 1986-2012**



Source: World Bank

Ahluwalia also cautions that reliance on growth alone may not reduce poverty. A simple piece of evidence is, however, interesting here. We took the data on value added to agriculture per agricultural worker at constant prices compiled by The World Bank and the index numbers of this data along with the index of CPIAL for the period 1986-

2012 and plotted them together (See Figure 3). It is quite revealing that the CPIAL is growing at quite a fast rate as compared to the value added. That possibly explains that agriculture alone cannot help in alleviating poverty and whatever reduction of poverty ratio is visible in rural areas it is from sources other than agriculture.

Across the states in India, poverty has been varying. Keeping in view the hypotheses tested by Dharm Narain, and later by Ahluwalia in the *Essays in Honour of Prof Dharm Narain*, we worked out simple correlations of important variables with the percent of rural poverty across states in India. The density of cultivators does not show a high correlation, but that of agricultural workers and labourers indicate that poverty goes closely with the density of these groups. Income generated from agriculture has not recorded the relationship but the growth rates during a short period 2007-12, clearly shows the correlation. The lower magnitude and negative sign of the correlation with per capita income in a strict statistical sense means little. However, the data indicates that it could be the major deciding factor in aiding the cross-over above the poverty threshold. The experience needs to be carefully documented and analysed with larger data set and more rigorously.

**Table 2 : Rural Poverty Correlates**

Variables	Corr Coeff.
Cultivators Percent to total Workforce	0.03
Agri Labours Percent to total Workforce	0.67
Agri Workers Percent to total Workforce	0.67
Growth Rate in Per Capita Income – 2007-12	-0.17
Growth Rate of Agriculture 2005-13	0.68
Percent Share of Agriculture GSDP	0.23

**Note:** Date from Various Economic Surveys for Various Years, and Census of India. Only correlations above 0.6 are statistically significant at 5% level.

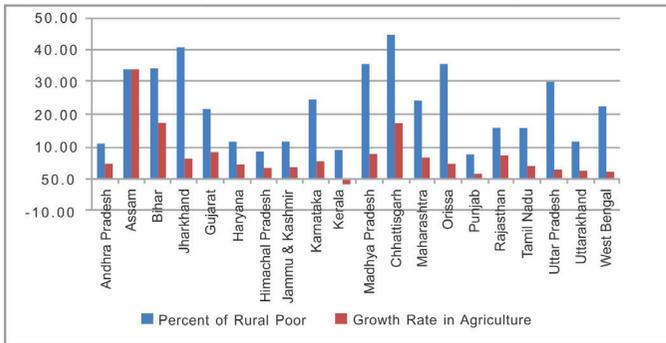
The distress of agriculturists due to the intense poverty inflicted by the unfriendly markets on one side and the dominant culture of agriculture on the other pushes vulnerable farmers out of the profession. What remains in the rural areas is a cluster of non-poor precariously placed just above the poverty line.

The ratio of poverty and the growth rates in agriculture across states do not depict any clear picture of the relationship.

It is visible that there are states with high growth and high poverty as well as states depicting high growth with lower poverty ratio. Chattisgarh, Jharkhand, Bihar, Madhya Pradesh, West Bengal and Maharashtra show a pattern of coexistence of high poverty coexisting with high growth rates in agriculture. Most of the states in this group depict poverty as an institutional existence and these regions will take sufficient time to lower the poverty ratio. Besides, the agro-climatic conditions also stand as an explanation to these coexistences.

There is another interesting group of states that depicts low levels of poverty ratio and lower rates of growth. This group includes Tamil Nadu, Haryana, Uttarakhand, Jammu and Kashmir, Andhra Pradesh and Kerala. There is a significant presence of non-agricultural and allied agricultural sectors in these states. Does that mean growth in agriculture does not matter? Not at all and one cannot reach such a hasty inference basically due to the nature of income flows and processes in agriculture. Even today, with the proliferation of market forces, agriculture continues to be an activity plagued with a shortage of cash resources and thereby the dependence on other activities. Poverty or near poverty is therefore an obvious outcome.

**Figure 4: Rural Poverty Ratio 2011 and Growth Rates in Agriculture: 2005-13**



### Dumping Ground or Residual Collection Bin?

The agricultural sector still continues to be the critical determinant of the performance of the Indian economy. The contribution of the sector to the GDP has slid down from 45 per cent in 1971 through 35 per cent in 2000 and finally to reach 17 per cent in 2012. But that does not, by any means, reduce the sensitivity of the GDP growth to the performance of the sector. Even with less than 20 per cent contribution to the GDP the failure of monsoon and presence of drought in some parts of the country pulls down the growth rate of GDP. VKRV Rao in his second book on national income warned about the trends in the rates decline in the contribution of agriculture to GDP being at a steeper rate than the workforce dependent on agriculture. He cautioned about the density of the

poor in the sector. This certainly means that the carrying capacity of the sector has been a critical issue coupled with the near stagnation in value added. Further, agricultural activities are culturally bounded to the typical organization of the sector that requires a continuous cash flow as demanded by various activities. As a result, farmers are forced to depend on the supply of cash and as a result become indebted. Evidence shows that rural poverty is declining and it has two specificities.

- First, the decline is not as smooth as that of poverty in urban areas. That gets explained through the typical nature of agriculture.
- Second, all the other pieces of evidence point out that the process of marginalization of size of holding coupled with the difference in the trends in agricultural value addition clearly point to the deteriorating economic situation of the farmers.

However, the implementation of various schemes and the flow of other labour intensive works have succeeded in keeping a large share of poor from rural areas afloat. But the distress of agriculturists due to the intense poverty inflicted by the unfriendly markets on one side and the dominant culture of agriculture on the other pushes vulnerable farmers out of the profession. What remains in the rural areas is a cluster of non-poor precariously placed just above the poverty line.

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# Can the Rights based NREGA Reduce Poverty?

**K Hanumantha Rao**

*The poverty alleviation programmes of the Ministry of Rural Development are designed to act as safety nets to the poor during the times of crisis even while addressing partly the multi-dimensional poverty. The National Rural Employment Guarantee Act (NREGA) (2005), a social protection programme, has emerged as a major theme in development discourses perhaps due to its scale of finance and adoption of 'rights' based framework. What has been its overall impact and in particular on rural poverty?*

## **Can NREGS Reduce Rural Poverty?**

The impact of the National Rural Employment Guarantee Schemes (NREGS) on rural poverty depends on a number of factors such as the outreach of the programme, participation of the poor (days of work) in the NREGS as supplementary employment, wage earnings as well as the effect of NREGA on the rise in market wages in agriculture and non agricultural employment. For instance the capacity of small and marginal farmer households in rain fed areas to absorb the burden of wage rise needs to be reckoned since their proportion in these areas is higher than in others. The effect of NREGS would be positive for these farm households if the community and individual works undertaken under the scheme help in productivity enhancement of agriculture. Field evidence needs to be systematically analyzed before drawing conclusions of the programme impact.

If we accept the official poverty line of Rs 816 per capita per month for rural areas for 2011-12, a typical five-member household would have to earn at least Rs 48,960 per annum to be considered as non-poor. If the household participates in NREGS for 100 days, it would earn Rs 11,354 (at the average wage paid), which works out to about 23.2 per cent of the poverty line. It is obvious that if the household is moderate poor (i.e., with an income between 75 to 100 per cent of the poverty line) it can move out of the poverty for that year if it is provided 100 days (transient poverty) of work. However, if the year happens to be an agriculturally bad year then the chances of such households crossing the poverty line even after fully participating in the scheme would diminish. The chances of getting more than 100 days of employment in the scheme and in particular, in periods of crisis depend upon the commitment of the state to poverty reduction. For the other (ultra) poor, 100 days of work in NREGS would certainly reduce the intensity of poverty but they would remain in poverty.

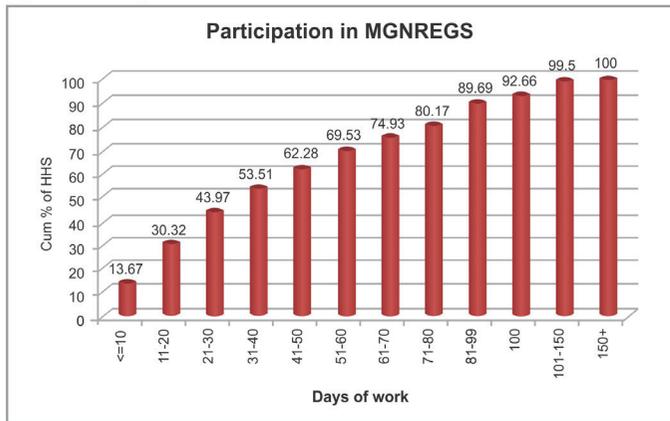
Thus, several conditions have to be fulfilled for NREGS to make a lasting impact on poverty. When poverty alleviation is the main objective of the rural development programmes and the core concern of the states, why should there be a ceiling on employment days? Of late, the upper limit on working days has been relaxed to 150 in drought hit and LWE areas. Another welcome sign is that more and more states are willing to provide more than 100 days. As per available data, during 2012-13 about 7.3 per cent of the participating households were provided more than 100 days of work and their share in total employment was almost one-fifth. States should be pro-poor in extending such benefits to the chronic poor even in periods of normalcy.

**NREGA and Market Wage:** The Labour Bureau data on rural wages indicate that the nominal wages have risen sharply during the last seven years at the rate of 14-15 per cent per annum, while the real wages grew at 5-6 per cent. Some have ascribed this rise in wages largely to growth in agriculture and construction, since employment under NREGS accounts for only a small proportion of the total rural employment. However, other field based studies have acknowledged NREGA as the major driving force for the hike in wages. The 68th Round NSS data on wage earnings of casual workers indicate that for most of the key farm and non-farm operations, the NREGS wage rate has become the floor wage in many states. The NREGA wage has gone up from Rs.65 in 2006-07 to Rs.113 by 2011-12 registering an annual growth of 14.77 per cent per annum. Thus, NREGA effect on market wages has been significant. Whether this rise in real wage rates will be sustained depends upon several factors including the rise in the productivity of farm and non-farm sectors.

**Outreach of NREGS:** The databases relating to the programme throw divergent and conflicting results in regard to the extent of participation of the poor in the NREGS. For instance, the official statistics point out that nearly 5.25 crore households were provided work in 2009-10. The National Sample Survey Organisation (NSSO) data, on the other hand, indicate that an estimated 5.65 crore households took part in the scheme during 2009-10. Further, as per the official data, about 22 per cent of the rural households have been covered during 2011-12. The National Sample Survey (NSS) data, on the other hand, reported a participation of 12.9 per cent of the adult workers in the scheme and denial of work to 2.8 per cent. The average employment days per participant household was 54 in 2009-10 and 43 days in 2011-12 as per official statistics while the corresponding estimates based on NSS data were 43 days and 46 days respectively. Whether the NSS design for estimating employment and unemployment is also appropriate for estimating the participation of households/persons in the NREGS is an issue which needs to be examined. Nonetheless, the data from the two sources confirm the skewed allocation of the total employment opportunities. For instance, the MIS data for 2012-13 indicate that 53 per cent of households were provided work for less than 40 days with an average employment as low as 13.8 days of work. At the other extreme, about 10.31 per cent of

households were provided almost 25 per cent of the employment days. The participation of households in NREGS is depicted in the Fig. 1.

**Figure 1: Participation of households in MGNREGS**



Source: MIs data

From the NSS data for 2009-10, it can be gleaned that all the rural poor had not participated in the NREGS work; in fact the scheme has been mainly designed for the poor. The 66th round data of NSS (2009-10) show that 39 per cent of the bottom 30 per cent households had job cards and 70 per cent of them took part in NREGS. The share of bottom 30 per cent of the rural households in total NREGS employment was 70 per cent. Among the households without job cards 14.6 per cent also worked in the scheme. In all, nearly half of the bottom 30 per cent of the households did not participate in the NREGS. The top three deciles of rural households accounted for 2.86 per cent of the total employment days under NREGS. The average number of days of work per participating households in these two groups was not significantly different. The participation of the economically better off households in NREGS raises a number of doubts. In drought prone areas, the participation of large farmers in the NREGS is more significant in years of severe drought. But the reliability of this data has to be examined further.

A study on the factors influencing the participation in NREGS by National Institute of Rural Development NIRD (2013) in 16 Gram Panchayats from the states of Karnataka, MP, Maharashtra and Rajasthan observed higher rates of attrition in work participation in 2010-11 over 2009-10. and very high in the subsequent year among the sample households. The estimated unmet demand was moderate in 2009-10 but went up steeply in 2010-11. Further, about 75-80 per cent of the households reporting unmet demand have been withdrawing from the scheme involuntarily. These facts confirm that the NREGA is not totally demand driven and that the confidence levels of the poor on the timely provision of adequate work have been eroding.

***NREGA and Land Productivity:*** Landlessness is not high in the poverty stricken rain fed regions but the agriculture is highly vulnerable due to erratic and low rainfall compounded by volatile market prices. The land works under NREGS have been introduced to enhance the productivity of land which would help reduce the poverty among those included in the scheme. However, field studies point out the irregularities in implementation such as, the inclusion of ineligible farmers, the exclusion of the target groups, the resort to adhoc planning of works and the failure to attract matching private investment. On the other hand however, there are successful practices which helped the SC, ST and small farmers in making their lands productive. Such practices need to be replicated and strengthened.

### **Successful case of group farming**

The participatory and convergent approach adopted by the District Water Management Agency (DWMA) in the drought prone Punganur Mandal of Chittoor district in Andhra Pradesh for poverty reduction of SC households is a good illustration of planning for productivity enhancement. In the Chandramakula palli Gram Panchayat, 53 SC chronic poor households were given individual land works in 2006-07 to develop the 159 acres of marginal lands assigned to them by the state.

These lands are on the outskirts of the village, on a hillock. These SC households were formed into self help groups (SHG ) to enable collective action and for promoting thrift and credit activities. A comprehensive land development plan with NRM framework has been prepared in consultation with the beneficiaries and eight schemes such as Horticulture Mission and Micro-irrigation Plan have converged with the NREGS. The state has been providing support consistently and continuously for over six years. The SC farmers have also responded to the opportunity very well with total commitment and opted for a crop mix to meet the food needs (jowar, maize, tomatoes, etc) and income gains (rain fed horticulture such as mango). The market value of the land has gone up five fold and the returns per acre are about Rs 10,000. The intangible benefits to the SC farmers are the increased level of confidence and experiential learning. The beneficiary farmers are confident of moving out of poverty with the provision of some livestock by the state since this would ensure multiple sources of income and a continuous flow of income even while utilising human resources optimally. The vertical mobility of these farmers has been endorsed by the local rich and powerful community; an indication of the improved economic status of the poor SC farmers.

### **Conclusion**

The above evidence and observations unambiguously indicate that while the impact of the NREGA on overall poverty reduction may be moderate, it certainly results in

reducing the intensity of poverty of the beneficiary households, which is directly related to the days of participation in the scheme and innovative ways of planning the works.

‘Rights’ based interventions such as NREGA *per se* cannot resolve the socio-economic problems of the rural poor community that has been experiencing multiple deprivations and has been denied justice over a long time.

- NREGA can be construed as an appropriate step by the state to correct governance deficit by promoting people’s participation, ensuring transparency and accountability. The contribution of NREGA to poverty reduction would undoubtedly be substantial if similar programmes were to be built into a comprehensive natural resource management plan which can address the larger ecological concerns, as well as the particular problems of tiny land owners. The Ministry of Rural Development along with Ministries of Agriculture, Environment & Forests and Water Resources has evolved a framework for the convergence of NREGS with the schemes of the other Ministries in terms of works, planning and management to create durable and productive assets.
- Last January 4, a workshop on ‘Greening Rural Development in India’ held jointly by MoRD and UNDP in New Delhi dealt with the issues of sustainable development and strengthening of rural livelihoods, by adopting innovative approaches for realizing sustainable poverty reduction and improved natural resource conservation and use. The Planning Commission’s Task Force under the chairmanship of Rajwant Sandhu has underscored the need for wider application of information and communication technologies for operationalising the concept of participative planning at the grassroots level. The technological advances (e.g. geo-informatics applications) should be made people friendly in assessing the capabilities of local resources and for developing a perspective plan for optimal resource use along with the subject matter specialists. Such an approach ensures natural convergence of schemes and effective coordination of departments / agencies, participation of all stakeholders as partners and pooling of (limited) resources. A number of attempts are currently being made in this direction by several (research) institutes such as CGARD of NIRD and KILA of Kerala in action research mode.
- It is time to give up preparation of detailed perspective plan for each centrally sponsored scheme and instead, derive them from the integrated natural resource management (INRM) plan.
- It is imperative that the Panchayati Raj Institutions should prove themselves as an effective local governance system. The capacity building of these local bodies and functional autonomy backed by adequate funds should receive high priority so that decentralized participatory planning becomes a reality.

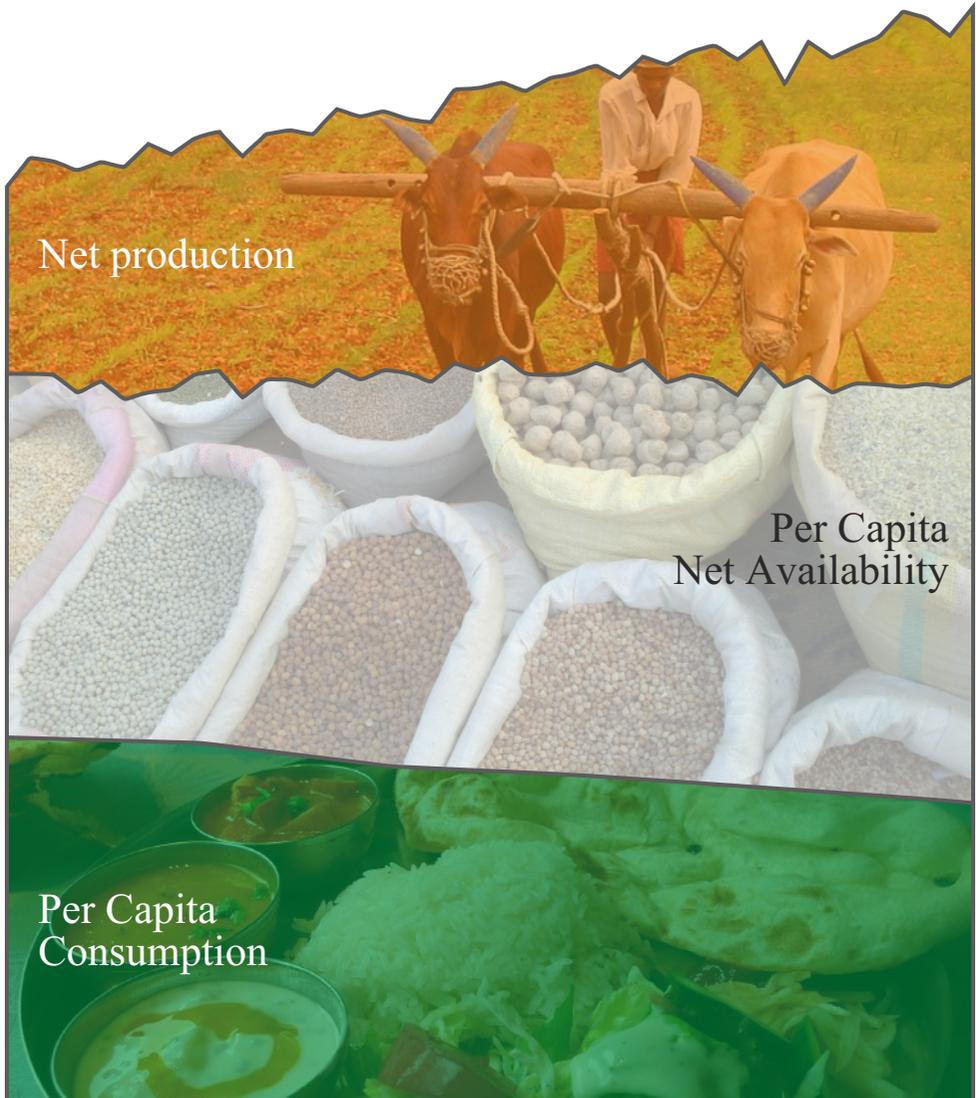
- Most importantly, for sustainable poverty reduction, a resource development and use plan should be supported by a comprehensive social and human resource development plan in order to make the growth process inclusive and sustainable.

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# Consumption Challenge: Foodgrain Trends in India

Despite stellar production levels and improved availability of foodgrains, per capita consumption has steadily declined.



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# What Role Does Food Security Play in Mitigating Poverty?

**S. Indrakant**

*While the per capita availability of foodgrain has steadily increased, per capita food consumption has declined disturbingly. This has a complex impact on the poverty status of populations. Why has such a situation arisen?*

Over a billion of the seven billion people of the world are poor with incomes less than 1.25 dollars per day per person (at 2005 purchasing price of dollar). Further, 80 per cent of these poor live in 20 of the poorest countries of world. Growing populations and changing lifestyles are putting pressure on precious natural resources like land and water.

A glance at the statistics on nutrition and health status in India is seriously disturbing. The statistics reveal that 20 per cent of the population in the country are undernourished, 40 per cent of children below the age of three are under weight, 80 per cent of children in the age group of 6-35 months are anemic and 33 per cent of women in the age group of 15-49 have a Body Mass Index (BMI) below normal. This clearly calls for radical improvements in the food security programmes on a war-footing.

## **What is Food Security?**

Food security has been discussed at various forums as the primary goal of development. According to the World Food Summit (1996), “Food security is a situation that exists when all people, at all times, have physical, social, economic access to sufficient, safe, nutritious food that meets their dietary needs and food preference for an active and healthy life”. The concept of food security involves bio-physical, socio-economic, marketing and political elements. In other words, food security is not simply a function of production or supply, but of availability and stability of supply, affordability and the quality and safety of food.

In short, food security implies that food intake of the people must be adequate in both quantitative and qualitative terms to enable them to lead an active and healthy life.

Food security needs to be considered at various levels viz., global, national, state, household and individual. It is also important to note that food self sufficiency at the macro-level does not automatically ensure food security at the micro-level. For instance, food production at world level may be sufficient to feed the world's population but food production in some nations may be much below their requirement and the governments in such countries may not be in a position to ensure food security to its citizens. Likewise, a country may have food sufficiency but many households may experience food insecurity due to low purchasing power. Even within a household, for various reasons, some individuals manage to get sufficient food while others remain under-fed.

## Trends in Foodgrain Production, Availability and Consumption

**Table 1: Trends in Area, Production and Productivity of Food grains in India**

Year	Area	per cent Change	Production	per cent Change	Productivity	per cent Change
1950-51	97.32	-	50.82	-	522	-
1960-61	115.58	18.00	82.02	61.00	710	36.00
1970-71	124.32	7.00	108.42	32.00	872	22.00
1980-81	126.67	1.00	129.59	19.00	1023	17.00
1990-91	127.84	0.92	176.39	36.00	1380	34.00
2009-10	121.3	-6.00	218.2	23.00	1798	30.00
<b>Total Period</b>		<b>24.64</b>		<b>329.35</b>		<b>244.44</b>

Source: *Economic Survey, Government of India*

Note: *Area in million hectares production in million tonnes and productivity in kgs per hectare.*

The area under foodgrain has increased 25 per cent from 97 million hectares in 1950-51 to 121 hectares in 2009-10 (Table 1). This increase in area, however, has not been steady. The 1950s witnessed a substantial increase (18 per cent) while 1960s registered a moderate increase (7 per cent). In the following two decades, there was only a marginal improvement in area and the last decade has actually seen a decline. This indicates a shift in cropping pattern from foodgrains to non-food grains, which may be due to relatively lower profitability in the cultivation of food crops.

The trend in foodgrains production presents a different picture. Food grain production has registered 329 per cent increase i.e., from 51 million tonnes in 1950-51 to 218 million tonnes in 2009-10. Decade wise analysis reveals that there has been an upward trend in foodgrain production at varying rate. The increase is noticeable during last two decades. In spite of only 25 per cent increase in area, foodgrain production has registered more than three-fold. The productivity of foodgrains per hectare has steadily

increased to 1800 kg in 2009-10 from a low level of 500 kg in 1950-51 (i.e. by 244 percent). The last two decades and 1960s have experienced relatively higher growth rate in productivity.

**Table 2: Trends in per capita Availability of Food grains in India**

Year	Rice	per cent change	Wheat	per cent change	Other cereals	per cent change	Cereals	per cent change	Pulses	per cent change	Food Grains	per cent change
1951	158.9	-	65.7	-	109.6	-	334.2	-	60.7	-	394.9	-
1961	201.1	26	79.1	20	119.5	9	399.7	7	69.0	13	468.7	18
1971	192.6	-5	103.6	30	121.4	1	417.6	16	51.2	-26	468.8	0
1981	197.8	-11	129.6	25	89.9	-26	417.3	-1	37.5	-27	454.8	-3
1991	221.7	12	166.8	28	80.0	-12	468.5	12	41.6	10	510.1	12
2001	190.5	-15	135.8	-19	56.2	-6	386.2	-18	30.0	-28	416.2	-19
2005	177.3	-7	154.3	13	59.4	5	390.9	-1	31.5		422.9	
2009	188.4	6	154.7	0	63.9	7	407.0	5	37.0	23	444.0	6
Total Period	19per cent		135per cent		-42per cent		21per cent		40per cent		1243per cent	

Source: Economic Survey, Government of India.

Note: Availability in gm per day.

The per capita availability of foodgrain is a good indicator of food security. Mere increase in food production does not automatically result in net availability of food grains. Due to remarkable increase in food grain production the per capita food grain availability has steadily increased from 395 gm per day in 1951 to 444 gm in 2009 (i.e. by 12 per cent) (Table 2). Item-wise analysis reveals that the availability of wheat during the same period increased from 66 gm to 154 gm per day (i.e. by 135 per cent). Similarly, the availability of rice has increased from 160 gm to 188 gm per day (i.e. by 19 per cent). This increase, however, has been accompanied by some fluctuations. In contrast, there has been drastic decline (42 per cent) in per capita availability of other cereals. On the whole, there has been an improvement in per capita availability of cereals from 334 gm to 402 gm per day (i.e. by 21 per cent). Pulses, like other cereals, exhibit a declining trend in availability from 60 gm to 37 gm (i.e. by 40 per cent). In short, there has been an improvement in per capita availability of food grains and superior cereals like rice and wheat accompanied by reduction in per capita availability of coarse cereals and pulses. Mere improvement in the per capita availability of either foodgrain or cereals will not ensure improvement in per capita consumption of those items. The per capita consumption of foodgrain depends upon several factors like per capita income of household, open-market prices and the changing food tastes of people, etc in addition to the availability of foodgrain. Reliable estimates of consumption of cereals can be obtained from the results of Household Consumer Expenditure Surveys conducted by

National Sample Survey Organisation (NSSO) (Table 3). The results reveal that there is a steady decline in per capita consumption of cereals in both rural and urban regions of India. The per capita daily consumption of cereals in rural area has declined from 509 gm in 1972-73 to 378 gm in 2009-10. During the same period, it has declined from 375 gm to 330 gm in the urban area.

**Table 3: Trends in per capita Consumption of Cereals in India**

S.No.	Year	Rural		Urban	
		A	B	A	B
1	1972-73	15.26	509	11.24	375
2	1977-78	15.25	508	11.62	387
3	1983	14.8	493	11.30	377
4	1987-88	14.47	482	11.19	373
5	1993-94	13.40	447	10.63	354
6	2004-05	12.12	404	9.94	331
7	2009-10	11.35	378	9.39	313

Source: Various Rounds of NSSO on Household Consumer Expenditure Surveys.

Note: 1. A= Consumption for 30 days in kgs. B= Daily consumption in gm.

2. 1999-2000 estimates are discarded due to 40per cent difference in estimates obtained from two reference periods viz., week and month.

In sum the trends are:

- In spite of moderate increase in area under food grain (from 97 to 121 million hectares i.e by 25 per cent) there has been a boost in food grains production (from 50 to 218 million tones i.e. by 330 per cent) during post-independence period mainly due to remarkable increase in yield rate (from 500 to 1800 Kgs per hectare i.e by 245 per cent).
- In per capita terms during the same period there has been improvement in availability of foodgrain (from 400 to 445 gm per day) and superior cereals like rice (from 160 to 190) and wheat (from 66 to 155) but a reduction in availability of coarse cereals (110 to 64) and pulses (from 60 to 32).
- There is a steady decline during 1972-73 to 2009-10 in per capita consumption of cereals in both rural (from 509 to 378 gm per day) and urban (from 375 to 313) regions of India.

*The Paradox:* In short, while per capita availability of foodgrain in India is increasing per capita consumption of foodgrain is declining. This appears to be paradoxical in nature. This may happen when (1) Government procures foodgrain from domestic

producers and uses it only for building buffer stock, (2) Government encourages domestic producers to export foodgrain and puts restriction on imports, and (3) Government procures food grains from domestic producers but distributes only a small part of it to consumers and major part of food grains procured is used for building buffer stock. In first two cases, due to Government policy, open-market price rises. In response to this, consumers' especially poor consumers reduce their food grains consumption. In the third, the aggregate consumption depends upon various factors like (1) Scale of ration, (2) Ration price, and (3) Change in open-market price etc.

Over the decades the government has adopted several policies and programmes for providing food security to the people, in general and to the poor, in particular. Some of the programmes have been intended to improve income levels of the people by providing wage employment or by improving the skills and earning capacity of the people and thereby increase their food intake. Other programmes aim at promoting food consumption by providing food at a subsidized rate. They include public distribution system, mid-day meals programme for school going children, supplementary feeding to anganwadi children, etc. Some of these programmes are universal in nature while others confine to a particular segment of the population.

In recent years the Government has depended solely on domestic procurements to manage the public distribution system. The procurement of food grains with some fluctuations has increased from 20 million tonnes in 1991 to over 30 million tonnes in 1999. In the following decade it doubled i.e., 60 million tonnes by 2009. The fluctuations in procurement mirror the fluctuations in domestic production. It has been argued that such procurement policies favour farmers growing surplus foodgrain rather than the poor consumers. Huge procurement during good agriculture years prevents a crash in the open market price of foodgrain and thereby protects the farmers. On the other hand, procurement on a lower scale during bad agriculture years enables the farmers to sell a larger share of their produce at a higher price in the open market.

The trend in food grains distributed through PDS in 1990s has varied in a narrow range of 18 to 20 million tonnes. In 2000 and 2001 it declined to a low level of 13 million tonnes inspite of huge procurement during those years. Only after 2002 has the foodgrain distributed through PDS exhibited an upward trend. It more or less steadily increased from 18 million tonnes in 2002 to 41 million tonnes in 2009. However, the pace of increase in foodgrain distributed does not match with the pace of increase in foodgrain procured. This is confirmed by a sharp decline in foodgrain distributed as a percentage of foodgrain procured. In the earlier years most of the foodgrain procured was used for distribution through PDS. However, in later years a substantial portion of foodgrain procured has been used for building buffer stocks. Critics question the rationality of building excessive buffer stock

The off-take of foodgrain from PDS during earlier years was low on account of high

issue price under universal public distribution system. Further, off-take from backward states was relatively low due to their financial constraints. The introduction of targeted public distribution system in 1997-98 and other food based welfare programmes in the later years has improved the off-take of food grains from the Public Distribution System.

### **Unlearnt Lesson**

The full potentialities of PDS have not been realised because of some elements of the programme are unduly emphasised while scant attention is paid to relevant others. For instance, the ration price of foodgrain is over-emphasized while the scale of ration does not receive the same attention. There has been scant attention paid to developing adequate criteria for identifying BPL households although the programme clearly defines the number of households.

Whether it is National Food Security Act or Chhattisgarh Food Security Act or the Re. 1 per kg Rice Scheme of Andhra Pradesh, all the schemes tend to focus more on the price of foodgrain to be distributed and not on the quantity of foodgrain to be distributed. The scheme does not aim to meet full requirement of cereals of even poorest of the poor households. A poorest of the poor person requires about 9-10 kg of cereals per month. The recent National Food Security Act envisages to supply only 7 kg of foodgrain to the poorest of the poor (assuming five members in family). Households are forced to depend upon open- market to meet their remaining requirements (i.e. about one- third of his total requirement). Households belonging to general category are forced to buy half of their total requirement from open- market as they are likely to receive about 5 kg of food grains from PDS. Therefore, any increase in open-market price of food grain severely affects vulnerable sections of the population and their food security is endangered.

The use of procured foodgrain to build buffer stocks rather than distribution through PDS aggravates the situation contributing to the poor consumption of foodgrain. The availability of foodgrain (rice and wheat) based on long-term growth rate is likely to be 190 million tonnes. Out of this, 50 million tonnes of foodgrain is required for implementation of the proposed scheme, which works out to be 30 per cent total production or 50 per cent of marketed surplus. If for some reason, the procured food grains are not fully distributed through PDS, then the poor will get small quantities from PDS and will have to pay high prices for food grains in the open -market. The magnitude of leakage from PDS depends to a great extent on the gap between open market price and PDS price.

A better way of providing food security to the poor and to insulate them from the adverse impact of spiraling inflation would be to increase the scale of rationing i.e. quantity distributed through PDS, and expand the number of items distributed through PDS. It is reasonable to supply rice through PDS at Rs. 2 per kg when the open- market

price is Rs. 3 per kg. It is ridiculous to supply rice at Re.1 per kg through PDS when the open- market price is Rs. 25. A person buying 5 kg of rice from PDS and 5 kg from open- market to meet his minimum requirements of 10 kg spends  $1 \times 5 + 25 \times 5 = \text{Rs. } 130$ . There is nothing wrong, if Government supplies 10 kg at Rs. 8 per kg. In such a scenario, a person has to spend only Rs. 80 to meet his minimum requirement instead of Rs. 130. In other words, his food expenditure would be only about half of his earlier expenditure. Simultaneously, there will be drastic reduction in the subsidy burden to be borne by the Government .

The National Food Security Act aims to cover about 75 per cent of rural households and 50 per cent of urban households. The Central Government determines the state-wise number of beneficiaries and it is left to the concerned state to identify them. If the method for identifying beneficiaries is not efficient, there will be large targeting errors. With the passage of time undeserving households enjoy the benefits of PDS while the deserving are eliminated. There is a need to focus on the criteria for identifying poor households.

There has been a three-fold increase in foodgrain production in the decades after independence as has its per capita availability; but the per capita consumption of foodgrain has declined. Resolving this paradox is critical in ensuring food security and reducing the impact of poverty.

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## Brief Glossary

**Absolute poverty** - Refers to the deprivation of basic human needs, which commonly includes food, water, sanitation, clothing, shelter, health care and education.

**Agricultural labourers** - People engaged in the agricultural activities like production and cultivation of crops.

**Asian Enigma** - The phenomenon of high levels of under-nutrition among children and women in South Asia, despite better performance in terms of health indicators such as infant and maternal mortality, and higher levels of per capita expenditures and per capita kcal availability in comparison with, for example, Sub Sahara Africa.

**Attrition rates** - A factor, normally expressed as a percentage, reflecting the degree of losses of personnel or materiel due to various causes within a specified period of time.

**Body Mass Index (BMI)** - Body Mass Index (BMI) a measurement of a person's weight in relation to their height, used to find out if they are underweight, overweight and obesity in adults. It is defined as the weight in kilograms divided by the square of the height in metres (kg/m<sup>2</sup>).

**BPL families** - An economic benchmark and poverty threshold used by the Government of India to indicate economic disadvantage and to identify individuals and households in need of government assistance and aid.

**BRGF** - Backward Regions Grant Fund --- a programme designed to redress regional imbalances in development, instituted by the Government of India.<sup>1</sup>

**Capital** - The total amount of money and property that an individual or company owns; money that is used for investment or for starting a business. Financial assets or the financial value of assets, such as cash, factories, machinery and equipment owned by a business and used in production.

**Capital starvation** - Lack of capital i.e.; funds.

**CGARD** - Current Global Automated Regulatory Database. It is an easy-to-use tool that provides precise, up-to-date, categorized regulatory information.

**Chronic poor** - A condition where poor people stay poor due to long term growth failure.

**Consumer expenditure** – Consumer expenditure refers to the amount of an economy, typically represented as a percentage, which is accounted for by what consumers spend.

**Consumption** - The process of buying and using goods and services, or the amount of goods and services that are bought and used.

<sup>1</sup> <http://epanchayat.gov.in/mopr/viewPortalPage.do?cToken=null>

**Cost of living index**- A numerical scale by means of which cost of living levels can be compared with a base number. It is a theoretical price index that measures relative cost of living over time or regions

**CPIAL** - Consumer Price Index for Agricultural Labourers. It is used for revising minimum wages for agricultural labour in different States.

**Cultivator** - In these essays the term refers to a farm implement equipped with shovels, blades, etc., used to break up soil and remove weeds; person or thing that cultivates; a person who grows, tends, or improves plants or crops.

**Current price** - Current price is the market value or the price at which goods or services are currently being sold in the market; considering the price of goods in general at the present time, or considering prices now compared to in the past; the price at which something is selling at the present time.

**Deficit** -The amount by which expenditure or liabilities exceed income or assets. Or the total amount by which money spent is more than money received.

**Farmer** - A person engaged in agriculture, producing crops; such an individual might own the farmed land or might work as a labourer on land owned by others.

**Faustian Bargain** - Faust was an alchemist in an old German legend, who reportedly sold his soul to the devil in exchange for power and knowledge. Sacrificing spiritual values for power, knowledge, or material gain is called Faustian. A decision made for present gain without regard for future cost or consequences is called a Faustian bargain. By accepting the low wage from the employers, the labourers make a Faustian bargain of not being unemployed.

**Fiscal deficit**- The fiscal deficit is the difference between the government's total expenditure and its total receipts (excluding borrowing). When a government's total expenditure exceeds its revenue, it leads to fiscal deficit.

**Green Revolution** - The introduction of high-yielding varieties of seeds and the increased use of chemical fertilizers and irrigation are known collectively as the Green Revolution. The term has also come to mean a period of high growth in Indian agriculture in foodgrain production due to numerous inputs. Academic literature on the green revolution is vast.

**Household Consumer Expenditure Surveys** - The Household Consumer Expenditure Survey collects detailed information about the expenditure, income and household characteristics of a sample of household consumers.

**Household economy** - It is a complex pattern of different types of expenditures incurred and incomes earned by various household members.

**ICT** - Abbreviation for information and communications technology. ICT refers to technologies that provide access to information through telecommunications and the Internet, wireless networks, cell phones, and other communication mediums.

**Inflation**- An increase in prices over time, causing a reduction in the value of money.

**INRM** - Abbreviation for Integrated Natural Resource Management. The INRM is a plan and programme that sets the direction for how the Territory's natural resources will be managed into the future.

**KILA** - Kerala Institute of Local Administration (KILA) is an autonomous training, research and consultancy organisation constituted under the Ministry of Local Self Government, Government of Kerala.<sup>2</sup>

**LWE Areas** - Left wing extremist or naxalism affected areas. The poorly developed regions of the country other than north-eastern states are recognised as LWE areas by the Ministry of Home Areas of the Government of India.<sup>3</sup>

**Marginal land** - Land on the edge of cultivated areas, often difficult to grow crops on.

**Marginal productivity** - Change in output that results from change in labour input by one unit, all other factors remaining constant.

**Marginal value productivity** - The value of extra output gained by adding one unit of input of production; all other inputs are held constant.

**Market participation** - Percentage of people engaged in acting as a producer or supplier of a marketable good or service.

**Market price** - It is the economic price for which a good or service is offered in the marketplace. Market price is the price of a commodity determined by buyers and sellers in an open market.

**National income deflator**- It is a measure of price inflation/deflation of all new, domestically produced, final goods and services in an economy with respect to a specific base year

**National Sample Survey (NSS)** - It is a unique organisational setup to carry out surveys on socio-economic, demographic, agricultural and industrial subjects for collecting data from households and from enterprises located in villages and in the towns.<sup>4</sup>

<sup>2</sup> <http://www.kilaonline.org/?q=node/1>

<sup>3</sup> <http://mha1.nic.in/par2013/par2013-pdfs/lis-050313/LSQ.1374.Eng.pdf>

<sup>4</sup> [http://mospi.nic.in/Mospi\\_New/Site/home.aspx](http://mospi.nic.in/Mospi_New/Site/home.aspx)

**NIRD** - National Institute of Rural Development, a government institute dedicated to the examination and analysis of the factors contributing to the improvement of economic and social well-being of people in rural areas on a sustainable basis with focus on the rural poor and the other disadvantaged groups through research, action research and consultancy efforts. <sup>5</sup>

**NREGA** – The Mahatma Gandhi National Rural Employment Guarantee Act, 2005. It is the world’s largest welfare program, run by the Government of India. It is a law that aims to guarantee minimum wage employment to rural citizens who volunteer to do manual labour. <sup>6</sup>

**NREGS** - The National Rural Employment Generation Scheme (NREGS) is a recent employment scheme in India for providing 100 days guaranteed wage employment for all employment seekers above 18 years of age and willing to do work

**Open-market price** - It is a price of goods and services which is governed by the forces of demand and supply, and not by manipulation by cartels or government policies.

**Per capita expenditure** - Per capita can take the place of saying “per person” in any number of statistical observances. It is the sum of public and private expenditure divided by the population. It is the per head expenditure.

**Per capita GNP** - GNP stands for gross national product. Per capita GNP refers to the total value of all the goods and services produced by a country in a year including income from foreign investments, divided by the number of people living there.

**Poverty ratio** - The percentage of the population whose living standards (typically proxied by consumption) lie below a given threshold referred to as “poverty line”.

**Procurement** - The process by which an organization buys the products or services it needs from other organizations. The process includes preparation and processing of a demand as well as the end receipt and approval of payment.

**Productivity** - The ratio of output (goods and services) produced per unit of input (productive resources) over some period of time.

**Public Distribution System** - It is an Indian food security system established by the Government of India under Ministry of Consumer Affairs, Food and Public Distribution and managed jointly with state governments in India. It distributes subsidized food and non-food items to India’s poor. <sup>7</sup>

**Residual persistence of poverty** - A tendency to reproduce poverty across generations and over

<sup>5</sup> <http://www.nird.org.in/>

<sup>6</sup> <http://nrega.nic.in/netnrega/home.aspx>

<sup>7</sup> [http://planningcommission.nic.in/plans/planrel/fiveyr/10th/volume2/v2\\_ch3\\_4.pdf](http://planningcommission.nic.in/plans/planrel/fiveyr/10th/volume2/v2_ch3_4.pdf)

individuals' lifetimes due to the presence of different factors which are responsible for poverty.

**SHG** – Self - help group. It is a village-based financial intermediary, usually composed of 10–20 local women or men.

**Social mobility** – The ability to move from one level of society to another. Social mobility refers to the relationship between the socioeconomic status of parents and the status their children will attain as adults.

**Subsidized price** – The price of a product that is reduced because the government has paid part of the cost of producing it.

**UNDP** - United Nations Development Programme. The UNDP partners with people at all levels of society to help build nations that can withstand crisis, and drive and sustain the kind of growth that improves the quality of life for everyone.<sup>8</sup>

**Whole Sale Price Index (WPI)**- Wholesale Price Index represents the price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations instead of consumers.

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<sup>8</sup> [http://www.undp.org/content/undp/en/home/operations/about\\_us.html](http://www.undp.org/content/undp/en/home/operations/about_us.html)