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IS RURAL INDIA SHINING?

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Abstract

In the post-liberalisation period, there were some improvements in indicators such as foreign exchange reserves, physical infrastructure (like telecommunications and roads), and stock market boom in recent period, IT revolution, and prospects of 8 per cent growth in GDP in 2003-04. Due to these improvements, some people feel that 'India is Shining'. In this paper, we examined the issue whether this 'Shining' is true for rural India.

We examined some important indicators relating to rural India in the pre and post liberalization periods. Within post-liberalisation period, we also compare the data for the Eighth Plan period (1992-97) with Ninth Plan period (1997-2002) depending on data availability. We looked at indicators like economic growth, agriculture development, wellbeing of farmers or otherwise, rural poverty, employment, migration, health, education and inequalities.

Our assessment shows that although there were improvements in some indicators, rural India is, after all, not 'shining'. Even macro data like GDP growth and investment shows that 'India is not shining'. There were no improvements in some crucial indicators in the post-liberalisation period particularly in the 9th Plan period (1997-98 to 2001-02). Agricultural growth showed only 1.8 per cent per annum in the 9th plan period. In the post-liberalisation period, only growth rate of services improved. There was also decline in public investment in the 90s particularly since the mid-90s.

Growth rates in foodgrains and all crops declined significantly in the 90s. Public investment in agriculture and credit-deposit ratios in rural areas declined in the 1990s. Also, farmers' suicides have increased in recent years.

Poverty declined but there is a debate about the rate of decline. Rural poverty is high among scheduled castes, scheduled tribes and agricultural labour households. Reduction in the poverty of STs is very low as compared to general population.

Employment growth was much lower in the 90s as compared to that of 80s. Growth in agricultural employment was almost zero. Migration has increased during the reform period from rural-urban areas. Migrants have problems in destination areas.

In the 1990s, education indicators such as literacy, enrollment etc. improved. There are, however, gender, group and regional disparities. In the case of health, infant mortality declined very slowly in the post-liberalisation period in rural areas as compared to urban areas. Many women and children are undernourished. A Study on health and education sector in UP and Bihar indicates that treatment from government PHCs generally not available to poor .Medical staff at PHCs usually absent; when present, they give only prescription due to non-availability of medicines.

Regional disparities in both growth and human development have increased. States such as Kerala, Gujarat, Punjab, Haryana, Maharashtra and Tamil Nadu have done well in human development while others lagged behind. There are significant disparities in inter-personal consumption. High gender disparities are noticed in many indicators.

To conclude, rural investment (both public and private), technology, rural institutions and employment schemes are important for rural development. We have suggested ten areas viz., employment, increase in public investment, agriculture sector, water management, rural institutional reforms, rural non-farm sector, health and education, reduction in regional, personal and gender disparities, 'PURA' model and basic services, decentralisation and governance where policy attention is needed in order to make rural India 'shine'. India can not 'shine' without 'shining' of rural India.

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1. INTRODUCTION

In the post-economic reform period, there has been a debate about the impact of reform policies on important indicators such as economic growth and other macro variables, poverty, inequality, human development and employment. There have been wide ranging reforms in industrial, financial, monetary, fiscal and trade sectors. A critical component of the reform process has been the reform of India's external sector. With the opening up of the economy since the early 1990s, issues relating to open economy have become more relevant for macroeconomic policy. There have been improvements in some indicators such as balance of payments, higher growth in services, higher accumulation of foreign exchange reserves, IT revolution, improvement in telecommunications, recent stock market boom, higher growth of exports etc. There are also expectations that 2003-04 will record 8 per cent growth in GDP. Due to all these indicators, there is also a feeling that 'India is shining' Here we examine whether this 'feel good factor' is true for rural areas in the post-liberalisation period. It is important to assess the impact of economic reforms on rural areas of the country as more than 70 per cent of India's population live in these areas. Within rural areas, of course, agriculture is most important sector. In this paper, we examine some important indicators relating to rural India in the pre and post liberalization periods. Within post-liberalisation period, we also compare the data for the Eighth Plan period (1992-97) with Ninth Plan period (1997-2002) depending on data availability.

At the outset, it may be noted that an assessment of impact of economic reforms on development generally involves comparison of the outcomes in pre-reform period with post-reform period. It has to be realized that the impact of reforms on development is not instantaneous. It may take longer term for reforms to show the results. Also, generally a causal connection is made between the reforms and the outcomes in the post-reform period. It is important to note that the observed outcomes are the result of 'reform' factors and 'non-reform' or 'long term' factors. How-

ever, one can arrive at some judgements about the impact of reforms with the available data.

2. ASSESSMENT : RURAL INDIA IN PRE AND POST REFORM PERIODS

What is the impact of liberalization on economic and social development of rural India? Here we compare the outcomes in rural India between pre and post reform period.

2.1. Macroeconomic Trends

Before going to the analysis of rural development, we assess the macroeconomic trends in pre and post-reform periods. The post-reform period is again divided into Eighth Plan and Ninth Plan periods. The conclusions from the assessment are the following.

(i) *Economic growth* : The GDP growth in the 1980s was 5.6% per annum while it was 5.8% per annum in the 1990s (Table 1). In other words, GDP growth rates were more or less same in both 80s and 90s. The two periods in the post-reform period show that growth rate decelerated in the 9th plan period. In 2002-03, the GDP growth was only 4.3 per cent. Recently, Central Statistical Organisation (CSO) revised it to 4.0 per cent. *The euphoria about 'India Shining' got intensified with the expected growth of 8 per cent in 2003-04.* CSO expects it to be around 8.1 per cent in 2003-04. It may be noted that even if we take 8 per cent growth of 2003-04, the GDP growth in the period 1997-98 to 2003-04 will not be higher than that for the Ninth Plan. The higher growth in 2003-04 is due to the revival of monsoon and low base of last year.

(ii) *Agriculture growth* : Growth in agriculture GDP declined from 3.4% in the 1980s to 3.0% in the 1990s. In the post-liberalisation period it declined from 4.7% in the Eighth Plan period to 1.8% in the Ninth Plan period. *This is a matter of concern for rural areas.* It was -3.2% in 2002-03. Due to the revival of monsoon agriculture growth in the second quarter of 2003-04 was 7.4%. It may be noted the expected high growth in the year 2003-04 was due to better rainfall and low base in 2002-03.

(iii) *Industry* : Growth in Industrial GDP declined from 7.0% in the 80s to 5.8% in the 90s. In the post-liberalisation period, it declined from 7.6% in 8th plan period to 4.5% in the 9th plan period. In 2003-04 it is expected to be more than 6% while it was 5.7% in 2002-03. There are signs of recovery in industry in the last one year . This could be due to demand from revival in agriculture. It is not clear whether it will sustain next year¹ .

(iv) *Services* : In the case of services GDP increased from 6.9% in the 80s to 7.6% in the 90s. In the post-liberalisation period also the growth increased from 7.5% in 8th Plan period to 8.1% in the 9th Plan period. There has been some 'shining' in the service sector. However, the increase in growth of services in the 9th Plan period could be partly due to increase in salaries in the late 90s.

(v) *Investment* : There was one percentage point increase in total investment in the 90s (23%) as compared to 80s (22%). However, this increase was more due to increase in private investment of household sector. Public sector investment declined significantly from 10.0% in the 80s to 7.8% in the 90s. Within post-liberalisation period it declined from 8% in the Eighth Plan period to 6.6% in the 9th Plan period. Similarly, investment in private corporate sector declined from 7.3% in Eighth Plan to 6.1% in the Ninth Plan. Overall private investment, however increased significantly between 80s and 90s. There was marginal increase in private sector investment from 15.2% in 8th plan to 15.9% in the 9th plan. However, this was mainly due to increase in household sector investment as the private sector corporate investment did not increase during 9th plan period.

(vi) *Inflation and Combined Fiscal Deficit* : The inflation rate was more or less same between 80s and 90s. However, inflation was very low during 9th Plan (4.9%) as compared to 8th Plan (8.7%). There was a marginal decline in fiscal deficit between 80s and 90s. But, the combined fiscal deficit (center+states) in recent years was more than 10%. It shows that Government has not been successful in controlling fiscal deficit.

(vii) *External Reserves* : This is one area where 'India is shining'. The external reserves increased significantly in the 1990s. In the 80s it was 3.3% of GDP. In 2002-03, it was around 14.5%. The reserves, which were around \$ 1 billion during crisis period in the early 90s, increased to \$106 billion in 2003-04.

1. On the growth in commodity production (agriculture and industry) in the later part of 1990s, see Chandrasekhar (2004),. Also see Nagaraj (2003)

Table 1
Macroeconomic Trends in the Pre and Post Reform Periods

Indicators	1980s	1990s	1992-93 to 97-98 (Eighth Plan)	1997-98 to 2001-02 (Ninth Plan)	2002- 03#	2003- 04
GDP growth (% per year)	5.6	5.8	6.7	5.5	4.3	8.1
Agriculture, forestry and fisheries	3.4	3.0	4.7	1.8	-3.2	7.4*
Industry	7.0	5.8	7.6	4.5	5.7	6.3*
Services	6.9	7.6	7.5	8.1	7.1	9.6*
Investment Rate (% of GDP)	22.0	23.0	23.3	22.5	22.1	--
Public	10.0	7.8	8.0	6.6	6.3	--
Household and Private Corporate	12.1	15.2	15.3	15.9	15.7	--
Private corporate sector only	--	7.1	7.3	6.1	--	--
Inflation (Wholesale price Index% per year)	8.0	8.1	8.7	4.9	2.5	--
Government deficit (% of GDP)	8.1	7.8	7.2	9.3	10.4	--
Current Account balance (% of GDP)	-2.1	-1.4	-1.2	-0.7	1.0	--
External Reserves (months of goods and services imports, end of period)	3.3	5.6	5.9	7.0	14.5@	--

#Revised estimates for growth rates in 2002-03 given in RBI (2004); *Relates to second quarter;@RBI estimate

Source: World Bank (2003) upto col.5; Reserve Bank of India (2004) for col.6 and 7; Investment rate, inflation, deficit etc. for 2002-03 are estimates from World Bank (2003);

2.2.Agriculture Sector

Agriculture is the most important sector in rural areas. We examine here some aspects of agriculture sector.

(a) *Growth*: There was a deceleration in growth of production and yields for foodgrains and all crops in 1990s as compared to those of 1980s (Table 2). The growth rate in foodgrains production declined from 2.81% in the 80s to 1.98% in the 1990s. Yield growth also declined drastically for foodgrains and all crops. This could have implications for farmers' incomes and employment.

Table 2
Trend Growth Rates in Area, production and Yield of
Foodgrains and All Crops : 1980s and 1990s

Period	Foodgrains			All Crops		
	Area	Production	Yield	Area	Production	Yield
1980-81 to 89-90-0.22	-0.22	2.81	2.71	0.09	3.13	2.52
1990-91 to 99-000.07	0.07	1.98	1.30	0.41	2.30	1.19

Note: Trend growth Rates are based on semi-logarithmic function

Source: RBI (2002)

The main factors for the deceleration in agricultural growth include "(i) inadequate irrigation cover; (ii) improper adoption of technology; (iii) unbalanced use of inputs; (iv) decline in public investment; (v) and weakness in credit delivery system" (p. III-15, RBI, 2003).

(b) *Investment* : There has been a secular decline in public investment has been a concern because it is important for improving infrastructure. As compared to the target of 3.4 million hectares for annum the irrigation potential harnessed during the Ninth Plan was only 1.8 million hectares per annum. The investment on research and extension is still around 0.3% to 0.5% of GDP. The quick estimates show that in 2001-02 public investment was Rs. 4794 crores from Rs.3919 crores in 2000-01. But it was still lower than that in the middle of 1990s. It is true that private investment has increased in the 1990s. However, public and private investments cannot be treated as substitutes as the compositions are different. Public investment is mainly in medium and major irrigation works while private investment is mainly in minor irrigation, mechanization and land leveling (Sawant et al 2002). More public investment is needed in rain-fed and backward areas. In spite of increase in private investment, the share of total investment was around 6.5 per cent in the 1990s. This share was substantially lower than that for 1970s and 1980s. It may be noted that inadequacy of investments has slowed the pace of technological change in agriculture with adverse effects on productivity. There seems to be some trade-off between agricultural subsidies (mostly cornered by rich farmers) and public investment in agriculture. But, this should not be an excuse for raising investments in this sector.

(c) *Credit* : Availability of credit for farmers is important for working capital and investment in agriculture.

(i) Despite having a wide network of rural branches and implementation of many schemes and programmes for expansion of credit for agriculture and rural development, a large number of very poor people still continue to remain outside the fold of the formal banking system. The credit system should reach marginal and small farmers. In fact, the growth rate of agricultural credit for small and marginal farmers declined in the 1990s as compared with the 1980s (RBI, 2002). During the same period, there was no decline of growth in credit for large farmers. There is a deceleration in the commercial bank's disbursements of direct finance to marginal farmers from 15 per cent in the 1980s to 11.0 per cent in the 1990s. The growth rate of direct finance to marginal farmers decelerated to 13.0 per cent from 18.1 per cent during the same period (RBI, 2003).

(ii) The credit-deposit ratios increased from 55.1% in 1980 to 97.1% in 1990 (Table 3). But declined significantly to 49.3% by 2000. The incremental CD-deposit ratios also declined from 106.1% in the 1980s to 36% in the 1990s.

(iii) With rising income, there will be diversification of crops. Investment needs for the production of high income-elastic agricultural products, such as dairying and livestock, horticulture, agro-forests would rise much faster now. Due to these factors, rural credit has to expand at a rate faster than in the recent past.

Table 3
Credit-Deposit Ratios by Population Groups : Credit Data Based on Utilisation

Population Group	C-D Ratios			Incremental CD-ratios	
	December 1980	March 1990	March 2000	December 1980 to 1990	March 1999 to March 2000
Rural	55.1	97.1	49.3	106.1	36.0
Semi urban	47.9	48.3	40.0	48.5	37.6
Urban	56.5	52.9	42.1	51.9	39.0
Metro	81.1	58.0	73.2	51.6	76.8
Total	64.0	60.7	56.0	59.8	54.8

Source: Shetty (2003)

(d) *Farmers' Suicides* : In recent years, farmers' suicides seem to have increased in some states. Particularly it is notable in Andhra Pradesh and Karnataka. This is one of the darker of sides of Indian agriculture². A study on liberalization and suicides of farmers in India shows that 'crop failure and indebtedness emerge as the main and causative factors while social and psychological factors also contribute to the problem (Rao, 2003). According to the study, 'sharper decline in absolute productivity, price uncertainty due to trade liberalization and rise in costs due to domestic liberalization, decline in credit and non-farm work intensified the crisis'.

(e) *Diversification and Small Farmers* : Consumption patterns have been shifting from cereals to non-cereal food. This is true even for the bottom 30% of the population. The process of diet transformation in India can be seen in two separate stages: (i) Income induced diet diversification but maintain predominantly traditional features (ii) diet globalisation leads to adoption of different diets which no longer confirm to the traditional local habits (Pingali and Khwaja, 2004). Urbanisation is also increasing. All these trends lead to increase in demand for diversification of agriculture. Of course, diversification leads to risk and uncertainty if proper incentives are not given. The challenge is how to involve small and marginal farmers in this diversification process.

(f) *WTO and Agriculture* : Globalisation of agriculture is expected to provide opportunities and challenges for Indian farmers. One has to monitor and use appropriate tariffs if other countries try to dump commodities in India. Pressures have to continue on developing countries to reduce their subsidies.

2.3. Poverty

NSS provides consumer expenditure data for both annual surveys and quinquennial surveys. We concentrate on the estimates based on the latter as they are more reliable. It is known that the 1999-00 NSS based estimates on poverty are not comparable with earlier years because of changes in the reference period. The reference periods for 1999-00 (55th Round) were changed from the uniform 30 day recall to both 7 day and 30 day questions for food and intoxicants and only 365 day questions for items of clothing, footwear, education, institutional medical expenses and durable goods. Official estimates have not adjusted for the changes in reference periods. On the other hand, individual researchers have made several adjustments to make the 1999-00 data comparable with those of earlier Rounds. The official

2. On farmers' suicides see Sainath (2004)

estimates based on expert group method and approved by the Planning Commission and alternative estimates are presented in Table 4. Findings from the table are the following.

(a) Official Estimates show that rural poverty declined from 45.7% in 1983 to 37.3% in 1993-94. It declined by 8.4 percentage points over 10 and half period implying 0.8 percentage points decline per annum. In the post-reform period, it declined from 37.3% to 17.1%. It declined 10.2 percentage points over 6 year period indicating 1.7 percentage points decline per annum. Similarly in urban areas, the average annual decline in pre and post-reform periods were 0.80 and 1.47 percentage points respectively. Thus, if we go official estimates, the rate of decline of poverty in rural and urban areas was higher in the 1990s as compared to 1980s.

(b) Deaton and Dreze (2002) provide alternative estimates of poverty. They make an attempt to 'adjust' the 55th Round estimates to acquire comparability with the earlier rounds³. They also use improved price indexes to update the poverty line over time. According to their estimates, the rate of reduction in rural poverty during 1993-94 and 1999-00 was similar to that of the changes between 1987-88 and 1993-94. In both periods, rural poverty declined by 6 to 7 percentage points. Their estimates also show that urban poverty is only 12%, which is significantly different from the official estimates (Table 4).

(c) Sundaram and Tendulkar (November, 2003) used comparable mixed reference based (MRP) based measures in the 50th Round in order to compare with 55th Round estimates. As mentioned above, till 50th Round, NSS had uniform reference period (URP) of 30 day questions for food and non-food. In the 55th Round, NSS used mixed reference period of 30 days (leaving for the moment 7 day question) for food and intoxicants and 365 day question for other items. Fortunately, unit level data for 50th Round contains mixed reference period estimates. Sundaram and Tendulkar used these comparable measures for 50th Round. Their estimates show that rural poverty declined from 49.0% in 1983 to 39.7% in 1993-94 (URP). Rural poverty declined by 9.3 percentage points during 10 and half year period indicating 0.9 percentage point decline per annum (Table 4). In the post-reform period, poverty declined from 34.2% in 1993-94 (MRP) to 28.9% in 1999-00 showing 5.3 percentage points decline (0.90 percentage points per annum) during the reform period. Their estimates for rural poverty thus show that rate of decline during 1990s was similar to that of 1980s. Sundaram and Tendulkar, however,

3. For more details on adjustments, see Deaton and Dreze (2002)

divide the average annual decline with initial values of poverty ratios and show that rate of decline in rural poverty was higher in both rural and urban poverty. But if we see only average changes only the rate of decline was not higher in the post-reform period for rural poverty. In fact, the rate of decline in urban poverty was lower in the 1990s as compared to 1980s.

(d) In an unpublished study, Sen & Himanshu (2003) made several adjustments in order to compare 1999-00 data with earlier years. Basically, they make two adjustments: (a) using 50th Round comparable mixed reference period (MRP) based measures; (b) adjusting for 7 day question for food and intoxicants in 55th Round. It may be noted that Sundaram and Tendulkar did not make adjustments for 7 day question in 55th Round. Based on the two adjustments, Sen and Himanshu's study (2003) study shows that rural poverty declined from 31.6% in 1993-94 to 28.8% in 1999-00. In other words it declined by only 3 percentage points with average annual decline of 0.5 percentage points during 1993-94 to 1999-00 (Table 4). *Even if we take the average annual decline as percentage of initial values, the rate of decline poverty in the 1990s was not higher than in the 1980s.* According to Sen and Himanshu estimates, the decline in urban poverty was also similar (0.5 percentage points decline) during the period 1993-2000.

(e) Tale 5 provides absolute no. of poor for official and alternative estimates. Regarding the absolute no. of poor, official estimates show that the no. of rural poor declined by 50 millions in the 1990s. Sundaram and Tendulkar's study shows it declined by 15 million only during the same period. On the other hand, Sen & Himanshu's study *shows increase of rural poor by 1.5 million.* In the case of urban areas, both the studies show increase in urban poor in the 1990s. This is in contrast to official estimates, which showed decline in urban poor by 11 million.

To conclude the poverty debate, the official estimates show 10 percentage points decline for rural poverty during 1993-94 to 1999-00. Deaton and Dreze show a decline of 6.7 percentage points while Sundaram and Tendulkar show 5.3 percentage points decline during the same period. On the other hand, Sen and Himanshu show a decline of only around 3 percentage points in the 1990s. Thus, the decline for rural poverty during 1993-2000 varies between 10 per centage points (unadjusted official estimates) and 3 percentage points by Sen and Himanshu. Decline in no. of rural poor also varies from 50 million decline (official estimates) to increase of 1.5 million during 1993-2000. The study of Sen and Himanshu is more reliable than official estimates because the former makes adjustments for the non-comparability of 55th Round data.

Table 4
Poverty Ratios: Official and Alternative Estimates: 1983 to 1999-00

Sources	RURAL						
	Poverty Ratios				Change in percentage points		
	1983	1993-94 URP (Uniform 30day reference period)	1993-4 MRP (Mixed 30/365 day reference period)	1999-00	1983-94	1993- 2000 (URP)	1993- 2000 (MRP for 93- 94)
Official	45.7	37.3	--	27.1	-8.4 (-0.80)	-10.2 (-1.70)	--
Deaton&Dreze (2002)	--	33.0		26.3	--	-6.7 (-1.12)	--
Sundaram& Tendulkar (2003)	49.0	39.7	34.2	28.9	-9.3 (-0.89)	--	-5.3 (-0.88)
Sen& Himansu (2003)	--	--	31.6	28.8*	--	--	-2.8 (-0.47)
URBAN							
Sources	Poverty Ratios				Average annual change in poverty		
	1983	1993-94 URP (Uniform reference period)	1993-4 MRP (Mixed reference period)	1999-00	1983-94	1993- 2000 (URP)	1993- 2000 (MRP for 93- 94)
Official	40.8	32.4	--	23.6	8.4 (-0.80)	8.8 (-1.47)	--
Deaton&Dreze (2002)	--	17.8	--	12.0	--	5.8 (-0.97)	--
Sundaram& Tendulkar (2003)	38.3	30.9	26.4	23.1	7.4 (-0.71)	--	3.3 (-0.55)
Sen& Himansu (2003)	--	--	28.0	25.1*	--	--	2.9 (-0.48)

Note: Figures in parenthesis refer to annual average change

*Adjusted for 7 day question

Table 5
No. of Poor: Official and Alternative Estimates: 1983 to 1999-00

Sources	RURAL						
	No. of Poor (in millions)				Change in No. of Poor (millions)		
	1983	1993-94 URP (Uniform reference period)	1993-4 MRP (Mixed reference period)	1999-00	1983-94	1993- 2000 (URP)	1993- 2000 (MRP for 93- 94)
Official Sundaram& Tendulkar (2003)	252.0	244.0	--	193.2	-8.0	-50.8	--
Sen& Himansu (2003)	268.1	261.4	225.3	210.5	-6.7	--	-14.8
	--	--	207.9	209.4*	--	--	1.5
URBAN							
Sources	No. of Poor (in millions)				Change in No. of Poor (millions)		
	1983	1993-94 URP (Uniform reference period)	1993-4 MRP (Mixed reference period)	1999-00	1983-94	1993- 2000 (URP)	1993- 2000 (MRP for 93- 94)
	Official Sundaram& Tendulkar (2003)	70.9	76.3	--	67.1	5.4	-11.1
Sen& Himansu (2003)	65.7	72.6	62.1	63.8	6.9	--	1.7
	--	--	65.7	69.4*	--	--	3.7

Which Class Benefited from the Reforms?

Poverty among Scheduled Castes(SCs)

The rate of decline for SCs living below the poverty line was marginally higher than that of the total population between 1993-94 and 1999-00. The gap between the total population and the SCs also decreased during the same period in both rural and urban areas. However, the incidence of poverty amongst SCs still continues to be very high with 38.38 per cent in rural areas and 37.84 per cent in urban areas (Table 6). The gap between SCs and all households was nearly 10 percentage points in rural areas and 15 percentage points in urban areas. This is primary due

to the fact that a large number of SCs who are living below the poverty line are landless with no productive assets and with no access to sustainable employment and minimum wages (GOI, 2003). The women belonging to these groups suffer even worse because of the added disadvantage of being denied of equal and minimum wages.

Table 6
Population Living below Poverty Line :Scheduled Castes and Total

Category	Rural		Urban	
	1993-94	1999-00	1993-94	1999-00
Total	34.20	28.93	26.41	23.09
SCs	45.69	38.38	42.85	37.84
Gap	11.49	9.45	16.44	14.75

Source: Poverty ratios are taken from Sundaram and Tendulkar (2003a); Gaps calculated by author

Poverty Among Scheduled Tribes

The poverty among scheduled tribes also declined along with general population (Table 7). However, it is disquieting to note that the rate of decline in respect of STs is much lower than that of the general population. As a result, the gap between poverty ratios of STs and general population increased during 1990s. In the rural areas, gap increased from 14.6% in 93-94 to 19% in 99-00. Similarly it increased from 7% to 12% during the same period. Further, the incidence of poverty among STs still continues to be very high with 45.86 and 34.75 per cent living below the poverty line in rural and urban areas respectively.

Table 7
Population Living below Poverty Line : Scheduled Tribes and Total

Category	Rural		Urban	
	1993-94	1999-00	1993-94	1999-00
Total	34.20	28.93	26.41	23.09
STs	48.81	48.02	33.63	35.15
Gap	14.61	19.09	7.22	12.1

Source: Poverty ratios are taken from Sundaram and Tendulkar (2003a); Gaps calculated by author

Poverty Profile

Above estimates that, rural poverty for general population declined from 34.2 per cent in 1993-94 to 29 per cent in 1999-00. However, within rural areas some groups gained in shares while some others lost. As shown in Table 8, the proportion of agricultural labourers increased from 42.6 per cent in 1993-94 to 48.0 per cent in 1999-00⁴. On the other hand, self employed in agriculture gained in their share in total rural poor. Similarly, scheduled tribes lost while other castes benefited.

Table 8
Percentage Distribution of Rural Poor in 1993-94 and 1999-00

	1993-94	1999-00
By Occupation		
Self employed in agriculture	32.33	28.25
Self employed in non-agriculture	11.16	11.53
Agricultural Labour	42.62	48.01
Other Labour	7.84	7.12
Others	6.04	5.09
Total	100.0	100.0
By Caste		
Schedule castes	28.19	27.10
Schedule Tribes	15.46	17.41
Others	56.35	55.49
Total	100.0	100.0

Source: Taken from Sundaram and Tendulkar (2003a)

Regional Disparities in Poverty

Poverty is concentrated in some states. In six states (Bihar, U.P., M.P., West Bengal, Orissa and Assam), the share in all India rural poor increased between 1993-94 and 1999-00 (Table 9). In 1993-94, their share was 68.8% but increased 74.4% in 1999-00. In fact three 54% of India's rural poor live in three states viz., Bihar, Uttar Pradesh and Madhya Pradesh. As shown in Table 9, total share of nine major states and others declined from 31.2% in 1993-94 to 25.6% in 1999-00.

4. This increase was partly due to increase in their share in the rural population during the same period.

Table 9
Percentage Distribution of Rural Poor by States: 1993-94 and 1999-00

States	Share in All India Rural Poor 1993-94	Share in All India Rural Poor 1999-00
Bihar	20.4	20.6
Uttar Pradesh	21.3	21.9
Madhya Pradesh	8.5	11.3
West Bengal	8.8	8.9
Orissa	6.2	7.2
Assam	3.4	4.5
Total of above 6 states	68.8	74.4
Andhra Pradesh	3.0	2.9
Gujarat	2.3	1.9
Haryana	1.4	0.6
Karnataka	3.4	3.2
Kerala	2.3	1.2
Maharashtra	7.5	6.5
Punjab	0.6	0.6
Rajasthan	3.4	2.9
Tamil Nadu	4.9	3.9
Other states and U.T.	2.4	1.9
Total of above 9 states and other states and U.T.	31.2	25.6
All India	100.0	100.0

Source: Estimated from the data on no.of poor given in Sen&Himanshu (2003)

Per capita Availability of Foodgrains : Another problem with the 1990s is that the per capita net availability of foodgrains has not increased. It was 494 grams per day in the triennium ending in 1991. It declined to 445 grams per day in the triennium ending in 2001. Around 60 million tonnes were with the FCI in 2002-02 but more than 300 million were below the poverty line.

2.4. Personal and Regional Inequalities

One consequence of economic reforms is that inequalities have increased over time. Deaton and Dreze (2002) reveal the following findings on inequalities.

(a) Regional disparities have increased.

(b) Rural-urban inequalities have increased. The salaries of public sector employees have grown at 5 per cent per annum while agricultural wages grew at the rate of 2.5% per annum.

(c) Intra-rural inequalities have not increased while intra-urban inequalities have increased.

In the post-liberalisation period, growth rates of GDP in some states such as Karnataka, West Bengal, Maharashtra, Gujarat, Tamil Nadu increased faster than other states. How does one explain the fact that whereas some states did experience significant rise in their GDP growth rates in the 1990s by benefiting from economic reforms and thereby pushed up the All India average growth rate, some other states could not respond in a similar way? The answer lies partly in the initial or pre-reform level of social and economic infrastructure conducive to growth and partly in the rate of capital formation, physical as well as human, in the post-reform period.

2.5. Employment and Unemployment

Faster growth through economic reforms is not always accompanied by a faster rate of poverty reduction. Poverty can be reduced if growth increases employment potential (quantity and quality). Similarly, the extent to which the working poor are able to integrate into the economic process also determines the impact of growth on poverty. For example, if there is a mismatch between the opportunities available due to economic reforms and skills of the workers, the poor will not be able to take advantage of such opportunities and gain from the reforms.

Employment Growth

The growth rate of rural employment was around 0.5 percent per annum between 1993-94 and 1999-00 as compared to 1.7 percent per annum between 1983 and 1993-94. The daily status unemployment rate in rural areas has increased from 5.63% in 1993-94 to 7.21% in 1999-00. As shown in Table 10, the overall employment growth declined from 2.04 percent during 1983-94 to 0.98% during 1994-2000. Much of the decline in the growth was due to developments in two sectors viz., agriculture and community social & personal services. These two sectors accounting for 70% of the total employment have not shown any growth during the 1990s. Similar trends can be seen for growth rates of employment based on current daily status.

Table 10
Growth of Employment: Usual Status and Current Daily Status

Industry	Usual Status: Principal and Subsidiary (% per annum)		Current Daily Status (% per annum)	
	1983 to 1993-94	1993-94 to 1999-00	1983 to 1993-94	1993-94 to 1999-00
Agriculture	1.51	-0.34	2.23	0.02
Mining & quarrying	4.16	-2.85	3.68	-1.91
Manufacturing	2.14	2.05	2.26	2.58
Electricity, gas & water supply	4.50	-0.88	5.31	-3.55
Construction	5.32	7.09	4.18	5.21
Trade	3.57	5.04	3.80	5.72
Transport, Storage & Commn.	3.24	6.04	3.35	5.53
Financial Services	7.18	6.20	4.60	5.40
Community social & per. services	2.90	0.55	3.85	-2.08
Total Employment	2.04	0.98	2.67	1.07

Source : Planning Commission (2001) for Usual status estimates and Planning Commission (2002) for Current Daily Status

Employment at State Level

The employment growth at state level shows that states like Kerala, Andhra Pradesh, Tamil Nadu, Himachal Pradesh and West Bengal show low growth of employment while Gujarat, Haryana and Punjab show high growth rate of employment (Table 11). The unemployment levels are high in Kerala, West Bengal and Tamil Nadu. In these three states unemployment increased over time. There is no strong correlation between growth of GSDP and employment growth at state level. Kerala has comparatively low growth of GSDP but low employment elasticity. On the other hand, Tamil Nadu and West Bengal have higher growth rates of GSDP with low employment elasticities. Only three out of 16 states (Gujarat, Haryana and Karnataka) could combine high growth and high employment elasticity and achieve significant decline in the unemployment rate.

Table 11
Employment Growth, Unemployment and Employment Elasticity
at state level (Current Daily Status)

States	Employment growth (1993-94 to 1999-00)	Unemployment Rates		Employment Elasticity 1993-4 to 1999-00
		1993-94	1999-00	
Andhra Pradesh	0.35	6.69	8.03	0.067
Assam	1.99	8.03	8.03	0.737
Bihar	1.59	6.34	7.32	0.353
Gujarat	2.31	5.70	4.55	0.316
Haryana	2.43	6.51	4.77	0.420
H.P.	0.37	1.80	2.96	0.052
Karnataka	1.43	4.94	4.57	0.188
Kerala	0.07	15.51	20.97	0.013
M.P.	1.28	3.56	4.45	0.272
Maharashtra	1.25	5.09	7.16	0.216
Orissa	1.05	7.30	7.34	0.262
Punjab	1.96	3.10	4.03	0.426
Rajasthan	0.73	1.31	3.13	0.104
Tamil Nadu	0.37	11.41	11.78	0.052
Uttar Pradesh	1.02	3.45	4.08	0.185
West Bengal	0.41	10.06	14.99	0.056
All India	1.07	5.99	7.32	0.160

Source: GOI (202)

Employment Growth : 2000 to 2002

Recently, a Planning Commission advertisement shows that 'in the last three years, 84 lakh employment opportunities were created on an average' (during January, 2000 to October 2002). Sundaram (2004) has shown that during this 33 month period, the number of workforce increased by only 20.8 million -an average increase of 76 lakhs rather than 84 lakhs as claimed y the Government. Moreover, his study shows that in rural India, 'there has been an absolute reduction in the number of workers in the 15-29 age group'. It is also true for young women for the country as a whole. It may, however, be noted that thin sample data on employment and unemployment are not reliable. For example, they show significant increase in agricultural employment in a drought year.

Trends in Rural Diversification

Here we examine diversification in terms of shifts across broad sectors in rural areas for two periods viz., 1983-94 and 1993-2000. Table 12 shows that there has been diversification from agriculture to non-agriculture in rural areas. The percentage of rural non-agricultural employment increased by 3.2 percentage points (0.30 percentage points per annum) during 1983-94 and 2.2 percentage points (0.37 percentage point per annum) during 1993-2000. In the case of males, rural diversification was 0.34 percentage points per annum during 1983-94 while it was 0.45 percentage points per annum during 1993-2000. In the case of females, the corresponding points were 0.16 and 0.70 per annum respectively. It shows that during the reform period, the diversification in rural areas has been much slower for females as compared to males. During the reform period the share of non-agriculture increased in rural areas but the transformation is much slower in India as compared to East Asian countries.

Table 12
Broad Sectoral Distribution of Workers in Rural India
(Usual Status ps+ss): 1977-78 to 1999-2000

	Primary	Secondary	Tertiary	Rural non-agri. (cols 3+4)
	Rural Persons			
1983	81.5	9.0	9.4	18.4
1993-94	78.2	10.2	10.3	21.6
1999-00	76.1	11.3	12.5	23.8
	Rural Males			
1983	77.5	10.2	12.2	22.4
1993-94	74.1	11.3	14.7	26.0
1999-00	71.4	12.7	16.0	28.7
	Rural Females			
1983	87.5	7.4	4.8	12.2
1993-94	86.2	8.3	5.6	13.9
1999-00	85.4	8.9	5.7	14.6

Source: Compiled from various rounds of NSS on Employment and Unemployment

Real Wages

Another indicator of purchasing power is agricultural wages. At the all India level, the growth of real agricultural wages declined from about 5 per cent per annum in the 1980s to 2.5 per cent per annum in the 1990s. Table 13 provides growth rates of real agricultural wages for different states. Deaton and Dreze (2002) say that a healthy growth of real agricultural wages appear to be a sufficient condition for significant reduction in poverty in rural areas. In all the states where real wages have grown more than 2.5 per cent (Gujarat, Karnataka, Kerala, Tamil Nadu) have experienced sharp reduction in rural poverty. On the other hand, entire region (Assam, Orissa, West Bengal and Bihar), Andhra Pradesh and Madhya Pradesh experienced low growth in agricultural wages and lower reduction in poverty.

Table 13
Growth Rates of Real Agricultural Wages Across States: 1990-2000

States	Growth Rates of real wages (%)	States	Growth Rates of real wages (%)
Andhra Pradesh	1.3	Maharashtra	1.6
Assam	-0.7	Orissa	0.7
Bihar	0.3	Punjab	-0.8
Gujarat	5.1	Rajasthan	2.8
Haryana	2.7	Tamil Nadu	6.7
Karnataka	3.2	Uttar Pradesh	2.5
Kerala	7.9	West Bengal	1.6
Madhya Pradesh	1.8	All India	2.5

Source: Dreze and Sen (2002)

The NSS data, however, shows that there were no signs of decline in real wages for casual labourers in rural areas (Table 14).

Table 14
Rate of Growth of Real Wages: NSS data

Activity	Rural Males		Rural Females	
	1983 to 1993/94	1993/94 to 1999/00	1983 to 1993/94	1993/94 to 1999/00
Manual Work in Agriculture	2.74	2.77	3.09	2.93
Casual Labour in agriculture	2.75	2.79	3.09	2.94
Casual labour in non-agriculture	2.39	3.70	4.08	4.07
Casual labour in all activities	2.51	3.59	3.15	3.19
Public Works	2.29	3.83	4.10	5.04

Source: Sundaram (2001)

Using data from Rural Labour Enquiries (RLEs) Chavan and Bedamatta (2003) reveal that real daily earnings of agricultural labourers recorded highest growth in almost all the states during 1983 to 1987-88. However, the growth rates of real daily of female and male agricultural labourers declined during 1987-88 to 1993-94 and during 1993-94 to 1999-00 in majority of the states. This study also shows that daily labour earnings were higher than minimum wages for males in majority of the states. In the case of females, the daily earnings were lower than minimum wages. There seems to be increase in male-female ratio over time. It shows significant gender disparities in wages.

Casualisation of Rural Workers

Here we look at changes in the status of workers. NSS provides two types of data on Usual Status i.e. principal status and all (ps+ss). In the case of ps+ss for rural males, the share of self employed declined from 60.5% in 1983 to 55.0% in 1999-2000. The share of regular employees also declined during the same period. In the case of casual labourers, the share has increased from 29.2% in 1983 to 36.2% in 1999-00. In other words, there was 7 percentage points increase in the share of casual employment during the last 17 years. In the case of rural females also, the share of self employed declined while the share of casual labourers increased.

Poverty Among Casual Labourers

Casualisation per se is not a problem. But, the poverty levels show that casual labourers having principal status register highest ratio of poverty in 1999-00 (around 42%) (Table 15). On the other hand regular employees and self employed having casual labour as subsidiary status have lower levels of poverty.

Table 15
Poverty Among Casual Workers by Different Measures of Employment
Status: All India Rural 1993-94 and 1999-00

	1993-94	1999-00
1. All casual Labourers (2+3)	45.18	41.46
2. All Casual Labourers by UPS	45.91	41.79
of which (i) Only UPS, not SS	45.88	41.85
(ii) Both by UPS and SS	46.84	40.30
3. All Casual Labour by SS only	42.37	39.82
of which (i) Self employed by UPS, but casual by SS	39.47	37.22
(ii) Regular by UPS but casual by SS	50.41	30.66

Note: UPS: Usual Principal Status; SS: Subsidiary Status

Source: Bhalla (2003)

Employment and Education

Education is important for workers in order to get qualitative employment. This is one of the key variables for rural diversification. Literacy alone is at best only one indicator. Literacy definition covers anyone who can write their name and this means many people may be classified as literate although they may not understand simple written instructions. Unless we have these abilities for workers, the efficiency of the labour force in many occupations is likely to remain low. Table 16 provides the educational standards of the workers in Rural India. It shows that the % of illiterates among male workers declined from 55 percent to 40.3 percent during 1977-78 to 1999-00. For females, the corresponding numbers declined from 88.1 percent to 74.9 percent. However, even in 1999-2000, 68 percent of the rural males and 91 percent of the rural females are either illiterate or have been educated only up to primary level. In other words, less than 10 percent of the female workers have education of middle school or above

Table 16
Distribution of Workers (age 5 years and above) by
General education category : 1977-78 and 1999-00 (%)

Category	Rural male		Rural female	
	1977-78	1999-2000	1977-78	1999-2000
Not Literate	55.0	40.3	88.1	74.9
Literate & upto primary	30.8	27.7	9.1	15.7
Middle school	8.5	15.9	1.6	5.6
Secondary & Higher sec	4.7	13.0	1.0	3.0
Graduate & above	1.0	3.1	0.2	0.7
Total	100.0	100.0	100.0	100.0

Source: NSS Rounds on Employment and Unemployment

Migration

A comparison of NSS data in 1992-93 and 1999-00 shows that migration rates increased during the reform period. The increase is noticed mainly from rural-urban and urban-urban. Net in-migration is higher for developed states as compared to poorer states. The percentage of migrants giving economic reasons declined for rural but increased for urban areas. Migration increased for self employed and regular employed as compared to casual labourers. It is mostly from non-agricultural sectors.

Both the censuses and NSS have limitations, the main being they ignore or severely underestimate short duration (circular) migrants and commuting labour. The National Commission on Rural Labour (NCRL) estimates more than 10 million circular migrants in the rural areas alone. These include an estimated 4.5 million inter-state migrants and 6 million intra-state migrants. The commission notes that there are large numbers of seasonally migrant workers in agriculture and plantations, brick-kilns, quarries, construction sites and fish processing. In addition, large numbers of seasonal migrants work in the urban informal manufacturing, construction, services or transport sectors -as casual labourers, head-loaders, coolies, rickshaw pullers, hawkers and so on. Information is not available on the trends in circulation of labour time but the few studies on migration over several decades that exist suggest a growth in labour circulation (e.g. Breman, 1985).

Some studies have examined the impact of labour migration in the source areas and destination areas. Srivastava's study (1998) shows that in the source areas, increased labour mobility has contributed to breaking down the isolated nature of rural labour markets and a greater integration between rural and urban labour markets. The overall impact of labour outmigration in the recent period has been to put an upward pressure on wages and accelerate changes in production relations. The remittances to the rural areas are quite sizeable in many areas (e.g. U.P. Hills). On the other hand, in the destination areas, labour migration is principally to the rural and urban informal sectors. Migrant labour in these areas operated in a setting in which there is segmentation and fragmentation in the labour market and enables the employers to lower wage costs, exercise greater control over the labour process.

Thus, migration seems to have benefited the source areas in improving rural livelihoods while in the destination areas migrant labour are being exploited.

2.7. Social Sector Expenditures

Latest Human Development Report of UNDP (2003) shows that India's rank in HDR is 127 among 175 countries. Dev and Mooij (2004)⁵ examined patterns in social sector expenditures in pre and post-reform period. Social sector expenditures in their study refer to expenditures on social services and rural development. Their study shows that "social sector expenditure in India in the 1990s is low, as compared to other developing countries, and certainly as compared to East Asian countries, and it is low as compared to the UNDP recommended ratios. It is not always low as

5. Also Mahendra Dev and Mooij (2002) and Mooij and Dev (2004)

compared to what India spent in the 1980s; that depends on the particular indicator chosen to assess social expenditure trends. But what is clear is that the pace of growth in social sector expenditure has slowed down in the post-reform period - and that this is true with regard to all three indicators. The States have done much worse than the Centre".

Table 17 shows trend growth rates per annum of the social sector expenditure for all States during the pre- and post-reform period. It shows that the trend growth of real per capita expenditure for social sector declined from around 9 per cent in the 1980s to around 5 per cent in the 1990s. The same trends can be seen for the growth rates of social sector expenditures as percentage of total expenditure and as percentage of GDP. Expenditures on rural development did not show decline in the trend growth rates. But, still as per cent of GDP and as per cent of total expenditures, it showed negative growth in the 1990s. There was some improvement in 'others ' category of social sector.

Last column of Table 17 provides trends in social sector expenditures of Central Government. It shows that the growth rates were lower in the 1990s as compared to 1980s. But, growth rates of Central Government are higher than those of states. Most of the state governments are facing fiscal problems. However, Central Government is responsible for some of the fiscal problems of the states. For example, transfers to states have declined and Fifth Pay Commission recommendations have created problems for states.

In general, there seems to be a decline in the funds towards rural areas. For example, Patnaik (2004) shows that there was a decline in rural development (employment generation programmes, special areas programmes, village industry, irrigation and flood control etc.) expenditures from 14.5% of GDP in 1985-90 to 6% of GDP in the 1990s.

Table 17
Trend Growth Rates of Social Sector Expenditure of All States (% per annum)

	Edu- cation Sports, Art & Culture etc.	Health & Family Welfare	Water Supply & Sanitation	Total Others	Social Services	Rural Develop- ment	Social Sector (SServices and RD)	Social Sector Central Govern- ment
	1	2	3	4	5	6	7	8
Per capita Real Expenditure (at 93-94 prices)on Social Sector								
1980-81 - 1989-90	7.65	0.18	7.27	6.09	6.95	-1.25	9.27	14.12
1992-93 - 2002-03	5.91	4.50	6.13	7.41	6.06	1.21	5.44	6.34
Expenditure (Revenue+Capital)on Social Sector as % of GDP								
1980-81 - 1989-90	2.80	-4.34	2.10	1.31	2.13	-6.01	4.34	8.93
1992-93 - 2002-03	1.59	-0.03	1.78	2.53	1.57	-4.15	0.85	1.34
Expenditure (Revenue+Capital)on Social Sector as % of Total Expenditure								
1980-81 - 1989-90	0.94	-6.07	1.82	-0.52	0.28	-6.26	2.46	5.41
1992-93 - 2002-03	-0.05	-1.38	0.16	1.37	0.10	-4.48	-0.48	0.82

Source: Mahendra Dev and Mooij (2004)

2.8 Poverty Alleviation Programmes

The important poverty alleviation programmes are Public Distribution System (PDS), wage and self employment programmes.

Regarding wage employment programmes, it may be noted that during the drought year 1987/88, poverty has not shown any increase as there were massive rural public works programmes particularly in states like Rajasthan and Gujarat. The adverse impact of drought was mitigated with these programmes. In fact poverty declined in the year 1987/88. On the other hand, there were no such massive programmes during the drought of 2002/03 inspite of 40 to 50 million tones of foodgrains with the government. In the budget 2003/04 allocations were reduced for rural employment programmes.

In recent years, women's self help groups have increased significantly all over the country. Andhra Pradesh it self has 50% of the groups in the country. These groups are important for empowerment of rural women. But, sustainability of livelihoods under the groups seems to be a problem in many places.

Public Distribution System: Targeting was introduced in public distribution system (PDS) in 1997. We computed the percentage of PDS purchases of rice and wheat to total consumption of rice and wheat based on unit level data from two NSS Rounds (50th and 55th). The 55th Round has problem of comparability because of change in reference period. Since we are taking ratios, the problem may not be serious. These percentages are given in Table 18. The ratio for rural poor at all India level increased from 6.8% in 1993-94 to 8.8% in 1999-00 (Table 18).

Table 18
Percentage of PDS Purchases of Rice and Wheat to Total Consumption for Rice and Wheat in Rural areas

States	Poor		Non-Poor		All	
	1993-94	1999-00	1993-94	1999-00	1993-94	1999-00
Andhra Pradesh	33.12	29.62	20.05	18.66	21.48	19.48
Assam	5.32	8.79	2.37	4.16	3.57	5.79
Bihar	0.58	1.69	0.88	2.14	0.73	1.97
Gujarat	33.44	33.71	18.29	15.16	20.38	16.48
Haryana	0.60	0.74	0.87	0.37	0.80	0.40
Himachal Pradesh	34.00	35.99	32.66	26.47	33.00	27.11
J & K	19.85	5.79	2.87	23.17	5.19	22.79
Karnataka	29.23	41.52	13.92	21.48	16.46	23.38
Kerala	59.96	72.30	42.98	44.77	46.53	46.74
Madhya Pradesh	4.06	4.58	2.43	2.45	2.95	3.09
Maharashtra	20.09	22.58	14.83	15.66	15.95	16.87
Orissa	1.25	13.14	0.79	8.84	0.99	10.65
Punjab	0.67	0.00	0.40	0.02	0.43	0.02
Rajasthan	20.20	3.10	10.50	1.84	12.42	1.96
Tamil Nadu	23.85	44.20	17.82	30.56	19.40	32.68
Uttar Pradesh	1.73	2.25	3.03	1.73	2.54	1.87
West Bengal	1.96	9.50	1.75	1.83	1.83	3.85
Other States and Uts	26.45	34.11	21.15	17.36	22.02	18.74
Total	6.79	8.77	8.61	9.18	8.02	9.08

Source: Mahendra Dev and Ravi (2004)

At the state level, significant increase was noticed for Assam, Karnataka, Kerala, Orissa, Tamil Nadu and West Bengal. Regarding dependence of the rural poor on PDS, Kerala has the highest percentage (72.3%) followed by Tamil Nadu (44.2%) and Karnataka (42%) in 1999-00. There was significant increase in ratio in the case of Orissa. However, in three states (Bihar, U.P. and M.P.) where more than 50% of India's rural poor live, the ratio was less than 5% for poor. The ratio was less than 10% in Assam, J&K, Rajasthan and West Bengal. Thus, targeting has improved access to PDS in some states. However, poor states have not benefited significantly from targeted PDS.

2.9. Health and Education

Jawaharlal Nehru at the time of Independence reminded the country the task ahead: "ending of poverty and ignorance and disease and inequality of opportunity". That dream is largely unaccomplished. This is not to deny considerable progress in human development.

Rural Literacy and Education

India's overall literacy rate increased from around 17% 1951 to 65% in 2001. Literacy in rural areas increased from 36% in 1981 to 59% in 2001 (Table 19). During the same time, literacy in urban areas increased from 67% to 80%. The rural-urban gap has declined from 31 to 21 percentage points in the last two decades. Female literacy increased over time but still around 53% of rural females were illiterates in 2001.

Also, 30 to 33% of rural girls in the age group 6-14 were not attending school in 1999-00 (Table 20). Similarly, among SCs and STs 40 to 45% girls were not attending in the same school (Table 21).

There are significant inter-state disparities in literacy and education. For example, rural female literacy in Kerala was 87% while in Bihar it was 30% in 2001. Similarly, the school attendance ratios for Kerala girls (6-13 years) were 97% but in Bihar it was 35% in 1995-96. There are also significant inter-state variations regarding school facilities like access to school, teacher-pupil ratios, class rooms etc.

Table 19
Literacy Rates in India: Rural and Urban

Year	Rural	Urban	Total
1951	12	35	17
1961	19	47	24
1971	24	52	29
1981	36	67	47
1991	45	73	52
2001	59	80	65

Note: Figures upto 1981 relate to population above 5 years.

Source: Census of India 2001; quoted in Kumar (2003)

Table 20
Percentage of Children, age 6-10 & 11-13 attending school: 1999-00

	6-10 years			11-13 years		
	Boys	Girls	Total	Boys	Girls	Total
Rural	79	69	75	79	67	73
Urban	89	85	87	87	83	85
Total	81	73	77	81	71	76

Source: NSS 55th Round; quoted in Srivastava (2003)

Table 21
Percentage of Children Attending School, age-wise, 1999-00

		Boys			Girls			Children		
		6-10	11-14	6-14	6-10	11-14	6-14	6-10	11-14	6-14
ST	Rural	69.9	64.7	68.0	58.6	51.1	55.9	64.5	58.3	62.2
	Urban	83.6	87.1	85.1	77.9	74.9	76.6	80.8	81.4	81.0
SC	Rural	75.9	73.4	74.9	64.5	56.6	61.5	70.5	65.5	68.6
	Urban	84.2	82.7	83.6	79.8	73.2	77.0	82.1	78.1	80.4
OBC	Rural	80.0	78.5	79.4	68.0	61.8	65.6	74.4	70.8	73.0
	Urban	88.6	83.2	86.3	83.5	77.7	81.0	86.2	80.6	83.8
Others	Rural	84.9	83.3	84.2	79.6	74.8	77.5	82.4	79.1	81.0
	Urban	92.4	89.2	91.0	89.8	85.3	87.8	91.2	87.3	89.5

Note : ST Scheduled Tribes; SC Scheduled Castes; OBC other backward castes

Source : NSS 55th round; quoted in Srivastava (2003)

Rural Health

The life expectancy in rural areas was 59 while in urban areas it was 66 in 1992-96. (Table 22). Although the gap is narrowing down between rural and urban areas, it is still around 7 years. The infant mortality declined in both rural and urban areas (Table 23). In 1999-2001 infant mortality was 74 in rural areas while it was 43 in urban areas. In post-liberalisation period, the decline infant mortality has been much slower in rural areas as compared to urban areas.

The health indicators for various social groups show that they are much lower for Scheduled Tribes (STs) and Scheduled Castes (SCs) (Table 24). For example, under five mortality was 127 for STs as compared to 83 for others. The percentage of under nutrition was also higher for STs and SCs. The health indicators for rural areas were much lower as compared to those of urban areas (Table 25). In rural areas, nearly 70 per cent of the births are not attended by professionals (Table 26). Problems in health and education are given in Box 1 and 2.

Sex Ratio among Children: Census data shows that sex ratio among children have worsened (0-6 years) from 945 in 1991 to 927 in 2001. It is worth noting that major decline in sex ratio occurred in developed states like Punjab (82 points), Haryana (59 points), Himachal Pradesh (54 points) and Gujarat (50 points) (see Kumar, 2003). Sex ratio declined in all states except in 5 states and union territories viz., Kerala, Lakshadweep, Mizoram, Sikkim and Tripura.

Table 22
Rural and Urban Differences in Life Expectancy

Years	Rural	Urban	Difference
1970-75	48.0	58.9	10.9
1981-85	53.7	62.8	9.1
1991-95	58.9	65.9	7.0
1993-97	59.9	66.6	6.7

Source : Sample registration system; quoted in Kumar (2003)

Table 23
Infant Mortality Rates in Rural and Urban Areas: Infant Deaths
per 1000 live births

Year	Rural	Urban	Rural-urban differences
1971-73	144	85	59
1981-83	116	64	52
1989-91	90	54	36
1994-96	79	49	30
1999-2001	74	43	31

Source : Sample Registration System; Quoted in Kumar

Table 24
Health Indicators of Various Social Groups

	Infant mortality rate	Under 5Mort. Rate %	under-nutrition
SCs	83.0	119.3	53.5
STs	84.2	126.6	55.9
Other Disadvant	76.0	103.1	47.3
Others	61.8	82.6	41.1
India	70	94.9	47.0

Source:GOI, 2003

Table 25
Rural and Urban Health Indicators: 1998-99

	IMR	Under 5 Mort. rate	% children undernourished
Rural	75	103.7	49.6
Urban	44	63.1	38.4
Total	70	94.9	47.0

Source : National Family Health Survey (NFHS-2), 1998-99

Table 26
Births Attended by Health Professionals

	Rural	Urban
1992-93	25.0	65.3
1998-99	33.5	73.3

Source: NFHS-1 and NFHS-2

Box 1 Problems in health and education and funding

- Engineers, but no fund for construction or maintenance
- Doctors, but no medicine
- Teachers, but no school building
- Many senior officers, but little funds for travel or telephones, & hence poor supervision or monitoring
- Very little capital expenditure and asset creation
- Little funds for maintenance or repairs of assets
- Highly paid employees, but no complementary investment or working expenditure. Salaries have crowded out high priority non-wage expenditure.

Source: Saxena (2000)

Box 2: A Study on health and education sector in UP and Bihar

- Reveals that treatment from government PHCs generally not available to poor
- Medical staff at PHCs usually absent; when present, they give only prescription due to non-availability of medicines
- Expenditure on private doctors leads to indebtedness and even loss of assets of poor
- In most schools teachers were absent, or teaching conducted by proxy teachers engaged on very low wages

Source: Saxena (2000)

3. SUGGESTIONS FOR 'SHINING' OF RURAL INDIA

Our assessment has shown that 'rural India is not shining' in the post-liberalisation period. It is true that there have been some improvements in infrastructure and levels of living. Poverty declined but there is a debate on the rate of decline. Literacy also improved in the 1990s. There are many dark areas such as low employment growth, problems in health status, low agricultural growth, farmers' suicides etc. There are more than 200 million of rural poor in India. We provide here some suggestions for 'shining' of rural India.

In order to make rural development more broad based and balanced, major areas of concern have to be addressed. Rural investment, technology and appropriate rural institutions are needed for rural development. We suggest nine areas where policy attention is needed.

(1) *Employment* : In the 1990s, employment problem is the major concern particularly in rural areas. How to create more employment opportunities and improve their quality? There are mainly two approaches. One is through sectoral programmes and the other is through direct employment programmes. There is some overlapping in both the approaches. It can be increased if economic growth is labour intensive. Development of agriculture and rural non-farm sector mentioned below will improve employment and wages. Policies have to be framed for both unskilled and skilled workers. Youth employment is one of the important focus areas.

Direct employment programmes such as wage and self employment schemes have to be effectively implemented. Apart from sectoral employment creation, India has direct employment programmes to help the poor. The uncertainty and vulnerability with regard to employment would give rise to uncertainty in respect of consumption levels and thus may result in food/consumption insecurity. If this were the case, intervention would be necessary to help the household mitigate its unemployment and the consequential consumption insecurities. Labour intensive employment programmes, if properly designed and implemented, hold high promise as instrument for addressing both short term relief and long-term asset creation. Public works programmes have long been recognised as effective policy instruments of providing food security, particularly in rural areas. The Right to Food Campaign has been advocating for programmes of employment for the able bodied persons⁶. An application has been made to the Supreme Court arguing that the Maharashtra's successful Employment Guarantee Scheme should be expanded through the country⁷. The scheme guarantees unskilled manual labour for any able bodied person who presents him or herself for work. Each person is entitled to up to 100 days of employment. The greatest success of the scheme lies in the selection of the right beneficiaries.

Poverty eradication through self help groups can become sustainable only if productive assets of the poor are augmented and employment is generated through labour-intensive growth. Further reduction is possible if only wages and employment are increased.

(2) *Increase in Public Investment* : Important priority is to increase public investment in rural infrastructure. The infrastructure includes irrigation, electricity, agricultural research, roads and communications and new technology. We have seen above

6. On right to food, see Mahendra Dev (2002)

7. On Maharashtra EGS, see Mahendra Dev (1996)

that public investment declined in the post-liberalisation period. Increase in public investment will also encourage private investment⁸. Investment in rural infrastructure is more important for agricultural growth and rural development than trade liberalization per se.

(3) *Agriculture* : Although the share of agriculture in GDP has declined 22%, the share of employment in agriculture is still 60%. Therefore, increase in agricultural growth is important for rural development. A two pronged is needed to improve the performance of agriculture. First is 'to release the initiative and enterprise of farmers and the private sector in general by removing restrictions on agricultural trade, processing etc.'. Second is to 'facilitate adequate supply response to the incentives so created by strengthening infrastructure, agricultural research and extension and delivery of credit while protecting the environment (Rao, 2003). Focus has to be more on dry land marginal areas for higher returns. Agricultural subsidies have to reach the small and marginal farmers.

(4) *Water Management*: Management of water is going to be crucial for raising levels of living in rural areas. Watershed development can be sustained in the long-run only through social mobilization and capacity building. Land use should be made more remunerative through the new dry land technologies and the development of infrastructure. Conservation of surface and ground water can be improved when water and power are priced according to the volume of consumption. Community involvement is essential in setting the user charges as well as for assessing the individual consumption.

(5) *Rural Institutional Reforms* : Institutional reforms are important, particularly in the domain of public systems, for sustained technical progress and output growth in agriculture. "There is a limited scope for privatizing irrigation, research and extension, and other infrastructure facilities. All of these will continue to be mainly the responsibility of public sector. Unless the public sector's efficiency in mobilizing resources and managing these facilities is vastly improved, *trade and price policy reform will not make a significant difference to the pace of agricultural growth*" (Vaidyanathan, 1996, emphasis added). Institutions for water management like water user associations have to be developed. Similarly, agricultural and rural markets have to be developed. There is also a need for autonomy for public sector in order to manage them more professionally without reference. As part of the reforms,

8. Nagaraj (2003) argues that lowers public investment in the later part of 1990s is responsible for decline in demand and stagnation in industrial growth.

lease market should be freed and some sort of security for tenants has to be guaranteed. This will ensure availability of land for cultivation to marginal and small farmers. One of the weaknesses of the present institutions (in input supply, extension, credit and marketing) is that they have been by-passing the small and marginal farmers (Vyas, 1994).

(6) *Rural non-farm sector* : Although India is one of the largest producers of raw material for the food processing industry in the world, the industry it self is underdeveloped . Less than 2.5% of fruit and vegetable production is processed compared with 30% in Thailand, 70% in Brazil, 78% in the Philippines and 80% in Malaysia. By any standards therefore the unutilised potential of food processing in India is enormous. Expansion of this sector is an ideal way of bringing industry to rural areas, expanding the value chain of agricultural production, providing assured markets for farmers enabling them to diversify into higher value horticultural crops and expanding employment by creating high quality non-agricultural work opportunities in rural areas⁹ .

For the last 50 years, the organised industrial sector has not created work opportunities for majority of the poor. It is the small scale industries and informal sector, which absorbed the poor labour force. There is a need for providing enabling environment for these workers. Providing higher wages, removing legal hurdles, quality social security measures are some of the measures needed too help the poor. The Government should give promotional support to small scale industries. The small industries sector do not face a level playing field vis-à-vis large industries because of innumerable market imperfection and it is necessary to take positive steps to remove or at least to mitigate these disadvantages. International experience suggests that technical assistance , market assistance and information have to be available as a package to have the desired results. Similarly, there is a large scope for diversification to services in rural areas. Here also the rural infrastructure has to be improved to create work opportunities in rural services.

Ease Asian Experience

East Asian experience offers some lessons to India regarding rural transformation. The Asian economies seems too have experienced a structural transformation of the rural economy in the last three decades. Rao (1999) shows that the structural transformation of rural economies in these countries has passed through the following three phases:

9. More on agro processing, see Mahendra Dev and Rao (2004)

(a) Early 1950s to mid-1960s: Dominated by restructuring of agrarian relations by implementing land reforms, and by building up infrastructure like irrigation.

(b) Mid-1960s to late 1970s: Green revolution and gradual extension to other rural areas

(c) Last Phase 1980s and 1990s: Characterised by macro economic reforms

In terms of structural transformation and poverty reduction, East Asia (China and Korea) is the best performer followed by South East Asian countries. The performance of South Asia in terms of rural development and poverty alleviation was modest and not as impressive as in the first two groups of countries (Rao, 1999).

Several factors are responsible for substantial progress towards rural poverty alleviation in the East and South East Asian countries. These are given below.

(i) Definite shift in the development strategies and macro economic policies towards sustainable development i.e. significant increase in productivity.

(ii) Rural poverty alleviation has been most impressive in situations where the initial conditions in terms of prevailing social economic structure, the levels of physical infrastructure as well as human development were favourable or were given priority. The productivity gains would be higher under such conditions and the gains tend to be shared widely.

(iii) The state of the role has been decisive in building up the physical and social infrastructure in the initial stages of development particularly for creating the essential infrastructure in the remote or resource poor areas as well as for providing the basic facilities for education and health to the poorer sections.

(iv) Successful implementation of land reforms has played a key role in initiating process in East Asian countries while in some countries of South East Asia policy focus on high agricultural growth and human development seems to have contributed for poverty reduction.

(v) Agricultural growth substantially contributed for rural poverty reduction. even in the 1970, the agricultural growth rates were quite high in the South East Asian and East Asian countries.

(vi) Diversification towards rural non-form employment is one of the important factors responsible for rural poverty reduction. This increase was due to agricultural productivity. In Thailand, diversification was less because agricultural growth was more due to extensive cultivation rather than through productivity (Rao, 1999)

(7) Health and Education

Focus on five aspects to improve health in rural areas: First, public expenditure on health sector has to be increased. Public expenditure on health is now only around 1 per cent of GDP. These percentages have been stagnant in the 1990s and there is need to allocate more resources to the sector. However, along with this the efficiency of public spending has to be improved. More resources should be spent on preventive care, as the poor benefit more from this. Primary health care services should be accountable to the local governments and ensure better services for the money spent. The second issue is how to make the private sector accountable. The share of private sector in the total health care sector is high and has increased over time. One can not ignore, therefore, the role of private sector in the state. Government should promote institutions to regulate the private sector. Third, there is a need to promote community health insurance schemes (e.g. SEWA's scheme) in order to provide health services at low cost to poor in rural areas. Fourth, rights based approach to health sector, which can be improved with demand from the people, and social mobilization is important¹⁰. Fifth, health sector development has to be integrated with overall process of development. For example, there is no synergy between the processes directed at improving drinking water facilities, sanitation and public hygiene, access to elementary education, nutrition and poverty alleviation and the processes that improve access to public health and medical services. An integrated approach is important to improve health sector performance.

Focus on three Aspects for Improving Basic Education in rural areas: First, more resources have to be allocated to education, particularly to primary education, from the budget. The international norm is 6 per cent of GDP. India has been spending less than 4% of GDP. In rural areas infrastructure is poor. There is a need to spend more on rural areas. 93rd Amendment of the Constitution is in the right direction. But, required funds are needed to realize universalisation of elementary education. Second, the quality of education in terms of curriculum, better infrastructure and teaching has to be improved. Third, retaining children in the schools is more difficult than enrolling them. While the demand factors are important in influencing the extent of literacy and dropout rates, access or supply or quality factors influence enrolment rates. Specific policies are required to address the gender and social disparities.

Retaining of children in the schools needs social mobilization of the community against child labour and for education and intensive institutional arrangements¹¹.

10. On right to health, see Duggal (2003)

11. On right to education, see Srivastava (2003)

Such attempts are very successful at the micro level as demonstrated by NGOs like the MV Foundation. Also, there is a need to involve PRIs in primary education at local level.

(8) 'PURA' Model and Improving Basic Services : The President of India Dr. A.P.J. Abdul Kalam has been advocating implementation of the scheme 'PURA' -Providing Urban Amenities in Rural Areas. 'PURA' is a scheme to enhance physical, economic, knowledge, societal and electronic connectivity in rural areas. The Union Cabinet has recently approved the 'PURA' scheme. This scheme should be taken up seriously throughout India. Generally, the performance of many basic services like drinking water, health, education, sanitation, electricity, transport are weak in rural areas. Effectiveness of these services have to be improved by rights based and participatory approach. Demand should come from people to improve the performance of these basic services.

(9) Reduction in personal, regional and gender inequalities : The experience of globalisation has shown that it increased inter-personal and regional disparities across many countries. Chinese experience also shows increase in inequalities for a long time. Stepping up public investment in physical and social infrastructure has an immense potential for reducing regional disparities in the levels of development. The gap between the ultimate irrigation potential from major and medium irrigation projects, which can be undertaken only through public investment, and the potential actually created so far is quite high for the drought prone regions. Public expenditure on health and education needs to be stepped up substantially focusing on the less developed areas.

There are high gender disparities in many indicators of economic and human development in India. The discrimination is much higher in rural areas. Some of these factors can be seen as an integral part of the gender inequalities in India. Employment and asset creation among women improve their economic empowerment. One way is to provide property rights particularly land rights for women. So far, the strategy of land reforms has not given importance to the existing gender inequalities in land inheritance laws and ceiling laws. Women are more dependent on agriculture for a livelihood than men, as men shift to non-farm employment. It is estimated that 20 per cent of the rural households are defacto female-headed. Yet, very few women have titles of land and even fewer control it. Therefore, ensuring women's effective command over land in the form of land rights will be one of the measures needed for providing income security for widows in

particular and women in general¹². Education and health have to be improved for women in rural areas in order to improve their human development. Social empowerment can not come with employment and assets. NFHS II data shows that many rural women lack freedoms in making even simple decisions like going to market.

(10) Decentralisation and Governance : There is a need to devolve more finances, functions and powers for panchayats in order to make these institutions self sustaining.. The governments also have to integrate community based organizations (CBOs) with panchayats. The actual performance so far in terms of genuine decentralization / devolution to the local bodies is far from satisfactory. Some people feel that decentralization would lead to more corruption. It may be noted that *decentralized corruption is better than centralized corruption*.

The panchayats have no financial autonomy either in raising financial resources or in deciding on the allocation of funds across different sectors. Funds for centrally sponsored public works schemes like JRY form the bulk of the panchayat's budgets.

Another feature, which undermines the PRIs is a practice of diverting the funds of the PRIs for special programmes to be implemented by functionaries of other government departments. One example of this is the contentious issue relating to the promotion of parallel institutions Andhra Pradesh in the form of a number of Community Based Organisations (CBOs), such as *Janmabhoomi programme* etc., which are entrusted with numerous functions bypassing PRIs. These initiatives have evoked keen interest all over the country as experiments in direct democracy. But, they should not undermine representative institutions.

In recent years it has been shown that governance is the key factor for raising economic growth and human development. In this respect, several states are introducing many governance reforms given above to improve the administration and delivery systems. These reforms, including e-governance, have yielded some results. But, general impression is that in spite of reforms improvements at ground level are not visible. Change in the mind set of bureaucracy, involving good NGOs in local development programmes, convergence of line departments with Panchayats are some of the measures needed to improve the governance in the country. Right to information, social mobilisation and involvement of panchayats would improve accountability of public expenditures. These measures can reduce the leakages in several government programmes.

12. On the general issue of women's land rights in India see Agarwal, Bina (1994)

4. CONCLUSIONS

In the post-liberalisation period, improvements in some indicators such as foreign exchange reserves, physical infrastructure (like telecommunications and roads), and stock market boom in recent period, IT revolution, and prospects of 8 per cent growth in GDP in 2003-04. Due to these improvements, there is a feel good factor in the form of 'India Shining'. In this paper, we examined the issue whether this 'Shining' is true for rural India. Our assessment shows that although there were improvements in some indicators, rural India is not 'shining'. Conclusions of the paper are summarized below.

(1) Even macro data like GDP growth and investment shows that 'India is not shining'. There were no improvements in some crucial indicators in the post-liberalisation period particularly in the 9th Plan period (1997-98 to 2001-02). Agricultural growth showed only 1.8 per cent per annum in the 9th plan period. In the post-liberalisation period, only growth rate of services improved. There was also decline in public investment in the 90s particularly since the mid-90s.

(2) Growth rates in foodgrains and all crops declined significantly in the 90s. Public investment in agriculture and credit-deposit ratios in rural areas declined in the 1990s. Also, farmers' suicides have increased in recent years.

(3) There is diet diversification in rural areas. The demand for crop diversification will increase. This will also increase risk and uncertainty. Major issue is how to bring small and marginal farmers into diversification process.

(4) Poverty declined but there is a debate about the rate of decline. Rural poverty is high among scheduled castes, scheduled tribes and agricultural labour households. Reduction in the poverty of STs is very low as compared to general population.

(5) Employment growth was much lower in the 90s as compared to that of 80s. Growth in agricultural employment was almost zero. Even in industry and services, employment growth is low. Agriculture wage data shows that rate of growth of agricultural wages declined from 5% in the 80s to 2.5% in the 90s. However, NSS data shows that there was no decline in the wages of casual workers. Casualisation has increased over time. Poverty among casual workers is quite high. There has been diversification in rural employment towards industry and services. However, this is slower as compared to East Asian experience.

Recently, Planning Commission has mentioned that 84 lakh employment opportunities were created on an average during 2000 to 2002. Some other estimates show that numbers were exaggerated. Moreover, there was absolute decline in the number for rural youth and youth among women.

(6) Migration has increased during the reform period from rural-urban areas. Migrants have problems in destination areas.

(7) In the 1990s, education indicators such as literacy, enrollment etc. improved. There are, however, gender, group and regional disparities. In the case of health, infant mortality declined very slowly in the post-liberalisation period in rural areas as compared to urban areas. Many women and children are undernourished. A Study on health and education sector in UP and Bihar Reveals that treatment from government PHCs generally not available to poor. Medical staff at PHCs usually absent; when present, they give only prescription due to non-availability of medicines. Expenditure on private doctors leads to indebtedness and even loss of assets of poor. In most schools teachers were absent, or teaching conducted by proxy teachers engaged on very low wages

(8) Regional disparities in both growth and human development have increased. States such as Kerala, Gujarat, Punjab, Haryana, Maharashtra and Tamil Nadu have done well in human development while others lagged behind. There are significant disparities in inter-personal consumption. High gender disparities are noticed in many indicators.

To conclude, rural investment (both public and private), technology, rural institutions and employment schemes are important for rural development. We have suggested ten areas viz., employment, increase in public investment, agriculture sector, water management, rural institutional reforms, rural non-farm sector, health and education, reduction in regional, personal and gender disparities, 'PURA' model and basic services, decentralisation and governance where policy attention is needed in order to make rural India 'shine'. India can not 'shine' without 'shining' of rural India.

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