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DYNAMICS OF AGRARIAN POWER STRUCTURE AND  
POVERTY IN RURAL BIHAR

THESIS SUBMITTED TO GOKHALE INSTITUTE OF POLITICS  
AND ECONOMICS FOR THE DEGREE OF DOCTOR OF  
PHILOSOPHY IN ECONOMICS

BY  
ANTO JOSEPH

UNDER THE GUIDANCE OF  
DR. K. G. KSHIRSAGAR  
PROFESSOR IN ECONOMICS

GOKHALE INSTITUTE OF POLITICS AND ECONOMICS  
(DEEMED TO BE A UNIVERSITY)  
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**CERTIFIED** that the work incorporated in the thesis “Dynamics of Agrarian Power Structure and Poverty in Rural Bihar” submitted by Shri. Anto Joseph was carried out by the candidate under my guidance. Such material as has been obtained from other sources has been duly acknowledged in the thesis.

**Research Guide**



**Dr. K.G. Kshirsagar**

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# TABLE OF CONTENTS

## ACKNOWLEDGEMENTS

TABLE OF CONTENTS.....	i
LIST OF TABLES.....	iv
LIST OF FIGURES.....	vii
ABBREVIATIONS .....	viii

## CHAPTER I: INTRODUCTION

1	Introduction.....	1
2	The Focus of the Study.....	2
3	The Scope of the Study.....	6
4	The Need for the Study.....	7
5	Objectives.....	8
6	Literature on Poverty.....	10
7	The 'Spaces' of Poverty.....	15
8	The Poverty Concepts: A Review.....	20
9	Power Structure, Social Relations and Poverty.....	42
10	Organization of Chapters.....	56

## CHAPTER II: METHODOLOGY

1	Introduction.....	58
2	Approaches to Poverty Study.....	58
3	Methodology Outlined.....	61
4	Period of the Study.....	74
5	Data Sources.....	74
6	Limitations of the Study.....	75
7	Operational Definitions.....	75
8	A Profile of Bihar and The Sample.....	79
9	Conclusion.....	109

### CHAPTER III: RURAL POVERTY AND HUNGER FOR LAND

1	Introduction.....	110
2	The Centrality of Land.....	110
3	Poverty among the Agrarian Classes.....	121
4	Land as and Rural Poverty.....	124
5	Inequality in Land and Income Distribution.....	139
6	Dependence of Poor on Land: Some Observations .....	140
7	Dependence on Land: Seeds of Rural Poverty.....	145
8	Conclusion.....	146

### CHAPTER IV: RURAL POVERTY AND STRUGGLE FOR EMPLOYMENT

1	Introduction.....	147
2	Poverty among the Rural Labourers.....	147
3	Character of Labour in Rural Bihar.....	152
4	Institutions of Labour Control.....	159
5	Consequences of Labour Control.....	169
6	Poverty: An Institution of Labour Exploitation.....	182
7	Conclusion.....	188

### CHAPTER V: RURAL POVERTY AND BURDEN OF DEBT

1	Introduction.....	189
2	From Lender's Risk to Borrower's Risk.....	189
3	Features of Credit Relations.....	191
4	The Purpose of Informal Credit.....	200
5	Interest Rates Variability.....	203
6	Collateral against Informal Credit.....	206
7	The Sources of Informal Credit.....	208
8	Types of Informal Credit.....	211
9	Types of Informal Credit Relations in the Sample.....	213
10	Informal Credit and Rural Poverty.....	215
11	Conclusion.....	220

## CHAPTER VI: PUBLIC ACTION: WHY DO THE POOR FAIL?

1	Introduction.....	221
2	Income Transfer: Preliminary Observations.....	222
3	Why Did the Poor Fail?.....	226
4	'Transfer Relations'.....	231
5	Transfer Relations, Agrarian Structure and Poverty.....	233
6	Conclusion.....	238

## CHAPTER VII: AGRARIAN STRUCTURE – RURAL POVERTY NEXUS

1	Introduction.....	239
2	Composite Index of Rural Poverty.....	240
3	Variation in the Nature of Poverty.....	241
4	Some Important Manifestations of Poverty.....	256
5	Agrarian Power Structure – Rural Poverty Nexus.....	262
6	Some Lessons.....	264
7	Conclusion.....	265

## CHAPTER VIII: A PARADIGM OF EMPOWERMENT OF THE POOR

1	Introduction.....	267
2	The Analytical Foundations.....	267
3	Major Findings of the Study.....	268
4	Empowerment of the Rural Poor.....	277
5	“The End of Poverty”.....	290

APPENDICES.....	291
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BIBLIOGRAPHY.....	297
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## LIST OF TABLES

2.1	Village-wise Sample Size.....	64
2.2	Indicators of Composite Index of Rural Well-being.....	73
2.3	Land Utilization: Bihar and Major Indian States.....	81
2.4	Distribution of Operational Holdings (1995-1996): Indian States.....	82
2.5	Percentage Area Operated by Landholding Groups (1995-1996): Indian States.....	82
2.6	Per Capita GSDP and Rank of States: Triennium Ending (TE) 2000-2001.....	83
2.7	Share of Top Five and Bottom Six States in the GDP of India.....	84
2.8	Annual Compound Growth Rate during 1980s and 1990s.....	85
2.9	District-wise Rural Households Below Poverty Line (1997-2002) .....	86
2.10	Human Development Index: Bihar and Major Indian States.....	87
2.11	Gaya and Madhubani: Socio-Economic Features.....	90
2.12	Landholdings and Agriculture in Gaya and Madhubani.....	91
2.13	Social Characteristics of Sample Villages.....	92
2.14	Caste Composition of Sample Households.....	93
2.15	Educational Status of the Sample.....	94
2.16	Living Conditions in Sample Villages .....	95
2.17	Social Groups and Primary Occupations.....	96
2.18	Landholdings and Area Owned: Sample Villages.....	97
2.19	Landholdings and Area Owned (caste-wise).....	98
2.20	Operational Area Owned by Different Castes.....	99
2.21	Village and Caste-wise Ownership of Livestock.....	100
2.22	Use of Modern Technology and Productivity in Agriculture.....	101
2.23	Aggregate Poverty Measures: All Households.....	102
2.24	Village-wise HCR of Poverty .....	103
2.25	Poverty Measures for Caste Groups.....	104
2.26	Poverty Measures and Education of Household Head.....	107
3.1	Poverty Measures and Agrarian Classes.....	121
3.2	The Poor and Their Three Major Primary Occupations .....	126
3.3	Source-wise Composition of Per Capita Annual Income of Poor and Non-Poor.....	129
3.4	Agricultural and Non-Agricultural Per Capita Monthly Income of Different Socio-Economic Groups.....	131



3.5	Share of Per Capita Annual Agricultural Income in the Total per Capita Annual Income of Agrarian Classes.....	134
3.6	Explanatory Variables of Per Capita Agricultural Income (Linear Regression).....	136
3.7	Operational Landholdings Owned by the Poor and Non-Poor.....	137
3.8	Some Selected Information on Tenancy.....	138
3.9	Share of Poor and the Non-Poor in Income.....	139
3.10	Source-wise Composition of Agricultural Income of Poor and Non-Poor.....	144
4.1	Measures of Poverty by Occupation .....	148
4.2	Village-wise HCRs of Poverty among Three Occupational Groups. ...	149
4.3	Number of Employers for Whom Agricultural Labourers Worked for During the 'Last Three Years'.....	168
4.4	Pattern of Labour Use for Agricultural Operations.....	170
4.5	Education/Skill Formation among Rural Labourers.....	175
4.6	Inter-Village Variation in Agricultural Wages.....	181
4.7	Livestock-raising among the Labourers.....	182
5.1	Household-Taken Credit from Formal and Informal Sources.....	192
5.2	Formal and Informal Credit and Socio-Economic Groups.....	193
5.3	Share of Different Socio-Economic Groups in the Total Credit.....	194
5.4	Percentage Share of Formal and Informal Credit in Total Credit.....	196
5.5	Volume of Formal and Informal Credit as Percentage of Total Income	198
5.6	Percentage of Households Taking Informal Credit for Different Purposes.....	201
5.7	Variable Interest Rates in the Informal Credit Market.....	204
5.8	Types of Collateral against Informal Credit.....	206
5.9	Sources of Informal Credit.....	209
5.10	Incidence of Different Types of Informal Credit.....	214
6.1	Dissemination of Information concerning Schemes of Income Transfer to the Poor .....	222
6.2	Have the Poor Benefited from the Schemes of Income Transfer.....	224
6.3	Percentage of Population Benefited from .....	225
6.4	Reasons for the Failure of the Poor to Benefit from Income-Transfer Schemes.....	227
7.1	Percentage of Households in Different Levels of Well-Being.....	243
7.2	Levels of Well-Being and Socio-Economic Groups.....	246
7.3	Mean Levels Well-Being in Different Evaluative 'Spaces' of Poverty.	249

7.4	Agrarian Classes and Levels of Well-Being.....	256
7.5	Some Indicators of Food – Grain – Security.....	258
7.6	The Poor and ‘Distress’ Sale of Food–Grains.....	259
7.7	Per Capita Income of Those in the Four Different Levels of Well-Being.....	260
7.8	Some Miscellaneous Information Concerning Households in Different Levels of Well-Being.....	261

## LIST OF FIGURES

1.1	The Three 'Spaces' of Poverty.....	19
1.2	Sen's Concept of Human Well-being.....	32
2.1	The Occupational Distribution of the Rural Workforce.....	95
2.2	Poverty Criteria and Convergence-Divergence of HCRs.....	102
2.3	Convergent Poverty and Caste-Structure.....	105
2.4a	Distribution of Income Poor among the Castes.....	106
2.4b	Distribution of Capability Poor among the Castes.....	106
2.5	Convergent Poverty and Educational Groups.....	108
3.1	Convergent Poverty and Agrarian Classes.....	122
3.2	Distribution of Income Poor among Agrarian Classes.....	123
3.3	Distribution of Capability Poor among Agrarian Classes.....	124
3.4	Percentage of Cultivators and Agricultural Labourers among Heads of Poor Households Dependent on Agriculture Directly.....	127
3.5	The Poor and Their Income Sources .....	128
3.6	Percentage Contribution of Agricultural Income .....	134
4.1	Convergent Poverty and Occupational Groups.....	148
4.2	Pattern of Labour Use among Agricultural Labourers.....	171
4.3	Per cent Men and Women in Three Major Occupations.....	173
7.1	Mean Levels of Well-Being of SC Households.....	252
7.2	Mean Levels of Well-Being of Agricultural Labour Households.....	252
7.3a	Mean Levels of Well-Being and Socio-Economic Groups: Khangaon.....	253
7.3b	Mean Levels of Well-Being and Socio-Economic Groups: Bargoria.....	254
7.3c	Mean Levels of Well-Being and Socio-Economic Groups: Kurmava.....	254
7.3d	Mean Levels of Well-Being and Socio-Economic Groups: Ira.....	255
<b>7.4</b>	<b>Rural Well-being and Agrarian Power Structure.....</b>	<b>263</b>

## ABBREVIATIONS

AL	Agricultural Labour/Labourer
BDO	Block Development Officer
BPL	Below Poverty Line
CD	Block Community Development Block
CMIE	Centre for Monitoring Indian Economy
CP	Capability Poverty/Poor
CUP	Cambridge University Press
FBIC	Friendship Based Informal Credit
FC	Formal Credit
GDP	Gross Domestic Product
GOB	Government of Bihar
GOI	Government of India
GSDP	Gross State Domestic Product
HCR	Head Count Ratio
HDI	Human Development Index
HPI	Human Poverty Index
IAY	<i>Indira Awas Yojana</i>
IFC	Informal Credit
IIPS	International Institute of Population Studies
IMR	Infant Mortality Rate
IP	Income Poverty/Poor
LAIC	Land Alienating Informal Credit
LDCs	Less Developed Countries
LTIC	Labour Tying Informal Credit
NFHS	National Family Health Survey
NPP	Non-Productive Purposes
NSS	National Sample Survey
NSSO	National Sample Survey Organization
OBC	Other Backward Castes
OUP	Oxford University Press
PCCE	Per Capita Consumption Expenditure
PCY	Per Capita Income
PDS	Public Distribution System

PGI	Poverty Gap Index
POIC	Profit Oriented Informal Credit
PP	Productive Purposes
PPA	Participatory Poverty Assessment
SC	Scheduled Castes
SGRY	<i>Sampoorna Grammeen Rojgaar Yojana</i>
SGSY	<i>Sampoorna Grammeen Sadak Yojana</i>
SHG	Self Help Groups
TE	Triennium Ending
UN	United Nations
UBC	Upper Backward Castes
UNDP	United Nations Development Program
WB	World Bank

# CHAPTER I

## INTRODUCTION

### 1 Introduction

The study, “Dynamics of Agrarian Power Structure and Poverty in Rural Bihar” is an enquiry into *why the poor are poor* in rural Bihar. Bihar is one of the large states of India in both area and population. According to 61<sup>st</sup> round (2003-2004) of National Sample Survey, 42.1 per cent of the rural population in Bihar is poor. That is, more than 33.67 million people are living in poverty. The Below Poverty-line (BPL) census conducted by the state government suggests a still higher percentage of poor in rural Bihar (1997-'02). The poor constitute more than 50 per cent of the rural population of all districts, except Patna, Buxar, Vaishali, and West Champaran. The study identifies the majority of the scheduled castes, the landless and the agricultural labourers in rural Bihar as poor. Though there has been some decrease in the Head Count Ratio of poverty in terms of both the percentage and absolute number of people from 1993-1994 to 2003-2004, the figures are still startling.

The present study is a modest attempt to respond to one of the most crucial concerns of the state – rural poverty. The study is not a general enquiry into the incidence or severity of poverty in rural Bihar, a fact that is quite well known. It is rather an analytical enquiry into the socio-economic milieu in Bihar within which a good majority of the rural population becomes highly vulnerable to poverty.

A note clarifying the title may be in order. The word ‘dynamics’ does not suggest that the study is an analysis of poverty over a period of time. It refers to the *mutually influencing and reinforcing relationships among the agrarian power structures, the social relations of exchange and rural poverty*. It is in reference to the socio-economic milieu – the agrarian power structure and the social relations of exchange – within which rural poverty has been examined in the study that it has been entitled as “Dynamics of Agrarian Power Structure and Poverty in Rural Bihar”.

This introductory chapter discusses the research problem, its scope and relevance. It reviews literature on poverty and literature on agrarian power structure and social relations in backward agriculture. These two sets of literature are reviewed here with the intention of presenting the theoretical basis for the present enquiry. The chapter incorporates the articulations of the poor on poverty into the theoretical framework.

## 2 The Focus of the Study

The researcher had an opportunity to stay in a few villages in central Bihar. One day, in 1996, he braved the blazing sun of June to visit a village-*tolla* – *Babuchack* - inhabited by members of *Musahar* community<sup>1</sup>. Many of them were sitting under a mango tree that stood at one end of the '*tolla*'. Sanyoga *didi* (sister), who had seen him approaching them, came forward and greeted: '*Pranaam Bhaiji*' (greetings, brother). Having responded to her greetings, with the intention of beginning a conversation, he asked her if she had finished her meal. To his surprise, he noticed that the question had taken her aback. She had thought that he was hungry and wanted some food to eat. With a visible sign of uneasiness she informed him that there was no food in the house to give him. Hearing her reply and knowing that she had, in fact, misunderstood him, he was terribly embarrassed, deeply hurt and agitated. His ego was wounded. "How can I stand in front of someone, extending my hand for a square meal?" Such was the thought that engulfed him at that time.

The experience had left a profound impression on him. He began to reflect what it means to be poor. If the experience of his dignity being hurt as the result of this otherwise insignificant incident is true of him, how much more should it be true of the millions of poor whose life is one of constant struggle against poverty!

The researcher moved around many villages in Bihar encountering poverty from close quarters, entering into discussions with the poor and pondering over the question: *Why the poor are poor*. The close encounter of and discussions with the

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<sup>1</sup> Musahar community is one of the largest and most deprived communities in Bihar. They are mostly landless agricultural labourers.

poor in many villages of Bihar enabled him to identify the analytical perspective within which the question, *why the poor are poor*, can be meaningfully pursued.

The enquiry into *why the poor are poor* should be placed in the context of the human striving for self-actualization. Every human person strives for achieving higher and higher levels of self-actualization. Strive for a minimum income or a minimum bundle of 'commodities'/'functionings' necessary for a 'minimum level of living' is fundamental to every individual's self-actualizing activity. This implies that an individual would do everything possible in his/her capacity to escape from being a victim of poverty as poverty negates his/her fundamental self-actualizing activity. Therefore, if an individual comes to be in poverty, it was necessarily not within his/her capacity to avoid it. He/she has come to be in poverty "involuntarily"<sup>2</sup>.

If the poor are poor because they have failed in preventing them from being the victims of poverty, they are necessarily powerless<sup>3</sup>. They are so powerless (a near total collapse of their 'entitlements' – to use Sen's terminology) that they are 'incapable' of commanding a minimum subsistence bundle of goods and services (ref. Income Poverty) or a minimum set of valuable 'functionings' (ref. Capability Poverty). The enquiry into *why the poor are poor*, therefore, necessitates an examination of the nature of their *powerlessness*.

Individuals become powerless and, thus, victims of poverty within a *network of social relations*. It is within the network of the production-exchange relations that the individuals' striving for self-actualization takes concrete shape. How individuals are related to the productive resources and to the other economic agents in a given society determines the social milieu within which they convert their 'entitlements'

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<sup>2</sup> We use 'involuntary acceptance of poverty in the same sense of compulsion as used by Amit Bhaduri (1983) to explain the forced commerce that the poor enters into. Poverty can be, in some sense voluntary, as was the case with Mahatma Gandhi. Some take the vow of poverty for spiritual reasons. These cases of poverty are quite different from the experience of poverty in general. In general, nobody on their own chooses poverty. The poor accept poverty, as they have no choice.

<sup>3</sup> Are the poor necessarily powerless? If so, what about Mahatma Gandhi who was poor and yet powerful? Are those who are powerless necessarily poor? If so, what about a child who is powerless, in the sense that it depends on its parents for everything, and yet not poor? Our reference is not to such cases. Our reference is to the poor who are a socio, economic and political category.



into those bundles of goods and services necessary for a life free of poverty. Whichever definition of poverty one may consider, to wit, income approach to poverty, basic needs approach to poverty or capability approach to poverty, it is within the net-work of social relations of production and exchange that the individuals either fail or succeed in having access to a minimum income or basic needs or achieved functionings. Therefore, the question *why the poor are poor* can be meaningfully pursued only if one is able to unfold the character of production and exchange relations in which poverty in rural Bihar is embedded.

The poor who are the victims of poverty and not the '*objectified*' poverty 'out there' is the focus of this study. It examines their failure to command a socially acceptable minimum level of living in relation to their position in the agrarian power structure and the network of social relations that mediate the conversion of their entitlements into at least a minimum level of living. More concretely, the study probes into the nature of the agrarian power structure and the social relations of exchange within which the landless, the labourers and the scheduled castes who form the majority of the poor in rural Bihar fail to avoid being the victims of poverty.

A major concern of poverty studies has been the question of what causes/determines poverty. The causal factors of poverty that are discussed in the vast literature can be broadly categorized into four. In the first category of factors of causal importance to poverty are those that are purely subjective in nature. In this group personal features that are responsible for the poverty of a person are discussed. Some physical deformities of the person and such purely personal characteristics are discussed as factors accounting for his/her poverty. In the second category, factors that are peculiar to a household are included. The sudden death of the main bread-winner, the prolonged illness of the head of the family, the age composition of the household, the number of dependents and such other factors that are, in some sense, peculiar to each household can be causally related to poverty. The third category of factors is of those that are developmental<sup>4</sup> in nature. In this category, developmental factors such

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<sup>4</sup> See for example a set of initial studies John W. Mellor and Gunavant M. Desai (1986), ed., *Agricultural change and Rural Poverty: Variations on a Theme* By Dharm Narain, Delhi: Oxford

as agricultural production, overall economic growth, price variability, terms of trade between rural and urban sectors, farm and non-farm employment opportunities, irrigation and other infrastructure availability, proximity to the market and such factors are included. The fourth category of factors is more structural. For example, the structure of land distribution, the influence of cultural factors, and the form of governance<sup>5</sup>, – democratic or dictatorial – are analyzed in relation to poverty.

The present study addresses the question *why the poor are poor* from a different perspective. It enquires into the agrarian power structure and social relations of exchange within which poverty comes to be the existential reality. It examines land relations, labour relations, credit relations, ‘transfer relations’ and agrarian power structure to locate rural poverty and to comprehend *why the poor are poor*.

*Why the poor are poor* being the primary focus, this study enquires into the *process* of poverty rather than on the end result of what constitutes poverty. One can contemplate a situation in which a person who is landless comes to be in a situation of being less fed, less nourished, less healthy and so on. Traditionally, especially in the *income concept of poverty* (and also in the most poverty studies on the *capability concept of poverty*), poverty is located at the level of his/her hunger, malnourishment, etc. However, his/her being hungry, mal-nourished, etc. are merely the end result – the product – of a chain of his/her relationship to land, to his/her own labour, to the employer, moneylender, trader and government agents, and so on and so forth. At the end of the network of his/her relationship to the resources and the economic agents – the process – he/she has come to be less fed, etc. This study, therefore, concentrates more on the process of poverty than the fact of poverty.

Briefly, the present study is an analytical enquiry, based on the empirical evidences from four sample villages, into the mutually reinforcing relationship among the *agrarian power structure, social relations of exchange and poverty* in rural Bihar.

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university Press. Darm Narain was the first one to consider price/price change as an explanatory variable, besides agricultural production, for explaining the changes in the incidence of poverty.

<sup>5</sup> Amartya Sen (1999), *Development as freedom*, New York: Knopf. See also, Dreze J.P and Amartya Sen (1989), *Political Economy of Hunger*, Vol. 1: Entitlement and well-being, OUP.

### 3 The Scope of the Study

The study is vast and ambitious. Given the constraints that any researcher would encounter, we submit that it was not possible for us to pursue in the present study many important aspects of the examination of the failure of the poor in rural Bihar in the spaces of (1) agrarian power structure, (2) the network of exchange relations and the physical well-being. This study, in many ways, is rudimentary and, at best, provides an important and hitherto inadequately employed perspective in which studies on poverty need to be anchored more urgently and frequently.

Firstly, the 'space' of the agrarian power structure involves the question of the stratification of the rural society in Bihar with respect to at least three forms of power: (1) the economic, (2) the political and (3) the social power. In order to have a fair idea of the nature of the agrarian power structure, it is required to isolate and measure these forms of power as distributed in the agrarian society. This task is not only difficult but involves a huge amount of well-considered and scholarly work as well. Given the methodological and other difficulties involved in this task, we shall not pursue it in this study. Therefore, considering the fact that the pattern of land-ownership in rural Bihar is an important indicator not only of the distribution of the economic power, but of the social and the political power as well, we shall consider the structure of land ownership as indicative of the agrarian power structure. The study considers that the foundation of the agrarian power structure in rural Bihar is land relations. Land is the most critical resource in rural Bihar.

Secondly, the space of the exchange relations is very vast and it is not possible for any single study to dwell on the entire network of exchange relations. Therefore, the study limits itself to the exchange relations in the factor market. While considering the exchange relations in the factor market, the study limits itself to the exchange relations in land, labour, credit and 'transfer markets'. Even here, the study dwells only those aspects of exchange relations in the above four markets, which are important to examine the *failure* of the poor to achieve a minimum level of living.

Lastly, the study is based on the household survey of four villages representing two different agro-climatic and socio-political regions in Bihar. Given the limitations of any village study, great care must be taken to transfer the findings to the state as a whole. However, as far as a village can be seen as “a point at which social, economic and political forces operating over a much wider field meet and intersect” (Beteille, 1966), the findings can be considered to be representative of rural Bihar.

To put it positively, the study has the scope of (1) broadening the concept of poverty as it locates poverty in three ‘spaces’ of the social existence of the poor, (2) explaining the inherent vulnerability of the landless, the labourers and the scheduled castes to poverty, (3) emphasizing the need for more and more micro studies on poverty, (4) highlighting the variation in the nature of poverty in different villages and socio-economic groups and (5) suggesting a paradigm to combat rural poverty.

#### **4 The Need for the Study**

The review of literature on poverty, agrarian structure and social relations explains the rationale and need for the present study. Firstly, the review of literature on poverty concepts shows that academic articulations of poverty differ quite substantially from what constitutes the experience of poverty as revealed by the articulations of the poor. It is important that efforts are made to bridge the gap between the academic articulations on poverty and the experiential content of poverty. This study by seeking to locate poverty in three ‘spaces’ of the social existence of the poor – the ‘space’ of agrarian power structure, the ‘space’ of social relations and the ‘space’ of physical well-being – attempts to bridge this gap. Moreover, the review on poverty concepts shows that poverty defined as ‘capability failure’ incorporates the above said ‘spaces’ into the definition of poverty. However, the present scholarship on poverty has not analyzed the above three ‘spaces’ as constitutive of the experience of poverty. Analysis of poverty carried out in the above-mentioned three ‘spaces’ is crucially important for states like Bihar. The present study is an attempt in that direction.

The literature on agrarian power structure and social relations in backward agriculture has brought to light some important features of social relations in backward agriculture and their impact on the poor. These studies have highlighted the exploitative nature of social relations that the vulnerable groups are forced to enter into. Although these studies have highlighted how the exploitative social relations affect the quality of life of the poor, studies on poverty have not attempted to incorporate these dimensions of the life of the poor into what constitutes poverty. Poverty studies have not linked these special features of social relations entered by the vulnerable groups in an agrarian society such as that of Bihar to poverty as constitutive of the experience of poverty. Learning immensely from these studies, the present study incorporates the 'space' of agrarian power structure and the 'space' of social relations into the analysis of poverty as integral to what constitutes poverty.

The theoretical framework and the methodology of blending qualitative and quantitative information for analysis and interpretation makes this study new and refreshing. Moreover, the study addresses one of the most pressing concerns of Bihar. We have not come across any elaborate study on poverty in rural Bihar, which would help the policy-makers and civil society to address rural poverty seriously. This study examines poverty in rural Bihar through a micro-level lens and attempts to answer *why the poor are poor*. The analysis and possible answers that this study comes out with, would be a unique contribution to the task of reconstructing Bihar of which tackling rural poverty is an important component.

## **5 Objectives**

Poverty comes to be determined within the agrarian relations of production and exchange, which is a reflection of the power relations arising out of ownership and control of critical resources. The study, therefore, seeks to examine the mutually influencing and reinforcing relationship among the agrarian power structure, the exchange relations and the failure of individuals to have a minimum level of living. The following are the specific objectives and the hypotheses of the study:

### *Objectives*

- To identify the poor and their socio-economic profile in rural Bihar.
- To examine the nexus between rural poverty and land relations
- To study rural poverty with respect to labour-land relationship.
- To assess rural poverty with respect to the market for informal credit.
- To study why the poor failed to benefit from the schemes of income transfer.
- To analyze the agrarian power structure-social relations-poverty nexus
- To suggest policy measures for combating poverty in rural Bihar

### *Hypotheses*

- Poverty is associated with certain socio-economic categories of the agrarian population. The labourers, the landless or the nearly landless and the Scheduled Castes are highly vulnerable to poverty.
- Land being the most critical rural resource, the relation of the agrarian population to land would play a crucial role in either enhancing or impairing their capability to prevent poverty.
- The rural labour in Bihar has been reduced to a non-critical resource in production without any bargaining power of its own. Hence, the labourers fail to convert their labour entitlements even to a minimum level of living.
- The institution of informal credit, an enduring agrarian institution in rural Bihar, plays a vital role in accentuating the susceptibility of the landless, labourers, marginal farmers, and the scheduled castes to poverty.
- The poor have not benefited much from the anti-poverty schemes. The poor are so powerless that they fail to benefit from these schemes.
- Poverty in rural Bihar is, most fundamentally, located in the highly inegalitarian agrarian power structure.

## 6 Literature on Poverty

Poverty as a subject of scientific study received attention only from late 19<sup>th</sup> century. Booth's *Life and Labour* (1892-1897) survey of London "combined the elements of first hand observation with a systematic attempt to measure the extent of [poverty]". Taking a street as a unit of analysis, he drew up the celebrated map of poverty in London. The method advanced in the study of Rowntree (1901) represented a significant departure from that of Booth in two ways. Rowntree was concerned with individual family income and developed a poverty standard based on estimates of nutritional and other requirements. He defined families as in 'primary poverty' if their 'total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency'. The absolute concept of poverty found in Booth and Rowntree was contested by Townsend (1954) and Townsend and Abel Smith (1964). They challenged the claim that poverty had been abolished in Britain and developed the relative concept of poverty. In the United States of America, Galbraith's *The Affluent Society* (1958) and Harrington's *The Other America* (1962) aroused the attention of the general public, politicians and academicians. Mollie Orshansky (1969) developed a poverty definition and reasoned that if the minimum food requirements for a family were multiplied by three<sup>6</sup>, this would give the minimum income required by that family. He suggested poverty-line income for people of different occupations and localities. Bardhan (1970, 1974), Minhas (1970), Dandekar and Rath (1971), Sukhatme (1977, 1978), and Rao (1977) were among those who pioneered the study of poverty in India.

### 6.1 Poverty Literature in India

Scholars of economic discipline have greatly contributed to the voluminous literature on the subject. The literature encompasses a variety of issues on poverty. For the purpose of brevity, we classify the Indian literature on poverty into five broad groups and discuss each group of literature in brief.

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<sup>6</sup> This was based on an argument that food bundle account for one-third of total expenditure met by the poor households.

### **6.1.1 The beginnings: How many Poor?**

The first group of poverty literature that evolved in the years following the independence of the country mainly focused on the problem of *identification of the poor* and the problem of evolving a 'scientific' and 'objective' method to *aggregate* the number of the poor in the country. Nilakantha Rath remarks that "one of the earliest to venture a quantitative statement about the poverty in India was (the late) Dr. Ram Manohar Lohia who made a statement in the House of People (Lok Sabha) of the Indian Parliament in the late 1950s about the proportion of Indians who had less than a specified level of expenditure"<sup>7</sup>. The literature in this group was primarily concerned with various aspects of *counting the poor*.

Discussions on the criteria that demarcates the poor from the non-poor, useful debate on the appropriateness of various criteria – income, expenditure, 'calorie intake', nutritional requirements, 'balanced diet' and so on, – setting up and debating over a meaningful poverty-line in terms of the accepted criterion/a and calculating aggregate measurement of poverty using the then available National Sample Survey (NSS) data, policy recommendations for successful eradication of poverty - such were the concerns of this first group of literature<sup>8</sup>. This literature included discussions on making poverty-line sensitive to activity, age, sex, locality, culture and such other factors that are important for a country as diverse and large as India.

### **6.1.2 Wait! Let Growth Trickle Down**

The second group of literature came to dominate the poverty discourse in the country after the advent of growth-led strategy for combating poverty. The discourse was centered on the nexus between poverty and growth. Following the introduction of Green Revolution into Indian agriculture, academic discourse and debates on poverty were centred on the 'Trickle-down Hypothesis'. The focus of these studies and of

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<sup>7</sup> Nilakantha Rath, "Poverty in India Revisited", Indian Journal of Agricultural Economics, Vol. 51, Nos. 1&2, Jan-June 1996, p.76.

<sup>8</sup> The following literature gives a birds'-eye view of these concerns: Bardhan (1970), Minhas (1970), Ojha (1970), Dandekar and Rath (1971), Sukhatme (1978), Rao (1977), Dandekar (1981, 1982), Osmani (1992), Rath (1996) among others.



course debate was: Is there any negative and significant relationship between growth and poverty? Has the agricultural growth following the introduction of the new technology trickled down to benefit the millions of the poor?

Two diametrically opposite views emerged from this academic debate. Any consensus on this debate was very much elusive then and to a great extent even today, though some broad agreements seem to be emerging among the scholars today. The Ahluwalia (1978, 1985) school of researchers strongly supported the 'Trickle-down hypothesis' and argued that agricultural growth had indeed reduced rural poverty during the reference period of their study. On the other hand, Khan and Griffin (1976), Griffin and Ghosh (1979), Bardhan (1985) and others argued that agricultural growth had resulted in large-scale impoverishment of the rural peasantry. Some structural factors that may promote or hinder the 'trickling' of the benefits of growth down to the poor have also been highlighted by some studies falling under this group. The debate<sup>9</sup> between "Trickle Down" and "Immiserising Growth" persisted for a long time and it seemed there was no point of convergence. The findings and counter findings on the impact of growth on poverty led the United Nations to suggest that "both are right" (UN, 1997, p.72).

A variant or rather the continuation of above group of literature is seen today in the context of the introduction of new economic policy initiated by the Indian government, opening up the domestic economy more and more to the world economy. The broad agreement among the scholars on incidence of poverty during the reform period is that though the incidence of poverty may not have increased, the rate of decline in the incidence of poverty during the reform period has certainly slowed down in comparison with the rate of decline of poverty achieved in the 80s<sup>10</sup>.

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<sup>9</sup> To understand various theoretical issues on the debate discussed in the literature, Bhalla G.S. and Chadha, G.K. (1983), Raghav Gaiha (1987), Persson and Tabellini (1991), Fishlow (1995), Bruno, Ravallion and Squire (1996), Fields, G. (1979, 2002) can be helpful.

<sup>10</sup> See for example Martin Ravallion (2000), Mahendra Dev (2000), Suryanarayana (1996), Sundaram (2001), Richard Palmer-Jones and Kunal Sen (2001) among others.

### **6.1.3 Hypothesis Testing: Determinants of Poverty**

The literature on determinants of poverty tries to establish a causal relationship of poverty with certain developmental variables. Ahluwalia (1978) showed a strong inverse relationship between agricultural per capita value added and incidence of poverty during the period 1956 to 1974. Dharam Narain used nominal price as another explanatory variable together with agricultural production. Ghosh (1989) showed that higher relative price of agricultural products vis-à-vis manufactures has poverty-increasing impact. Tendulkar et al (1996) examined the impact of macro policies on temporal variations in poverty. Sen (1996) suggests that agricultural growth, relative price of food, developmental public expenditure and non-agrarian employment are the crucial variables influencing temporal variations in rural poverty. Some studies have also examined the factors responsible for inter-state variations in poverty (Tendulkar, 1996 and Sen, 1996). Influence of cultural factors and governance – democratic or dictatorial – on poverty has also been analyzed<sup>11</sup>.

### **6.1.4 Branching Out: Variety of Poverty Themes**

The fourth group of poverty literature<sup>12</sup> is of recent origin, comparatively speaking. This literature analyses the nature of poverty – structural and transient poverty –; the relationship of poverty to risk and vulnerability; and the behavioural patterns of the poor to cope with the reality of poverty – income-smoothing and consumption-smoothing behaviours among the poor – the role of social capital for the poor to cope with poverty and many such issues that highlight the behavioural patterns of the poor are discussed by this group of poverty literature. Walker and Ryan (1990), Breman (1988), Rose (1994), Foster (1995) and others have studied the behavioural patterns of poor with regard to consumption, production and other aspects of their lives.

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<sup>11</sup> Amartya Sen (1999), *Development as Freedom*, New York: Knopf. See also Dreze, J.P. and Amartya Sen (1989), *Political Economy of Hunger, Vol. 1: Entitlement and well-being*, OUP.

<sup>12</sup> See Raghav Gaiha and Anil B. Deolalikar; (1993), Anirudh Krishna (2003), Maxwell and Smith (1992), Chaudhri, S. and Ravallion, M (1994) and others for an appraisal of the wide ranging issues.

### **6.1.5 Who is Responsible? Social Structure - Poverty Nexus**

The fifth group of poverty literature, in a sense does not come under the mainstream poverty literature most of which is modelled within the neoclassical economic model. This group of literature tries to analyze poverty from a pronounced Marxian economic model. Some of this volume of literature considers poverty as a structural phenomenon of capitalistic development and imperialism. They analyze the mass poverty in its relation to the unequal, stratified and historically evolved capitalistic economic order. They consider that “the historical process with the growth and proliferation of imperialism and the wanton victimization of the nations of the south by the imperialist centres of Europe are unavoidable and essential historical data in the antilogy of poverty” (Bandyopadhyaya, 1987). The Indian literature<sup>13</sup> under the Marxian theoretical framework tried to locate the evolution of mass poverty in India as a modern phenomenon within the historical evolution of agrarian production relations and the resulting depeasantisation/proletarianisation of the rural peasantry.

Added to this literature, there are many studies on poverty in rural India that relate the phenomenon of poverty to agrarian relations peculiar to Indian agriculture. The study of Harris (1982) in North Arcot District in Tamil Nadu, Attwood’s Study (1993) of cooperative sugar factories in Maharashtra, Breman’s study (1974, 1993) of south Gujarat on the effect of commercialization on the Halpatis, and Kapadia’s (1996) study of a village in Tamil Nadu show how those on the bottom rank of the social ladder continue to be in poverty, if not worsening in their situation, as the content and direction of agrarian change is primarily determined by the existing agrarian power structure. The studies of Bob Currie (2000), Djurfeldt, G. and S. Lindberg (1973), Bardhan (1986), and Barbara Harris ((1984) examine the impact of agrarian changes and governance on poverty.

With this introductory survey of themes of Indian studies on poverty, we proceed to review the major poverty concepts.

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<sup>13</sup> See Ray Chaudhuri (1985); Goran Djurfeldt and Staffan Lindberg (1976); Praveen Jha (2003); Ranadive, K (1987); Patnaik P (1997); Galbraith J.K (1967) and Harrington Michael (1984).

## 7 The 'Spaces' of Poverty

Poverty has been conceived in different evaluative 'spaces' of human well-being. It has been defined in the 'spaces' of *opulence, income, resources, utility, basic needs*, valuable human *functionings*, and in the 'space' of *capabilities*. The concept of poverty has evolved from the purely 'biological' conception to the 'basic needs' conception to the 'capability' conception. However, this process of evolution of the concept of poverty has been to a large extent academic, confining itself within the four walls of 'scientific' enquiry. The voices of the poor<sup>14</sup> had no major role in the evolution of the concept of poverty. Do the poor have a concept of poverty? Do the concepts of poverty articulated by academicians and the poor converge?

Addressing these questions the researcher ascertained how the poor articulated their experience of poverty. It was quite astonishing to learn that the articulations of the poor on what constituted their experience of poverty differed substantially from academic articulations. While academic articulations of poverty suggested certain 'objective' criteria to identify poverty, the poor invariably resisted reducing their experience of poverty to some 'objective' criteria. They articulated their experience of poverty as a condition of their living. This condition (of being poor), which they articulated through narration of various incidents encompassed aspects of their *physical well-being, social relations they engage in* and their *access to resources*. The articulations of the poor on poverty are briefly explored here before proceeding to review the academic articulations on poverty.

### 7.1 Let the Poor Speak

Having identified the poor in the sample villages, through field observation, three<sup>15</sup> group discussions in each of the four sample villages were conducted to ascertain the

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<sup>14</sup> Many qualitative studies on poverty, which is on the increase in the recent years, emphasize the importance of recognizing the role of the poor in the study of poverty. For example, see UNDP (1996), World Bank (1999), Narayan (1997), Narayan, et al (2000). See also V. M. Rao, et al (2000).

<sup>15</sup> Three group discussions were conducted in each of the four villages so that the researcher could ascertain the views of the different sections of the poor population. The first group consisted of the head of the households, which were identified as poor; the second group consisted of women and third group consisted of the youth (men).

articulations of the poor concerning their experience of poverty. What follows is a few sample articulations by the poor on their experience of poverty. The sample articulations have been classified into three groups. In the first group of articulations, the experience of poverty refers to their physical well-being. In the second group of articulations, the experience of poverty refers to their lack of access to crucial resources, such as land, credit, education and so on. In the third group of articulations, experience of poverty refers to the nature of the social relations.

### *Poverty and Physical Well-being*

“Poor are those for whom ‘daal’ and green vegetables are a rarity. We try to have them on feast days and when guests come home”.

“Our children are insulted in the school as they do not have proper dress to wear. How can we buy a new pair of dress for our children?”

“We have no proper house to live in. We have to build our house year after year after the rainy season. Our huts get flooded every year as we were given this low-lying area to build our huts.”

### *Poverty and Access to Resources*

“We have been poor for years together. We have no land, no livestock. We totally depend on the daily wage for our survival. If we have no work, we have nothing to eat as well.”

“If we get some land, we would cultivate paddy, wheat and green vegetables... We would not then be poor.”

“Their (the big people’s) children go to school. Their children are employed. We are not able to send our children to school.”

“Nobody has land among us. We cannot get some land even on lease. They ask us: ‘if you have land, who would work on our fields?’”

### *Poverty as failure to avoid exploitative social relations of dependence*

“Since my grandfather’s time, I have been working for this landowner. I am his *kamiya* (bonded labour). Nobody gives me work. Can I break my ties with him, when I don’t get work elsewhere?”

“I have been working for a landlord for the last three years against a loan that was taken then. So far I have not been able to pay it back. I get only 2 kg of rice as wage while others get 2.5 kg. I have no animals which could be sold to pay back the debt”.

“We are afraid to take a loan from the government. We always have to go through some agent to avail of it. At the end, we do not get good animals. They do not give milk. When we ourselves starve, what can we feed the animals with? We often sell them to meet some emergency at home or to pay back the loan we had taken from the moneylender. Finally, we end up being harassed by the police for default”.

“We remain unemployed for many months. *Ashwin* (September-October) and *Kartik* (October-November) are the most difficult months for us. We remain hungry many days during these months. We end up contracting loan from moneylenders or employers.”

## **7.2 Salient Features**

The above articulations of the poor are very revealing. Three salient features of their articulation stand out for some observations. Firstly, it can be said, from the articulations above, that *poverty is concerning their physical survival and well-being*. Poverty is a situation of not having enough food, clothes and shelter. Poverty is being in hunger, malnutrition and ill-health. Poverty is their inability to meet the requirements of a decent and healthy life. The basic necessities of their physical well-being are unmet. Thus, they fail to appear in public without shame or take part in the life of the community. Owing to what they eat, how they dress, which

community they belong to, etc., they are kept out on the periphery of all that constitutes the village community. What, therefore, goes with this situation of material deprivation is not only hunger, malnourishment and ill-health but also a sense of insecurity, vulnerability, shame, humiliation and low self-respect.

Secondly, *poverty is about their lack ownership of crucial resources*. They do not own land; have no livestock; have no credit; have no education... For them, not owning a piece of land is to be poor. Being landless is to be poor. It is not only that they do not own land but also they do not have access to other resources, such as irrigation, credit, farm equipments and animals. It is again a reflection of their poverty. According to them, not having access to resources is not a factor, which *causes* poverty, but one that *defines* poverty. Poverty for them, therefore, *is not to own crucially important resources to an adequate measure, most importantly land*.

Thirdly, the nature of their relationship with the employer, with the moneylender and with the government agents defines their experience of poverty. Different forms and degrees of bondage and dependence characterize their relationship with those who own land, credit and other resources. It is through entering into different forms of 'dependence relations'<sup>16</sup>, in varying degrees, that they manage to survive. Poverty, for them is *entering into highly humiliating and exploitative social relations of bondage and dependence*. In these social relationships, poverty is manifested.

The articulations of the poor on their experience of poverty have something valuable to offer in the development of the poverty concept. Poverty, of course, is lack of food, cloth, shelter and so on, which are necessary for acquiring a minimum level of material well-being. But, poverty is not that alone. For them, poverty is as much to be in a situation of indebtedness; to be in varying degrees of bondage; having no access to any resources; not being able to take a decision concerning production or

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<sup>16</sup> A situation of absolute or near absolute lack of access to the critical resources (except his own labour power) and the vulnerability of the poor to survive can push them to use their powerlessness itself as a resource to be sold in the market. Meaning: they mortgage their freedom in order to survive. They enter into relationships of bondage and dependence for the sake of their survival. Their survival is not the result of the exercise of their freedom or capability, rather the result of their surrender of their individuality and freedom upon entering into exploitative and dehumanizing social relationships.

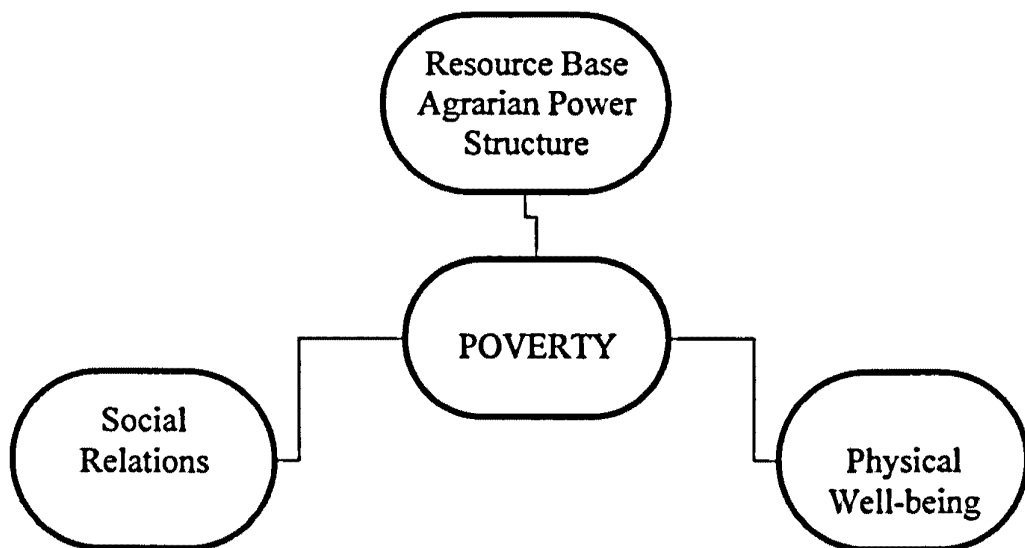
anything that matters the community; being secluded and humiliated as to be in a situation of lack of food, cloth, shelter and so on. They seem to suggest that even if, say, a benevolent government provides them with adequate food, shelter, and clothes, they would still consider themselves poor, if the other dimensions of their poverty do not change. They know to feed themselves, to clothe themselves and to shelter themselves. But they are rendered *incapable of doing so*. And, that is poverty.

The poor, thus, unambiguously, locate their poverty at three different 'spaces' of their social existence. The following are the three 'spaces' of poverty that they have identified, all of which together constitute the experience of poverty:

- Lack of ownership of the crucial resources, most importantly land.
- Bondage and dependence that characterize exchange relations.
- Lack of food, clothes, shelter, etc., to have a minimum physical well-being.

The following diagram aptly captures the three 'spaces' of poverty that are contained in the articulations of the poor:

Figure 1.1: The 3 'Spaces' of Poverty



Poverty has thus been located in three 'spaces': (1) the 'space' of agrarian power structure, (2) the 'space' of social relations and (3) the space of physical well-being.



The poor have articulated what constitutes the core experience of their poverty in the three different 'spaces' of their social existence. It is important to take this insight of the rural poor into the academic articulations on poverty. Does the present scholarship allow us to conceive poverty (rural) as constituted of these three 'spaces'? The next task of this chapter is to examine this question.

## 8 The Poverty Concepts: a Review

The two most important concepts of poverty – income concept and capability concept of poverty are reviewed here to examine if the three evaluative 'spaces' of poverty identified by the poor are compatible with the evaluative 'spaces' of the income and the capability concepts of poverty. The utility approach<sup>17</sup> to poverty is not discussed here as a separate topic, as it does not find much attention in the present-day discourse (see footnote 17 for a discussion on the utility concept).

### 8.1 Poverty as 'Inadequacy of income'

The concept of poverty as *inadequacy of income* had been widely used in the past and continues to be used even today. Income as the indicator of poverty concerns itself primarily with the most glaring manifestation of poverty - 'want' and 'deprivation' - experienced by individuals at the physical plane of their life. Booth (1889) and Rowntree (1901) have used the income concept of poverty in their study.

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<sup>17</sup> Poverty as lowness of utility evolved within the discipline of welfare economics. In welfare economics, poverty is viewed as a sign of person's ill-being. From the early development of welfare economics, welfare has been identified with utility. One is declared poor if one fails to have a prescribed minimum level of utility. Pigou (1951) referring to a person's economic welfare wrote: "It will be generally agreed that this must be somehow resident in his state of mind or consciousness. When speak loosely of "material welfare" in the sense of man's income or possessions that is not welfare as we are thinking it here. Material welfare may be a means to welfare, but it certainly is not identical with or part of it. As it seems to me, welfare must be taken to refer either to the goodness of a man's state of mind or to the satisfactions embodied in it" (Pigou, 1951, p. 283).

Pigou and other welfare economists considered welfare/utility as a mental state of a person. Hence, it is hard to apply empirical measure to know if a person has the required utility or not. Recognizing this difficulty, Pigou himself argued for identifying poverty in terms of failure to have certain commodities. He related his empirical approach to commodity deprivation rather than to low utility directly. "A national minimum standard of real income must be concerned, not as a subjective minimum of satisfaction, but as an objective minimum of conditions" (Pigou, 1932, p. 759). Since Pigou, virtually all welfare theoretic studies on poverty are based on this perspective. The empirical works on poverty aim at estimating loss of welfare based on commodity deprivation.

Rowntree (1901) estimated the income necessary for nutritional adequacy, shelter, clothing, fuel, household sundries etc., which he regarded as being indispensable “for the maintenance of merely physical efficiency” (p. 86). Since then, a vast number of studies have used income as a proxy for poverty.

### **8.1.1 Identification of Income Poverty**

Having identified the crucial manifestation of poverty, to wit, deprivation of a socially accepted minimum quality of physical life, the income concept of poverty proceeds to identify a threshold level of income or consumption bundle, which ensures the socially accepted minimum quality of physical life. This threshold level of income, referred to as the *poverty-line income* represents the socially accepted minimum standard of living. Anyone, who is below the identified level of poverty-line income, is considered to be poor. Poverty is then to be determined by the income ( $y_i$ ) of an individual with the poverty-line income ( $z$ ). An individual poverty function  $P(y_i, z)$  tells us how much poverty is associated with individual income  $y_i$  when the poverty-line income is  $z$ .

### **8.1.2 Indicators of Income Poverty**

Two indicators of poverty have been used to measure the extent of income poverty after the poverty-line income has been defined. The commonest indicator of poverty, *head count ratio* (HCR), is the *percentage of the population in income poverty*. This gives information on the total number or percentage of the income poor in the given population. This has been employed very extensively in many studies as it has the desirable property of being a simple measure and as it gives the policy makers the extent of the incidence of poverty in a country. The HCR is considered to be a crude measure as it does not inform extent of income shortfalls. In HCR, those who are just below the poverty-line and those far away from it are treated equally, although the intensity of income poverty experienced by these two groups is different.

The degree of misery suffered by the income poor is considered to be proportional to the income shortfalls. The *poverty gap index* (PGI) of income poverty indicates the *depth of income poverty*. It gives the total income required to bring the income of the

poor to the poverty-line income. Poverty gap is useful for policy-makers to specify how much income transfer has to be made in combating income poverty. Though this measure gives valuable information as to how much income has to be transferred to combat income poverty, it does not inform what percentage of the population should be the beneficiaries of this income transfer. While HCR ignores extent of income shortfall of the poor, PGI ignores the number of the poor.

Both the measures mentioned above are insensitive to the income distribution among the poor. Both are insensitive to a transfer of income from the poor to the very poor. Sen (1976a) axiomatically derived a poverty indicator – referred as Sen Index. It incorporates the above two indicators of poverty, namely, *the percentage of the poor; the aggregate poverty gap* in addition to being sensitive to *the distribution of income among the poor*.

### **8.1.3 Poverty-line Income**

Defining a poverty-line income is a major task involved in income poverty. A Working Group of eminent economists and social scientists attempted the definition of poverty-line income in the Indian context for the first time in 1962. The Working Group recommended that the national minimum<sup>18</sup> for each household of five persons (four adult consumption units) should not be less than Rs.100 per month for rural areas and Rs.125 for urban areas, in terms of 1960-1961 prices. Dandekar and Rath (1971), in their seminal work used an average calorie norm of 2, 250 calories per capita per day for both rural and urban areas, as a criterion to define poverty-line income. They suggested on the basis of NSS data on consumer expenditure that annual per capita expenditure of Rs.170.80 for rural and 271.70 for urban at 1960-61 prices ensured intake of food calorie equivalent of 2250 per capita, per day.

In an attempt to incorporate new insights brought to light by the academic debates, the “Task Force on Projections of Minimum Needs and effective Consumption Demand”, Perspective Planning Division (1979), redefined the poverty-line income.

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<sup>18</sup> This national minimum excluded expenditure on health and education, both of which are expected to be provided by the State according to the Constitution.

The Task Force (1979) redefined the poverty-line income as “per-capital expenditure level at which the average per capita, per day calorie intake was 2435 calories in rural areas and 2095 calories for urban areas”<sup>19</sup>. Based on this new definition of the poverty-line, the Task Force, using the 28<sup>th</sup> round (1973-1974) of NSS Data on household consumption, worked out the poverty-line income as Rs.49.09 for rural areas and Rs.56.64 for urban areas at 1973-1974 prices. This income refers to “the purchasing power needed to meet the specific calorie-intake standard with some margin for non-food consumption needs” (ibid, p.5).

Once the criterion for the poverty-line is determined, two different ways have been employed in both theoretical and empirical studies to identify the poor. One may use the chosen criterion itself to identify the poor in a given population. This method is referred to in the literature as *direct method*<sup>20</sup>. In the direct method, one attempts to identify those households whose consumption bundle does not contain the specified amount of calories or nutritional elements or balanced diet as per the norm. In the second method, one chooses the expenditure or income corresponding to the chosen criterion to identify the poor. This method of using the income or expenditure corresponding to the chosen bundle is called as the *indirect method*.

#### **8.1.4 Subjective, Objective Poverty-lines<sup>21</sup>**

Poverty-line is specified as the value of the consumption basket considered representing a *socially accepted minimum standard of living*. What is that “socially accepted minimum standard of living”? Is there a minimum standard of living that is invariant to time and space? Shouldn't what is perceived as the minimum standard of living be responsive to the increase in the general opulence of a country? These questions are only suggestive of how complex the task is of setting up suitable poverty-lines that reflect a socially acceptable minimum standard of living. Depending on how different studies have approached this problem of ‘fixing’

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<sup>19</sup> Report of the Expert Group on Estimation of Proportion and Number of Poor, Perspective Planning Division, Government of India, New Delhi, 1993, p. 4.

<sup>20</sup> See Srinivasan and Bardhan (1974).

<sup>21</sup> For a detailed discussion on issues related to setting up the poverty-line, see Ravallion (1998).

*socially accepted minimum standard of living*, we have a subjective poverty-line and objective poverty-line. Salient features of these poverty-lines are discussed below.

#### *Subjective Poverty-lines*

Human persons perceive their well-being so diversely. There is an inherent subjectivity and social specificity to any notion of well-being. Psychologists, sociologists and others have argued that the circumstances of the individual relative to others in some reference group greatly influence perceptions of well-being at any given level of individual command over commodities. According to this view, “the dividing line ... between necessities and luxuries turns to be not objective and immutable, but socially determined and ever changing” (Scitovsky, 1978: 108 as quoted in Ravallion, 1993: 21). In finding a *subjective* measure of minimum standards of living, the individual’s own welfare function is considered in setting up the poverty-line. This is suggested to avoid the arbitrariness involved in determining a basket of goods and services that contain the minimum standards of living. Individuals base their poverty-line on their own evaluation of different income levels. This method was introduced by Goedhart et al (1977) Van Praag et al (1980). Originally, it was introduced as a “political poverty-line” and later on individual welfare function of income was used to set up a class of poverty-lines, which has come to be known as ‘Layden Poverty-line’. How far a poverty measure based on a subjective criterion can be used for poverty comparison – which is one of the major goals of poverty studies, – is disputed. Taking this into consideration, in some cases, social-welfare function has been used to derive the poverty-line.

#### *Objective Poverty-lines*

These poverty-lines are drawn based on objectively chosen criteria and not based on subjective evaluation of welfare or minimum standard of living as in the case of subjective poverty-lines. The objective poverty-line can be either absolute or relative. If poverty is seen as absolute deprivation, the poverty-line will usually be defined independent of the general style of living in a given society. This is called absolute poverty-line. If the poverty-line varies, then it is called relative poverty-line.

### *Absolute Poverty-lines*

Absolute poverty-line does not vary with an increase in the average income of the population. Absolute poverty-line refers to the fact that an income is absolutely necessary for a minimum living, irrespective of the general opulence in a society. However, the absolute poverty-line includes certain relativity arising from changes in prices of the food bundles; changes in the composition of commodity bundle; changes in the availability of the different items in a bundle as composition of economic growth changes and changes in the taste and habit of people. The absolute poverty-line needs to be adjusted as per these changes. Moreover, the socially accepted minimum standard of living, which is considered absolutely necessary, may also vary as the economy grows. Depending on the political climate and societal values that determine the normative standard of minimum standard of living, what is considered as the absolute poverty-line would change with respect to time and space.

Specification of an absolute poverty-line income is a difficult task indeed. What are the items that should be included while specifying the poverty bundle? How to incorporate income from the common property sources (Jodha, 1986) and government-provided goods? What should be the composition of the poverty bundle? Should there be different bundles for different categories of people – for urban and rural; for different states of a vast country like India; for people belonging to different age groups and engaged in different activities and of different sex? Is multiple poverty-lines better than one common poverty-line to incorporate geographical and cultural variations? Which price should be used to calculate the income needed to buy a poverty-line bundle of commodities and services (Bardhan, 1974)? These questions find a prominent place in the poverty discourse even today.

### *Relative Poverty-lines*

Relative<sup>22</sup> poverty-line is defined in terms of *average income of a given society at a given point of time*. The relative poverty-line changes from society to society and

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<sup>22</sup> Theoretical issues involved in relative concept of poverty are a field of study in itself. Sen (1983) and Tendulkar (1983) in Beteille (ed.), *Equality and Inequality*, discuss these issues at length.

according to the changes in the average income. It interprets poverty “in relation to the prevailing standards of the society, recognizing explicitly the interdependence between the poverty-line and the entire income distribution” (Anand, 1983: 113). The simplest and crudest definition of relative poverty-line is that income level which cuts off the lowest ‘P’ per cent of the population in the national income distribution. This method is quite crude in the sense that it prejudices the extent of poverty – ‘P’ per cent by definition – and suggests that poverty can never be eradicated as long as unequal distribution of income characterizes society. Another method of setting up the relative poverty-line in tune with the contemporary living standards is by drawing the poverty-line half the average income level of the society (see Atkinson, 1975). In this definition of poverty-line, perceptions of poverty are tied up with the perceptions of inequality. Relative poverty-line is also set as a certain percentage of average income, not necessarily half the average income.

Rowntree (1901) who used an absolute concept of poverty in his first study, moved towards a relative concept when he published in his second study forty years later in 1941. In that sense, we can say that he seems to have laid the foundation for the “relative as against absolute concept of poverty” (Beteille, 2003: 4455). The studies of Townsend (1979) and Abel-Smith and Townsend (1965) were based on a relative concept of poverty. Strongly advocating the relative conception of poverty, Townsend (1979) wrote: “If poverty is relative cross-nationally, then it is also relative historically. It is relative to time as well as to place” (p.52).

The desirability of either relative or absolute concept of poverty has been debated quite extensively in poverty studies. Prof. Sen argues that there is an absolute core to the experience of poverty. The absolute core of poverty does not lie in the space of either income or in the space of commodities. It lies in the space of capabilities. Therefore, poverty is absolute in the space of capabilities and relative in the space of commodities. One may require different bundles of commodities or different amount of income to have access to the same set of capabilities over time and space. Therefore, the poverty-line in the space of capabilities or well-being would remain

time-and-space invariant while the poverty-line in the space of commodities would vary with respect to time and place.

The above discussion highlighted the important aspects of income poverty and some of the complexities involved in the exercise of identifying the poor on the basis of income. The following section examines if the three 'spaces' of poverty identified by the poor are incorporated into the definitional framework of income poverty.

### ***8.1.5 Income Poverty and the Three 'Spaces' of Poverty***

The income concept of poverty suggests that individual's income or expenditure is an adequate indicator of poverty. Obviously, the income concept of poverty does not incorporate all the three 'spaces' of poverty identified by the poor into its analytical framework. Before dwelling on this, it is good to point out some of the major objections levelled against the income concept of poverty.

One of the major criticisms leveled against the income concept of poverty is that it is a narrow definition of poverty. Poverty is a multifaceted reality, which affects the entire person. Poverty affects not only the material well-being of the individual but also his entire person. Being "maimed in spirit and made powerless" (Harrington, 1962), the individual develops a "culture of poverty" (Lewis, 1970), which excludes him/her from the mainstream life in society. Therefore it cannot be, in the first place, objectified and much less objectified into one single indicator such as income. The Income concept of poverty with its overemphasis on the quantifiable data fails to comprehend the multi-dimensional reality of poverty.

Scholars have challenged the "narrow" conceptualization of poverty, in an effort to broaden the concept of poverty (Chambers, 1983, 1995). These broader definitions of poverty consider basic human indicators for evaluating human well-being. The physical Quality of Life Index (Morris, 1979) and Human Development Index (UNDP, 1990) are based on these broader definitions of poverty. These approaches see the poor as deprived of the basic opportunities to lead "long, healthy, and creative lives" as a result of mal-distribution of income, assets and capabilities.



The second major objection to the income concept of poverty has been raised by Prof. Sen. He points out that income of an individual does not necessarily be a reflection of the quality of life that one is capable of achieving. There is no one-to-one correspondence between income and quality of life achieved. Different individuals might require different levels of income to achieve the same level of well-being. Since poverty is about the quality of life that individuals are leading and because there is no one-to-one correspondence between income and the quality of life achieved by individuals, Prof. Sen moves away from income concept of poverty.

The above shortcomings of income concept of poverty have already been discussed in poverty literature. What is relevant for the discussion here is the question whether the income concept of poverty reflects the experience of poverty as articulated by the poor. They had identified three 'spaces' of poverty, namely: ownership of resources, character of production-exchange relations and achieved level of physical well-being. Are these 'spaces' of poverty constitutive of the income concept of poverty?

In the income concept, as has already been noted, poverty is identified on the basis of a single indicator such as income. The focus of the income concept of poverty is on the physical well-being of individuals. In other words, income concept of poverty locates poverty in the 'space' of the physical well-being of individuals. If one considers that income is an adequate<sup>23</sup> indicator of the level of physical well-being that the individual has actually achieved, then one can say that the income concept of poverty has incorporated at least one of the three 'spaces' of poverty identified by the poor, namely, the 'space' of physical well-being.

In the income concept of poverty, the other two 'spaces' of poverty, namely, the 'spaces' of ownership of resources and social relations of exchange, are of no consequence. Those individuals who have been found to be having the minimum 'adequate' income, are not poor, even though they may not have any right either to

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<sup>23</sup> The income concept of poverty does not identify the poor on the basis of actually achieved physical well-being. Instead, the poor are identified on the basis of income as income is considered to be a good proxy for the physical well-being that the individuals are capable of achieving.

own or to use the productive resources and have entered into highly exploitative social relations in order to have that minimum income. The compulsion that may be upon certain individuals to enter into relationships of bondage or to contract informal loans at usurious rate of interest for survival is not a concern of the income concept of poverty. If individuals have been found to be having the minimum income - irrespective of how – they are identified as non-poor.

Although, the income concept of poverty, at its best, incorporates one of the ‘spaces’ of poverty, namely, the ‘space’ of physical well-being, it fails to incorporate the other two equally important ‘spaces’ of poverty, namely, the ‘space’ of the resource base and the ‘space’ of social relations into the definition of poverty.

## **8.2 Poverty as ‘Capability Failure’**

In more ways than one, Amartya Sen has enriched the contemporary discourse on human well-being in general and poverty in particular. His entitlement approach to famine and hunger (Sen 1981; Dreze and Sen 1989) has been widely influential. It showed that famine and hunger could occur due to ‘multiplicity of causes’ (not merely a decrease in food availability) and that the impact of famine on different sections of the population can be quite ‘asymmetric’<sup>24</sup> depending on their entitlements. Furthermore, he has introduced the notion of ‘capabilities’ into the economic discourse on human well-being and poverty (Sen 1980, 1983, 1985a). This section begins with a brief explanation of the concept of capability and then proceeds to identify the factors on which the capability of an individual depends. And finally, it discusses how the capability approach to poverty incorporates all the three ‘spaces’ of poverty identified by the poor into its analytical framework.

### **8.2.1 Capability and Well-Being**

There has been a long tradition in economics of viewing development and human well-being in terms of opulence and utility. Prof. Sen (1984), introducing the concept

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<sup>24</sup> Siddiq Osmani (1999) uses the terms of ‘plurality of causes’ and ‘asymmetry of impact’ to point out what Amartya Sen’s Entitlement approach to the study of famine is all about. His assessment of Entitlement Approach to Famine advanced by Sen is very comprehensive and illuminating.

of capabilities into the discourse on human well-being, makes a forceful case for shifting the evaluation of human well-being from the 'space' of opulence (commodities) and from the 'space' of utilities to the 'space' of capabilities. He argues that the well-being of an individual has to be evaluated on the basis of his/her actual '*living*'. This is because, Sen argues, it is the actual living of an individual that should be the 'object' of the ultimate value in evaluating human well-being. The object of ultimate value can neither be a bundle of commodities<sup>25</sup> – which is only a necessary means to well-being – nor utilities – which is only a mental state of happiness/desire fulfilment. The assessment of the well-being of an individual should focus on “neither commodities, nor characteristics, nor utility, but something that may be called a person’s capability” (1984: 334).

Sen’s capability concept of poverty is based on his ontological view of the human person. The living of an individual is a combination of '*doings*' and '*beings*'. Therefore, the quality of his/her living should be judged by the quality of his/her '*doings*' and '*beings*'. According to him:

The life that a person leads can be seen as a combination of various doings and beings, which can be generically called functionings. These functionings vary from such elementary matters as being well

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<sup>25</sup> Sen (1985a) justifies why human well-being should be evaluated in the space of capabilities rather than in the space of commodities. He argues that commodities (with its characteristics) or ownership of commodities cannot be a good proxy for the level of living that a person has actually achieved. Following Gorman (1956) and Lancaster (1966), Sen argues that the characteristics of commodities are attributes or features of the commodities and not of the person who is in possession of them (see Sen, 1982; 1984; 1985a). The conversion of commodities into personal achievements of functionings is subject to a host of factors - personal as well as social (see Sen, 1985a: 25-26; 1999: 70-71).

Differently constructed and situated people require different amounts of primary goods to satisfy same needs, so that “judging advantage in terms of primary goods leads to a partially blind morality” (Sen, 1980: 216). Concentration on primary goods to the exclusion of what goods “do to human beings” does not take us very far in understanding poverty/well-being (see Sen, 1980, 1985a). Due to variations of metabolic rates, climatic conditions, age, sex, activity levels, etc. two persons may need quite different amounts of nutrients to reach same the level of living/well-being (Srinivasan, 1983). For example, undernourishment is associated equally with the persistence of diseases as with inadequate in-take of food or energy. In the former case, the particular causation is the failure to convert food into necessary nutrients due to diseases, poor sanitation, inadequate nutritional knowledge, etc., and not because of inadequacy in food in-take. The constrains of actual situation – biological, cultural, geographical, informational, habitual, organizational – has to be considered in evaluating if a person has achieved a particular functioning relevant for poverty analysis from consuming a bundle of commodities over which he/she had command.

nourished and disease free to more complex doings or beings, such as having self-respect, preserving human dignity, taking part in the life of the community and so on. The capability of a person refers to the various alternative combinations of functionings, any one of which (any combination, that is) the person can choose to have. In this sense, the capability of a person corresponds to the freedom that a person has to lead one kind of life or another<sup>26</sup>.

What a person is able *to be* and *to do* is what constitute his/her well-being. According to Sen, human well-being can be evaluated in the 'space' of 'functionings' - combinations of various 'doings' and 'beings'. It is the 'space' of functionings and not the 'space' of commodities that reflects the actual living of the individual. For example, the functionings such as being well fed; being well nourished; being healthy and so on can be considered as indicators of the level of well-being the individual has achieved. A bundle of commodities which has the characteristics of enabling the individual to be well fed, well nourished, healthy and so on cannot be considered as reflecting the level of well-being he/she has achieved.

The commodity bundle over which an individual has command does not directly convert itself to his/her well-being. A host of social and personal factors determine the ability of the individual to convert the commodity bundle to his/her well-being. Therefore, depending on the social and personal factors confronting different individuals, they achieve different levels of well-being from the same commodity bundle. For this reason, the commodity bundle that an individual has command over cannot be considered as a reflection of his/her well-being. What the individual has been able to achieve from the commodity bundle, given the social and personal factors confronting him/her, is what reflects his/her actual well-being.

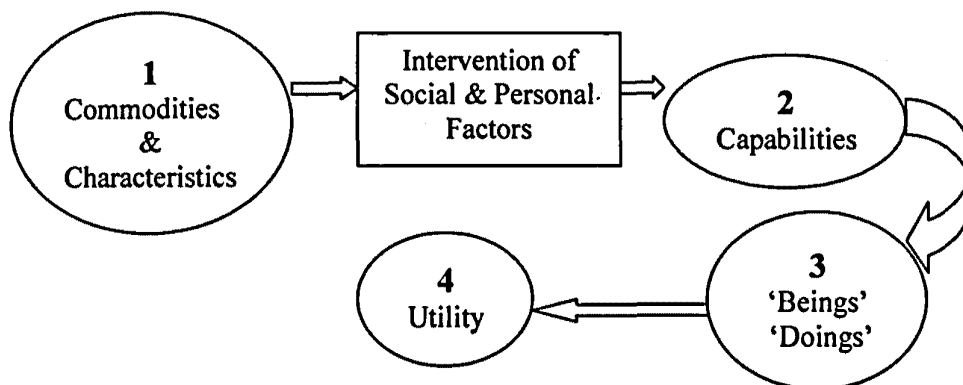
Sen's capability concept of human well-being is summarized in figure 1.2. Sen, at the outset, locates poverty in the 'space' of person's 'beings' and doings' and shows that this space of functionings is far superior to the space of commodities and the space utility. However, he points out that it is better to evaluate the well-being in the

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<sup>26</sup> Introduction, Nussbaum Martha C. and Amartya Sen (ed.) (1993), in *The Quality of Life*, Oxford University Press, New Delhi, P. 3 (first published in India in 1993)

space of person's capability. The space of person's capability must be the ultimate reference space of human well-being (see Sen: 1985a: 25; 1992: 39).

Figure 1.2 Sen's Concept of Human Well-being



The distinction between 'functionings' and 'capabilities' is very subtle. A person's functionings reflect the collection of 'beings' and 'doings' that he/she has achieved. A person's capabilities, on the other hand, represent 'the alternative combinations of functionings that are feasible for (him or) her to achieve' (Sen, 1999: 75). In other words, the capabilities reflect the person's real opportunities or positive freedom of choice between possible life-styles (Sen 1985a; 1992; 1999). The set of achieved functionings does not inform whether the individual had the freedom to choose that particular set of functionings (which has been achieved by him/her) from among the many possible sets of functionings that were feasible for him/her to achieve. It is possible that the set of functionings achieved by the individual was the only set that was feasible for him/her to achieve<sup>27</sup>. In this case, he/she does not have the freedom

<sup>27</sup> It is important to note the distinction between achieving a particular level of well-being and having the freedom to achieve that level of well-being. It is quite possible in a society that a section of the population is completely denied of any agency to participate in the development and other matters of the society. Yet, provisions can be made that this section of the population has achieved a minimum set of functionings. Individuals having the power to exercise their agency to affect development process and other matters of society and thus coming to achieve, on their own, those functionings which are necessary for not to be in poverty is of crucial importance to the discourse on well-being and poverty. It is not enough that by the benevolence of the government or of any other group the poor come to achieve the minimum set of functionings.

to choose. This freedom<sup>28</sup>, for Sen, is of intrinsic value in evaluating the well-being of persons (1993: 39). It is in emphasizing this freedom that Sen gives priority to the space of capability instead of the space of functionings in evaluating well-being.

Applying the broad framework of evaluating human well-being to the particular case of poverty, Sen shows that it is possible to “identify a subset of essentially important capabilities dealing with what have come to be known as ‘basic needs’” (Sen, 1993). This subset of capabilities, which Sen calls as “basic capabilities” (Sen, 1981) gives us a measure of person’s “ability to satisfy certain crucially important functionings up to certain minimally adequate levels” (Sen, 1993). Therefore, in the capability concept of poverty, the identification of poverty is done through identifying a minimally acceptable level of certain basic capabilities. A person who does not have the identified threshold level of basic capabilities would be considered poor.

### **8.2.2 Social Milieu and Well-being**

In developing the capability approach to human well-being, Prof. Sen discusses at length why commodities, though essential for human well-being, cannot be the basis of evaluating human well-being. This discussion is particularly illuminating as it assigns due attention to the socio-economic milieu within which an individual attains different levels of well-being or an individual becomes poor. The conversion of a bundle of commodities into the actual living of an individual, as pointed out earlier, is not straightforward. Many factors – social and personal – come to influence the conversion of the bundle of commodities into the actual living of the individual. For example, suppose that the commodity bundle of an agricultural labourer in Bihar contains a goat worth, say, Rs. 800.00. The question is: Does Rs. 800.00 or the goat reflect the level of well-being that the individual has achieved?

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<sup>28</sup> This freedom to choose from different life-styles is uniquely important to Sen as his thought evolves. Sen has increasingly given priority to capabilities (Sen, 1999: 74-76) instead of to functionings (see Sen, 1985b:25; 1992: 39). The well-being of persons, according to Sen, can be evaluated either in the space of ‘functionings’ or in the space of ‘capabilities’. However, he prefers the space of capabilities as this space shows the real freedom of a person to achieve different life-styles, which even a set of achieved functionings does not reveal.

What the capability approach to human well-being has brought to focus is the fact that the goat, which is worth Rs. 800.00, need not be a reflection of the well-being of the agricultural labourer, in the above example. This is so for two important reasons. First of all, the labourer in our example may have paid, say, Rs. 600.00 (from the total of Rs. 800.00) to the moneylender from whom he had previously contracted a small loan. He is now left with only Rs. 200.00 to buy, say, rice. It could also be possible that a substantial part of the income received from the sale of the goat has been used to settle a court case or used for meeting the medical expenses of someone in the family who has taken ill. These are real-life situations confronting the poor. This example suggests that the socio-economic situation confronting an individual determines how much of the goat or the income received from the sale of the goat is, in fact, converted to his/her well-being.

Secondly, the rice bought for Rs. 200.00 need not be converted to an equal level of well-being for two different individuals in the same setting. The individual who is healthier than the other would achieve a greater level of well-being than the latter. Hence, for reasons that are crucially important, the commodity bundle that a person has command over, in itself, need not be a reflection of his/her well-being.

Sen's capability concept of human well-being, thus, stresses that it is almost impossible to evaluate human well-being without comprehending the social milieu (also personal factors) within which an individual converts the commodity bundle into his/her 'beings' and 'doings'. The capability of a person is manifested and actualized in and through the network of social relations in a given society.

The capability of an individual is relational in its very nature. The capability of an agricultural labourer who belongs to one of the Scheduled Caste communities is actualized in his/her relationship to the family members, members of different castes, community and village; his/her relationship to the landlord, moneylender, trader, government agents; and his/her relationship to land and other productive rural resources. The character of these manifold relationships is of crucial importance to the evaluation his/her well-being.

### 8.2.3 Entitlements and Capability

The above discussion has dwelt on the concept of capability and its importance to human well-being. The question that arises at this point is: What are the factors that determine the capability of an individual to achieve different levels of being and doing? Sen has identified two important factors that determine the capability of an individual, namely, individual's entitlements and personal characteristics. The role of personal factors that affect the conversion of a commodity into a corresponding set of beings and doings will not be discussed here as it has already been touched upon. The discussion would focus on entitlements as it is the entitlement set of an individual on which his/her capability crucially depends.

The entitlement of a person refers to "the set of alternative commodity bundles that (he/she) can command in a society using the totality of rights and opportunities that he or she faces" (Sen, 1984: 497). The over-all entitlement of an individual is determined by (1) his/her ownership (endowments) and (2) exchange possibilities (exchange entitlement<sup>29</sup>). On the basis of this entitlement (endowments<sup>30</sup> and exchange possibilities), the individual can acquire some capabilities and fail to acquire some other capabilities (ibid). It is good to quote Prof. Sen:

In an economy with private ownership and exchange in the form of trade (exchange with others) and production (exchange with nature),  $E_i$  [entitlement set of person  $i$ ] can be characterized as depending on two parameters, viz. the *endowment* of the person (the ownership bundle) and the *exchange* entitlement mapping (the function that specifies the set of alternative commodity bundles that the person can command respectively for each endowment bundle) (1981: 45-46).

Individual's endowments and the network of social relations that govern the process of production and exchange in a given society thus determine his/her capability. Therefore, it is important to know (1) the pattern of distribution, ownership and

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<sup>29</sup> The exchange entitlement of an individual includes trade-based entitlement, production based entitlement and social security-based entitlement. For more on this see Sen (1981).

<sup>30</sup> The endowment set is the combination of all resources legally owned by the person. In this definition, "resources" include both tangible assets, such as land, equipment and animals and intangibles, such as knowledge and skill, labour power, or membership of a particular community" (Osmani, 1999: 254).



control of productive resources and (2) the character of the social relations for evaluating the capability and hence the well-being of the members of a given society. In effect, individual's endowments and the exchange entitlement mapping facing him/her together determine his/her entitlement. And this entitlement, in turn determines<sup>31</sup> his/her capability to achieve different levels of 'beings' and 'doings'. The capability thus determined – in relation to resources and other economic agents – is the 'space' where Sen locates well-being in general and poverty in particular.

#### ***8.2.4 Poverty as Capability Failure and the Three 'Spaces' of Poverty***

The preceding discussion focused on the concept of capability and the major factors on which the capability of an individual depends. With this background, the following discussion examines if the capability concept of poverty incorporates the three 'spaces' of poverty identified by the poor.

In two different ways it can be shown that the three 'spaces' of poverty identified by the poor are incorporated into the analytical framework of the capability concept of poverty. Firstly, it can be shown on the basis of what constitutes the set of basic functionings or capabilities that an individual must have for not to be in poverty. Secondly, it can be shown on the basis of the relationship of the capability of an individual to his/her entitlements. These two different ways are discussed here.

##### *The Set of Basic Functionings and the Three 'Spaces' of Poverty*

Some scholars point out that a limitation of Sen's capability approach to well-being in general and poverty in particular is that Sen does not provide a substantial list of valuable functionings or capabilities based on which poverty can be identified (see Doyal and Gough, 1991: 156; Clark, 2002: 65). Nussbaum urges Sen to be 'more radical... by introducing an objective normative account of human functioning...' (1988: 176). As Clark (2005: 1346) points out "this apparent weakness is also a

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<sup>31</sup> The other important factor that determines an individual's capability, which is not discussed here, is what pertains to the personal characteristics of the individual. This includes metabolic rates, body size, age, sex, activity levels, health, access to medical services and ability to use them, nutritional knowledge and education and climatic conditions (Sen, 1985: 25-26).

crucial strength” of Sen’s capability approach. Sen “refrains from endorsing a unique list of functionings or capabilities as ‘objectively correct’... (and) ensures his framework can accommodate divergent views of the good life” (Clark, 2005: 1346).

The set of the basic functionings or capabilities on the basis of which poverty is identified can be directly drawn from the experiences of the poor themselves as done by the participatory poverty studies<sup>32</sup>. It is in the ability of the capability approach to accommodate the divergent views on what constitutes human well-being<sup>33</sup> and poverty that the three broad ‘spaces’ of poverty identified by the poor can be shown as incorporated into the definitional framework of the capability concept of poverty.

At the beginning of this chapter, the articulations of the poor on what constitutes poverty – the set of basic functionings or capabilities - have been grouped into three broad ‘spaces’ of poverty. Those basic functionings such as being sufficiently well fed, well dressed, well sheltered, etc., which are related to the physical well-being of individuals were grouped into the ‘space’ of physical well-being. Those basic functionings such as ability to own land or other productive resources which are related to the ownership structure and individuals’ position in it were grouped into the ‘space’ of agrarian power structure. And, finally, those basic functionings such as not being bonded to the employer or not being indebted to the moneylender, etc which are related to the nature of social relations were grouped into the ‘space’ of social relations. Hence, according to the poor from the sample villages of the study, the basic functionings that are necessary for not to be in poverty spread across the three different ‘spaces’. These basic functionings, which spread across the ‘spaces’ of physical well-being, of agrarian power structure, and of social relations constitute poverty in rural Bihar. The capability concept of poverty with its open-endedness to include context-specific functionings into the set of basic functionings permits the three ‘spaces’ of poverty to be incorporated into its definitional framework.

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<sup>32</sup> See for example Narayan *et al* (2000).

<sup>33</sup> Though the capability approach accommodates divergent views and experiences of well-being, Sen believes, and correctly so, that “there might well be considerable agreement as to what functionings are valuable” (Sen, 1988: 18).

### *Entitlement Set, Capability and the Three 'Spaces' of Poverty*

It can also be shown that the three 'spaces' of poverty are incorporated into the capability concept of poverty on the basis of the relationship of the entitlement set of an individual to his/her capability. The capability of an individual depends on his/her entitlement set (and also personal factors), which, in turn, depends on two factors, namely his/her initial ownership of resources and the exchange entitlement mapping faced by him/her. These two factors contained in the entitlement set of an individual determining his/her capability can also be expressed slightly differently. The prevailing power structure and the individual's position in it can be used to refer to the initial endowments of an individual and the character of the social relations of exchange can be used to refer to the exchange entitlement mapping. Thus, the entitlement set of an individual consist of (1) the position of the individual in the power structure and (2) the character of the social relations of exchange.

The power structure is about the distribution of those 'resources', which determine power – economic, social and political - among the individuals of a given society. The ownership and control of the resources of an individual thus determine his/her position in the prevailing power structure<sup>34</sup> in that society. Therefore, to say that the individual's position in the power structure is one of the parameters of his/her entitlement set is equivalent to saying that the initial endowments of the individual is one of the parameters of his/her entitlement set. Sen himself points out that "the entitlement approach concentrates on relating a person's or a household's actual command over goods and services to the rules of entitlement in that system and the person's or household's actual position in the system" (Sen, 1984: 517). Therefore, the actual command over goods and services necessary to achieve valuable functionings or capabilities depend on the power structure. Thus, the agrarian power structure – one of the three 'spaces' of poverty identified by the poor – is also one of the components of the entitlement set of the individual.

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<sup>34</sup> By power structure we mean the social arrangement arising out of the distribution of resources on which power is based. We have used power structure instead of class structure because resources are not merely economic resources, but also social and political.

The exchange entitlement mapping is the second parameter of the entitlement of the individual. Entitlement mapping, as was pointed out, is the set of all possible ways that an individual can convert his/her initial endowments into different bundles of commodities. It is about all that governs the process of converting the endowments of an individual into his/her commodity bundles. For example, the entitlement mapping facing an agricultural labourer in Bihar in converting his/her labour endowment depends on many factors, such as if he/she is bonded to an employer by means of contracting an informal loan; if he/she owns some land or any other resources; if he/she has any other income sources other than wage labour; if non-farm employment opportunities are available to him/her, and so on.

The character of the network of social relations greatly influences the quantity and quality of the commodity bundle to which the agricultural labourer is able to convert his labour endowments. The entitlement mapping, therefore, is, basically, the network of social relations of exchange within which the individual is able to convert his/her endowments into his/her commodity bundles. Thus, the character of the social relations of exchange – which is yet another ‘space’ of poverty identified by the poor – is the second component of the entitlement set of the individual.

In the light of the above discussion it can be said that the position of the individual in the power structure and the kind of social relations that come to govern the process of production, exchange and transfer relations are the two factors which determine his/her capability. The two ‘spaces’ identified by the poor – the ‘space’ of agrarian power structure and the ‘space’ of social relations of exchange – are the two factors which determine the capability of an individual. The third ‘space’ of poverty identified by the poor, namely the ‘space’ of the physical well-being, is already contained in the ‘space’ of the capability in the sense of achieved functionings. Thus, all the three ‘spaces’ are incorporated into the entitlement-capability relationship.

#### **8.2.5 *Poverty is Capability Failure***

The definition of poverty as ‘capability failure’ implies three things: (i) the failure to have access to a minimum ownership of the valuable resources; (ii) the failure to

avoid entering into the production-exchange-transfer relations characterized by bondage and dependence and (iii) the failure to achieve a socially acceptable level of minimum physical well-being. The failure of an individual in any one or more of these 'spaces' is reflected in the definition of poverty as capability failure.

An individual may have achieved the functionings required for a socially acceptable level of physical well-being and yet he/she would be in a situation of poverty if he/she has failed in the other two 'space' of poverty. For example, the individual may have achieved the minimum level of physical well-being in the current period by mortgaging his future labour or contracting an informal credit at usurious interest rate. Though mortgaging his future labour or contracting a loan at usurious interest rate may enable him to smooth his/her consumption in the present period or enable him/her to attain a certain level of physical well-being, they will have profound negative impact on his/her well-being in the long run. A host of such real situations can be contemplated. This is true of the other two 'spaces' of poverty too. An individual may have access to a minimum ownership of resources and still he/she may fail in the other two 'spaces' of poverty. This is quite possible as Sen himself discusses at length while developing the capability concept.

#### **8.2.6 Some Observations**

To conclude the preceding discussion on the capability concept of poverty, which showed that poverty can legitimately be conceived in the three 'spaces' of poverty identified by the poor, a few observations may be in order.

##### *Broadening of the Concept of Poverty*

The concept of capability poverty as discussed here has broadened the concept of poverty as it locates poverty at three different 'spaces' of the social existence of the rural poor. The position of the individual in the power structure, the nature of social relations that he/she engages in and the level of his/her physical well-being together constitute the existential reality of poverty. Having a particular position in the power structure, or engaging in particular form of production-exchange relations, to wit

labour-tying, is as much a manifestation of poverty as the failure to have a minimum set of functionings such as being sufficiently nourished, healthy, etc. Concentration only on any one of these three indicators of poverty at the neglect of the other two will not suffice the understanding of poverty. Thus, the definition of poverty as 'capability failure' goes beyond what an individual has achieved at the physical well-being and incorporates his position in the power structure and the character of institutions of exchange relations into it. In doing so, the definition of poverty has touched the core of the poverty-experience as articulated by the poor themselves.

#### *Refocusing the Capability Concept of Poverty*

The incorporation of the three 'spaces' of poverty identified by the poor as the integral components of the poverty is in some sense an extension of Sen's own treatment of poverty as capability failure. It is an extension not in the sense of advancing something new, but in the sense that it has laid particular stress on certain aspects of the analytical content of the capability approach, which had not received due attention in much of the capability-based poverty literature. The use of capability approach was much restricted in the literature. It was used mainly in relation to functionings and the personal factors, which affect the conversion of a bundle of commodities into valuable functionings.

#### *Limiting the Scope of Capability Concept of Poverty*

The discussion while emphasizing certain aspects of the capability approach to incorporate the three 'spaces' of poverty into its definitional framework has also led to the limiting of its reach. Its reach has been limited in the sense that the capability to achieve valuable functionings has been specifically seen in the light of the *power structure* and the *production-exchange-transfer relations*. Many other bases of this freedom, to wit the property rights, legal system, forms of government, the role of media and so on have not been considered here.

By restricting its reach to include only the power structure, production-exchange-transfer relations and the functionings, the capability approach not only better

incorporates the articulations of the poor but also better comprehends the three important manifestations of poverty in a powerful way. In doing this, the economic position of the individual and the nature of social relations have been given definitional importance rather than causal importance in understanding poverty.

Recapturing the spirit of the above discussion, one may say that poverty refers to a situation of powerlessness in which individuals, deprived of their capability, fail to command, *on their own*<sup>35</sup>, what is required for pursuing their goal of self-actualization. Depending on their position in the power structure and the character of the social relations of exchange, they may become so powerless that they fail to command a minimum level of living. To complete the theoretical framework, a discussion on the meaning of power, power structure and its relationship to social relations is called for. This would strengthen the theoretical foundation of the study.

## **9 Power Structure, Social Relations and Poverty**

This section reviews some relevant literature on agrarian power structure and agrarian social relations of exchange. This review is important for the theoretical foundation of the enquiry as poverty is located in the 'spaces' of agrarian power structure and social relations of exchange. It begins with an exploration into the concept of power. Then it dwells on major forms of power operating in an agrarian society such as that of Bihar. This is followed by a brief survey of the literature that examines how social relations of exchange are inherently power relations.

### **9.1 Power**

The term 'power' is used in many ways. We speak of the power of love and the power of weapons; we also speak of the power of the people and the power of the State. But what exactly is power? What is its content? Where can it be found? How

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<sup>35</sup>Every individual on his/her own should be able to achieve a socially accepted minimum level of living. This is required of respecting fundamental human dignity. The public policy of transferring income does not enable an individual to command an adequate basket of goods and services within the given the social relations of production and exchange. It neither alters the power structure nor the relations of production and exchange, which is integral to combat poverty as we have defined.

is power exercised? How is power distributed in a society? Why are social relations of production-exchange power relations? These questions are examined here.

### **9.1.1 Power: A Fundamental Human Drive**

Bertrand Russel (1948) asserted: “Of infinite desires of men, the chief one is the desire for power and glory”. For him power is the ultimate force, which determines all human activity, endeavors and dreams. Economics, for him, makes sense only when it is seen as an aspect of the science of power. He argues that economics as an aspect of science of power<sup>36</sup> has very important role in explaining and interpreting human history. Friedrich Nietzsche (1967) denounced the “psychological forgeries” and refused to classify either the will in general or the pursuit of pleasure as man’s most fundamental motivational force. “Pleasure and displeasure are more consequences, more epiphenomena – what man wants, what every smallest part of a living organism wants, is an increase of power” (ibid: 702). Alfred Adler<sup>37</sup> modified the doctrines of Freud, making the drive for power more important than the libido, which Freud considered as the fundamental human drive.

### **9.1.2 Human Capacity for Self-Actualizing Praxis**

Though one may discern a strong tendency, both in the early and the contemporary treatment of the concept of power, to understand power as “power over”, power is also understood, in its positive sense, as the human capacity for self-actualization. Wartenberg (1990) draws attention to the fact that there is a shift in how we conceive power. He defines power as the capacity to transform people and their interrelations.

The human person is transcendental. He/she strives to go beyond; he/she redefines and recreates him/herself. This is integral to his/her striving for self-actualization. Power, seen from the philosophical perspective of the human person as a transcendental being striving for self-actualization, is primarily his/her *capacity* to be

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<sup>36</sup> Bertrand Russell (1948) discusses various forms of power and its use. See, “Power: a new social analysis”, London: George Allen and Unwin Books, see also, Power, London: Unwin Books, 1967.

<sup>37</sup> Herder and Herder, Marxism and Communism: A comparative encyclopedia, p.427



in self-actualizing activity<sup>38</sup>. Hence power is not always 'power over' in the sense of domination of one over the other. Power is a capacity of the person to be the agent of his/her self-actualizing action. It is his/her *capacity to relate* to his/her surroundings in a way that his/her own being is recreated.

Despite the differing theoretical frameworks and conceptual languages, Aditya Nigam (1996) points out that the common element in the works of Hannah Arendt (1960), Talcott Parsons (1969) and Antony Giddens (1979) is that for all of them power represents a phenomenon that is primarily creative, productive, transformative and a condition of freedom. Thus, power, in its positive sense, is the innate capacity of a person to engage in social relationship with the material world and human society in his/her on-going journey towards self-actualization at the individual and the collective levels. Being capable of commanding a bundle of basic necessities of life can be considered as the minimum expression of his/her self-actualization.

The self-actualizing activity of the human being takes place in a human community. This is inconceivable except for human interrelatedness<sup>39</sup>. It is in his/her relationship with the human community and the material world that his/her activity takes concrete form. Power is inherent in human action<sup>40</sup> and human action takes place not in vacuum but in a particular social arrangement<sup>41</sup>. Hence, the nature of a

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<sup>38</sup>When a person is in activity not because of his natural choice, but because of 'compulsion'/'force' does that activity enhance his self-actualization? Does that activity 'maim' their spirit as Galbraith (1958) has said? Does poverty create a situation wherein a person is not able to realize his self-actualizing activity? All human actions need not and are not transformative, creative and an expression of freedom. For example, there are many noted behavioural patterns of the poor, which are out of compulsion and force. The study of Bhaduri (1983) and many others show how compulsive can be the production and exchange behavioural patterns of the poor, due to their lack of accessibility to resources both for production and consumption.

<sup>39</sup> This point is important for our study. If the capacity of a person to actualize him/herself is necessarily realized in human society, and the character of that society determines if a person's power for self-actualization is enhanced or impaired.

<sup>40</sup> Is power inherent in all human action? Power is inherent in human action as understood in the philosophical sense that we discussed above. Such human action contains the capacity to transform the material world and society for self-actualization. But human action need not always contain power, if those actions are compulsive or forced or coerced. Also it can be noted that depending on the social milieu, the power contained in action is realized or not realized.

<sup>41</sup> How does a social relationship come to be such that it is biased against some and incapacitates them to realize their power to self-actualization? Karl Marx finds its root in private ownership of the

person's relation to his/her material world and human community determines if he/she is able to realize his/her power for self-actualization.

The discussion so far highlighted that *human power, in its positive sense, is the innate capacity of a person for self-actualizing praxis in his/her interrelatedness with the material world and the other members of the human community.* To understand how human power for self-actualizing praxis can be turned into powerlessness within a particular social arrangement, how power (of domination) is inherent in social arrangements has to be examined.

## **9.2 Power and Society**

An exploration into the concept of power from a socio-economic and political perspective is discussed here. A cursory survey into the basic insights into how power is operative in human society is sufficient for the purpose of the present study.

### **9.2.1 Max Weber and Talcott Parson**

Max Weber (1947), one of the earliest to conceptualize power and whose conception of power influenced most of the modern social scientists, defines power as the chance of a man or a number of men to realize their own will in a communal action even against the resistance of others who are participating in the action. For him, "power is the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests" (Weber, 1947: 152). Dahl (1957) influenced by Weber, in his influential paper *On the concept of power* gives an intuitive definition of power. "A has power over B to the extent that he can get B to do something that B would not otherwise do" (1957: 202-203). Dhrendref (1959: 166) and P.M.Blau (1957: 117) gave more refined articulation of Weber's conception of power and argued that power is a contingent property, a property of the individual in a social relationship. Blau (1967) defines power as "the ability of persons or groups to impose either in the

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productive resources. Once ownership is socialized, social relations assume a new character and the human person will be able to exercise his capacity for self-actualizing action.

form of withholding regularly supplied rewards or in the form of punishment, in as much as the former, as well as the latter, constitute a negative sanction”.

Power, as developed by Weber is primarily a capacity of a person and it involves conflict of interests. Persons/groups in social relationships characterized by conflict of interests pursue their own interests by exercising their power. A person has power to the extent he/she is able to affect social relationships such that he/she can pursue his/her interests against those of others. From the formulation of power by Weber, it is clear that he is not talking about power as a natural capacity of a person, but about a capacity that accrues to a person due to some factors external to him/her.

Parsons (1967), a functionalist, considers power as a system-resource. According to him, “Power... is generalized capacity to secure the performance of binding obligations by units in a system of collective organization when the organizations are legitimized with reference to their bearing on collective goals and where in case of recalcitrance there is presumption of enforcement by negative situational sanctions – whatever the actual agency of that enforcement” (1967: 308). This implies that power is present in social structures for maintenance of the social system.

The two schools of sociology<sup>42</sup> - Weberian and Parsonian – have recognized the presence of power in society. For both, the exercise of power takes place in the sphere of social interrelatedness. For Weber, power is a capacity of a person and exercised in social relations. And for Parsons, power is essentially a character of social relationship for the functioning of the social system.

### **9.2.2 Power as Influence**

Taking off from the treatment of power by both Weber and Parsons, political and social scientists explained the concept of power and its exercise in the context of

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<sup>42</sup> For treatment of power concepts developed by Weber, Parson and others see Roderick Martin (1978), *The Sociology of Power*, Trinity College, Oxford. We have heavily depended on his survey of literature on power for developing our ideas in this section. Roderick also analyses how power is operative under slavery, feudalism and capitalism and concludes that power is operative in social relations, only its form changes from society to society.

community decision-making by the *theory of influence*. Both the branches developed the theory in two different directions. The sociologists argued that power is highly concentrated in every society and proceeded to develop the *elitist theory*<sup>43</sup>. On the other hand political scientists believed that power is greatly diffused in society and their theory was mostly in the line of *pluralist*<sup>44</sup> theory of power. They argued that nothing categorical could be said about power in any community. The pluralists concentrated not on the sources of power but on its exercise. Power, to them, is 'participation in decision-making'— a definition that was initially advanced by H. Lasswell and Abraham Kaplan (1950, p 75).

Edward C. Banfield (1961: 4, as cited in Herder and Herder, p. 36) analyzed the factors involved in influence as applied in 'community power' studies and suggested three bases of the influence that a person can have on the decision-making in a community. They are (1) influence based on authority, (2) influence based on rational persuasion and (3) influence based on force.

In this tradition of viewing power as capacity to influence the decision-making in a community, different scholars have discussed three 'faces of power'. The first face of power is exercised overtly in getting individual agents in decision-making to do what they would not otherwise do. Peter Bachrach and Morton S. Baratz (1962) introduced the second face of power. As in the case of power exercised when 'A' participates in the making of decisions that affect 'B', they argued that "power is also exercised when 'A' devotes his energies to creating or reinforcing social and political values and institutional practices that limit the scope of political process to public consideration of only those issues which are comparatively innocuous to 'A' (Bachrach and Baratz, 1962: 951-952). In the first case, 'A' exercises power directly in the process of decision-making and in the second case 'A' exercises power

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<sup>43</sup> The study of Mills C. Wright (1956), (*The Power Elite*, New York: Oxford University Press), is a representative of the kind of literature in the elite theory of power. See also T. B. Bottomore (1964), *Elites and Society*, England: Penguin Books; Jha S. (1972) *Political Elite in Bihar*, Bombay: Vora and co.; and Rajendra Sharma (1999), *Power Elite in Indian Society*, Jaipur: Rawat Publications.

<sup>44</sup> See for example, Norton Long, *The community as an Ecology of Games*, *American journal of Sociology*, Vol. 64, 1958, p. 251-261.

indirectly. This means that “to the extent that a person or group – consciously or unconsciously – creates or reinforces barriers to the public airing of policy conflicts, that group or person has power” (ibid).

Stephen Lukes (1974), taking the discussion still further dwells on the third face of power, which he calls as the ‘radical view of power’. According to this radical view of power, “the most effective way that ‘A’ may exercise power over ‘B’ is for ‘A’ to instil in ‘B’ (false) beliefs about ‘B’'s interests, so as to make ‘B’ behave as ‘A’ would wish in the interest of ‘A’ and against the ‘real’ or ‘objective’ interests of ‘B’ in being autonomous” (Lukes, 1974).

### **9.2.3 Power Inherent in Stratified Society**

Ashok Rudra (1984), views power from the point of view of an economist. His treatment of power is quite different from that of the sociologists and political scientists. He defines power as a “social phenomenon given rise to by such institutional factors as class divisions, caste hierarchy, distribution of wealth and income, occupational pattern, etc., and such ideological forces as customs, traditions, taboos, etc., affecting the process of decision-making by economic agents” (Rudra, 1984: 251). Rudra takes the concept of power from the realm of individual persons to the realm of social structures. Power is a social phenomenon arising out of class relations and strengthened and supported by ideological factors. Hence power relations are founded on the stratification of society based on ownership and control of the means of production. The power of a class is exercised in the “process of decision making by economic agents”. Thus the exercise of power is most felt in the social relations of production and exchange. Rudra’s formulation of power involves conflicts of interests, arising out of a particular ownership pattern.

### **9.3 Three Forms of Power**

On the basis of where power is derived from, one can contemplate three major forms of power – economic power, political power and social power - as operative in Indian society. Economic power refers to the capacity of a class to influence and

control the decisions and social relations to its favour because of its control over the material means of production. Political power refers to the capacity of a political group to influence and control the social processes to its favour because of its control over the political institutions. And, social power refers to the capacity of one social group to influence and control the social processes to its favour because of its control over the 'meaning system', say, the Caste system (Chakravarty, 2002:104-5).

Are these three forms of power independent of one another? Are they fused or diffused in society? Is the class power (economic power) the foundation of the social stratification and the other two forms of power are only derivative of the class power? A brief appraisal of these issues is called for.

### **9.3.1 Class and Caste**

On what the agrarian power structure is founded has been highly contested in India. The debate has been whether it is the caste or the class on which the agrarian structure is founded. In 1950s and 60s, the stratification of Indian society had been done purely on the basis of the hierarchically arranged caste positions (Beteille 1974: 41). As Chakravarty (2002: 104) points out, caste was a major organizing principle that explained the social stratification in India. However, from a later period, economic criteria have been used to understand the stratification of Indian society. For example, Beteille (1974) critiqued the all-important emphasis on the caste for analyzing the rural stratification and advocated, instead, class and the class-conflicts generated by the ownership, control and use of land for analyzing the stratification of the agrarian society. The classification of the agrarian society by D. Thorner (1976), Patnaik (1976) and Rudra (1978) are early examples of the stratification of agrarian society purely in terms of economic criteria.

Chakravarty (2002) points out that the studies on agrarian relations, grappling with the phenomenal role of caste in Indian society can be categorized into two<sup>45</sup>: In the

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<sup>45</sup> The studies of D. Thorner (1976), Patnaik (1976) and Rudra (1978) consider social differentiation in terms of purely economic criteria. On the other hand Djurfeldt and Lindberg (1975), Harris (1982) and Shiva Kumar (1978) attempt to integrate caste and class to analyze the social relations.

first category, caste is seen purely as a superstructure, a reflection of the base which is economic. Desai (1969, Mencher (1974), and Gupta (1981) among others come under this category. In the second category, scholars like Godelier (1977), Patil (1979), Omvedt (1982, 1994) and others attempt to understand caste not as a super structure but as an independent entity constantly interacting with the economic structure. Godelier's (1978, p.102-03) view on the role of caste in agrarian relations is a case in point, when he dismantles the 'artificial' distinction between the infrastructure and the superstructure. According to him, "there are both class relationships and relations of clientship beneath the ideological representation of a... hierarchical relationship described as the caste system"<sup>46</sup>. Bardhan (1986) shares the view of the second school and says that "in any real agrarian economy the economic structure in relation to which the class positions have been defined is itself embedded in a social matrix in a way that cannot but effect these positions" (Bardhan, 1986: 173). In the same way, referring to the case of Bihar, Chakravarty argues, "agrarian class relations in Bihar are embedded in caste, because whether a person controls land or not is conditioned by that person's caste status" (2001: 1449).

### **9.3.2 Class and Political Power**

We can identify a similar debate in the case of the relationship between class power and political power. Is political power merely a reflection of economic power, which is the base? Or, has it got an independent existence of its own having no relationship to the economic power? Or, are they handmaidens - one supporting the other?

The political power, quite often, "is seen as deriving from definite prevailing economic relations" (cf. Herder and Herder, p. 427). The political power, when it is understood as the state, is the organ of 'possessing classes, "brought into existence only in order to execute its will" (Nigam, 1996)<sup>47</sup>. In this view, "the state is nothing but the organized collective power of the possessing class, the landowners, and capitalists as against the exploited classes, the peasants and workers" (Engel, p. 8 as

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<sup>46</sup> Godelier (1978), 'Infrastructures, Societies and History, *Current Anthropology*, 19(4), pp. 102-03, as quoted in Anand Chakravarty (2002: 107).

<sup>47</sup> Aditya Nigam (1996: 10) while referring to Lenin's *State and Revolution*.

quoted in Nigam, 1996). Nigam (1996) argues that the political power is not merely a product of the class power of the economically dominant class. Underlining the central importance of historical materialism in the theory of political economy developed by Marx and his followers, Aditya Nigam (1996) traces a theory of power that is non-reductionist<sup>48</sup> (in Marxism) in “‘humanity’s endeavor to fulfill its needs, to survive and survive in a better way”. The ascension to political power, its retention, exercise and finally its transfer are to a great extent are influenced, to say the least, by the sphere of production and the changes in it. However, the political power has its own independence and it is not reducible to the economic power. Nigam (ibid) argues that the proletariat revolution to capture political power can be thought of a possibility only if we maintain the relative autonomy of political power.

### **9.3.3 Class, Caste and Political Power**

From the cursory survey of the issues highlighted above, it can be said, in the first place, that power accrues to individuals depending on their position in the economic class structure, their social status defined by their caste and their access to the institutions of political power. It is important to consider all the three forms of power to understand the rural society in India – rural Bihar in particular. Individuals’ position in the class structure, their position in the caste hierarchy and their accessibility to the political institutions are integral components of their entitlement, which determine their capability. The entitlement of two individuals in a similar

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<sup>48</sup> Aditya Nigam (1996) makes two central points. Firstly, he argues that political power, though necessarily influenced by economic power in the long run, has an independent existence. Secondly, he argues that power (political) is also not reducible to the power of the state. He argues that human collectivities in action generate power, which is independent of the power of the state. If this is not the case, proletariat-revolution is inconceivable within Marxism. Since production to fulfil human needs is their fundamental activity’, they have the power to relate with nature and to transform it for the fulfilment of these needs. He argues that power is not identical with the power of the state (Nigam, 1996: 11). The power of the state is a special case of power in general. Power is generated in all collective action of the masses, as Hannah Arendt (1960), Talcott Parsons (1969) and Antony Giddens (1979) have suggested and as implied in Marx’s treatment of proletariat revolution. The political power generated through the collective action of the masses has an independence of its own. We hasten to add that this political power captured by the collective action of the proletariat cannot sustain itself if it does not translate itself into the economic sphere by demolishing the old institutions of social relations on which the bourgeoisie power rested with new institutions of social relations in the socialist pattern. Hence, in Marxist understanding power does have an independent existence of its own, but in the long run political power cannot be sustained without economic power. In the long-term view, political power depends on economic power.



economic situation - say, being landless - but belonging to two different castes – say, one belonging to the upper caste and the other to the scheduled castes - will be different. The entitlement of a landless, upper caste person will be higher than that of a landless, scheduled caste person. The quality of life that these two individuals are capable of achieving from their entitlement will also therefore be different.

On the question of fusion of class, caste and political power Andre Beteille (1966), on the basis of his study of a Tanjore village in Tamil Nadu, suggests that though “traditionally caste, class and [political] power were unicentric”, they have been increasingly becoming independent of one another. In rural Bihar, these three forms of power are fused together in the form of ownership of landholdings, which is the most critical rural resource. The mutual interpenetration of class, caste and political power into one another determines “why a substantial segment of rural Bihar continues to be subjected to extreme forms of exploitation” (Chakravarty 2001: 1449) and as a result fails to have command over the basic necessities of life.

Based on his study of Abhanbigha, Bihar, Chakravarty (2002: 286) makes this important point that “the amalgam of these three dimensions of power formed the basis of their [*maliks*] capacity to exercise decisive control over the village community”. Emphasizing this, Chakravarty (2001) points out in his study that “(The harsh reality of the labourers of Aghan Bigha) were an outcome of the combined effect of the economic power of the Maliks as a class and their overwhelming power as members of a dominant caste ... (and)...the ability to secure the intervention of various arms of the state to advance their interests”.

The unequal distribution of power on the basis of which society is stratified gets itself reflected in the relations of production and exchange, making them power-dependence relations. It is within this social relationship of unequally distributed power that individuals’ ‘beings’ and ‘doings’ are determined and they are capable or not capable of achieving a socially acceptable level of well-being. The following section examines how power is operative in agrarian relations.

## 9.4 Power and Agrarian Social Relations

Social relations are the arenas of the exercise of power. That is to say, within a network of social relationship, power accrues to some people and some others are inevitably made powerless. It is in this social relationship of unequally distributed power that individuals' 'being and doing' come to be determined.

### 9.4.1 A Theoretical Perspective

In neo-classical general equilibrium model, there is nothing called power. No one individual/seller/ buyer can influence the market. Market comes to equilibrium on its own when demand equals supply. There are no power relations in the market, but only disequilibria and imperfections. Political economy has made important contributions to "the understanding of market institutions with respect to power, social and economic differentiation involving class..."<sup>49</sup>. Recognizing the presence of power in social relations, Rudra (1984a) makes the following remark: "If power is the demonstrated ability to command preferred outcome, then ... all production relations ... are power relations" (ibid.). There is a large body of theoretical and empirical literature, which analyses the agrarian relations of backward agriculture<sup>50</sup> in the light of the unequal distribution of power. The earliest attempt to grasp these complexities and the empirical phenomena in Indian agriculture was that of Bharadwaj and Das (1975) and Bardhan and Rudra (1978). They brought to light the existence of inter-linked markets and showed that multiplex and personalized relations affect the exchange relations between the agents in a backward agriculture. Those with superior access to the resources have power to control the lives of others through the instrumentality of multiplex and personalized relations.

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<sup>49</sup> Barbara Harris White (1999), introduction in Barbara Harris White (1999), (ed.), *Exchange relations and Agricultural Markets: From Theory and Practice – Field experience in Developing countries*, Great Britain: Macmillan Press Ltd..

<sup>50</sup> For example: Bharadwaj and Das (1975), Bardhan and Rudra (1978), Braverman and Stiglitz (1982), Basu (1983, 1986b), Madan (1984), Ray and Sengupta (1989), Basu and Bell (1991), Anand and Mukerji (1992), Gangopadhyay (1994), Janakarajan (1986), Sarap (1990, 1991) and Swaminathan (1991).

Basu (1986a) discusses the existence of “Triadic” power relations in the context of labour relations, taking exception to Daniel Thorner’s (1962) definition of free labour. Though a labourer can quit a landlord’s job, the landlord, being very influential, exercises his power to ensure that the labourer is not employed by other employers as well. In the same way, he exercises his power to block him from receiving any loan in cash or kind from the moneylender or from the village trader. Such incidence is a common phenomenon in rural areas than an exception.

Interlinking of the product market with the credit market through the consumption loan taken by the small farmers or the interlinking of credit market with the labour markets where future labour is used as the collateral are some incidence of the social relations of production and exchange, shaped and institutionalized by the agrarian power structure. The studies of Bhaduri (1977), Srinivasan (1980) and Basu (1984), while explaining the high interest rates charged by the moneylenders in the informal credit markets, challenged the default rate hypothesis of Bottomley (1963, 1975). Bhaduri’s (1977) model showed that the high interest rates were to encourage default so that the lender could acquire the collateral – be it land, labour, or anything else – at undervalued price. The main focus of literature on interlinked markets was Power – class power, caste power, and political power - of lender-landlord-trader over the borrower-labourer-subsistent buyer.

Amit Bhaduri (1983) uses the model of “forced commerce” to describe the “nexus of involuntary market involvement by the small peasants in various forms and arrangements under the compulsion of debt” (Bhaduri, 1983: 9). He argues: “No single transaction or exchange relation may define the full scope of forced commerce. Rather, its essence lies in an interlocked set of transactions extending over several markets and periods of time” (ibid: 9-10). Such class specific conditions of exchange have been corroborated by a number of empirical studies that followed the formulation of forced commerce by Bhaduri.

Bhardwaj (1974, 1985) has located exchange relations in land relations. She modelled an agrarian structure comprising five classes and analyzed the nature of

market participation of these five classes. While prices are created by the speculative exchange of those on the top of the class-ladder, those at the base are compulsively involved in the market in order to obtain the means of subsistence and survival. Bharadwaj remarks that “severely constrained by the need to raise cash resources even in order to keep the cycle of production going...” (1974: 64, 3), the dependent producer is compulsively involved in land, labour, money and commodity markets.

The above theoretical modelling of agrarian relations with respect to the agrarian power structure thus brings to the fore some of the important features of agrarian relations which have direct bearing on the lives of the rural poor. It is the agrarian power structure in which a class is so comprehensively powerful and others so powerless, which is implicitly or explicitly highlighted by these scholars.

#### **9.4.2 Empirical Studies**

Rudra (1986) presents a model of a village society showing the functioning of social power at the local level. The village society functions with three kinds of local power: power exercised by the minority consisting of property owners over the majority consisting of labourers; the power exercised by the labourers over the property owners; the power exercised by cultural and ideological factors over all sections. All these powers affect the economic decisions of the people in a manner as to make them depart from the profit and utility maximization principle of neo-classical economic theory. He analyses “how the local power of the village society with its three dimensions affects farm-level decision-making.”

Relationship between formal and informal credit markets and person’s political clout has been analyzed by Gupta, Saha and Sen (1991). Sarap’s (1991) study of Sambalpur district in Orissa showed that bureaucratic delay in getting formal credit was inversely proportional to the size of landholding and that the transaction cost for a small loan was greater than that for a larger loan taken by large landholders. The locally influential and powerful rich farmers manage to siphon off the lion’s share of rural credit available and that they were the biggest defaulters (Sarap, 1991).

Harris's (1984) analysis is based on the hypothesis that "we can interpret most satisfactorily the patterns of exchange relations as being grounded in relations of production". Hence she analyses the differing market involvement of different classes in dry land agriculture and its impact on the lives of the poor. Therefore she says that her study "is an exploration of whether and if so for whom, the existing set of exchange relations lead to the creation and enlargement of investable surplus and/or to the creation and perpetuation of poverty." Since the poor have no production entitlement, and solely depend on exchange entitlement, they become very vulnerable and hence "a seasonal crisis becomes a major crisis for the poor".

## **10 Organization of Chapters**

The study is divided into eight chapters. The first two chapters are introductory; chapter three to chapter seven are analytical. The eighth chapter concludes the study.

Chapter I introduces the study in broad terms. The background, need, focus, scope, importance, objectives, hypotheses and the organization of the study are dealt with in this chapter. The chapter lays the theoretical foundation of the study. It dwells on the concept of poverty and discusses the relationship of poverty with the powerlessness of the poor. In doing this, it synthesizes the articulations of the poor on what constitutes their experience of poverty with the academic articulations of poverty.

Chapter II discusses the methodology employed in the study. The over-all methodological approach of the study is influenced by its emphasis on the identification of poverty rather than on its aggregation; on the descriptive content of poverty rather than on its usefulness in policy formulation and on the 'subject' of poverty rather than on its objective content. This chapter also introduces the socio-economic background of Bihar and the sample.

Chapter III takes up the relationship of rural poverty with land. Households' vulnerability to poverty is traced to the peculiar nature of their relationship to land, characterized by extreme dependence on land for survival on the one hand and

complete or near complete lack of ownership of land on the other. In their 'forced' and 'involuntary' dependence on land they become highly vulnerable to poverty.

Chapter IV examines the character of rural labour and the inherent susceptibility of the labourers to poverty. The 'forced' dependence on land not backed by its ownership has the labourers bonded to land. Rural labour, being a captive of land, has been reduced to a non-critical resource, without any bargaining power.

Chapter V examines the role of the institution of informal credit in accentuating the vulnerability of the poor. The market for informal credit is a deep-rooted institution among the poor – labourers, landless and marginal farmers, and the scheduled castes – necessitated by the fact that the poor are in deficit of what is required for their survival. The chapter identifies a social process in which land and other assets get alienated from the poor through the instrumentality of informal credit.

Chapter VI analyzes why the poor have failed to benefit from the income transfer schemes. By the very fact they are poor and what their poverty entails, they are incapable of benefiting from these schemes. Instead, not only that the income – supposedly to be transferred to the poor - gets transferred to the locally powerful people, but also these very schemes become instruments in these powerful hands to control other social relations and thereby accentuating the vulnerability of the poor.

Chapter VII is the last among the analytical chapters. It synthesizes the analytical findings of the study around the hypothesis that the vulnerability of the agrarian population to poverty is shaped, more than anything else, by the nature of the agrarian power structure. It examines the variation in the nature of poverty, on the basis of a Composite Index of Rural Poverty, across the four villages.

Chapter VIII concludes the study. It summarizes the study and then proceeds to highlight a paradigm of empowerment of the poor, which is implicit in the study.

## **CHAPTER II**

### **METHODOLOGY**

#### **1 Introduction**

The recognition of the role of the poor in interpreting the reality of poverty is the most distinguishing feature of the methodology employed in the study. From beginning to end - from gaining conceptual clarity to interpreting the data - the study has been a dialectic process in which the researcher, with his preconceived ideas and concepts, interacted with the poor with their ideas and concepts of poverty. In this dialectic process, the poor became not only the partners but also the interpretive key in the study. This is, most certainly, the distinctive feature of the methodology.

The study recognizes the importance of both quantifiable and non-quantifiable data in the analysis of poverty. The methodology employed in the study, therefore, integrates methodological approaches of both quantitative and qualitative traditions.

The chapter begins specifying the hermeneutical stand of the study. Having clarified the hermeneutical stand of the study, the chapter outlines the methodology employed in the study for generating and analyzing primary data. The section on methodology also discusses the meanings of certain terms and phrases used in the study.

The chapter then proceeds to introduce the state of Bihar, the study area and the sample. This section discusses the incidence of poverty in the sample based on the primary data besides presenting a brief socio-economic profile of the sample.

#### **2 Approaches to Poverty Study**

There are many different hermeneutical approaches to the study of poverty. The methodology of study is always influenced by the hermeneutical approach that a study adopts. This section quickly surveys the different approaches and clarifies the hermeneutical approach of the present study.

## **2.1 Descriptive vs. Policy-Oriented**

A study on poverty can be either *descriptive* or *policy-oriented*. In a descriptive study the primary concern is to conceptualize the existential reality of poverty without any explicit relation to policy measures. This is to grasp the meaning, the content and the dynamics of poverty squarely. As Sen (1992) points out in descriptive studies, the identification of poverty is an acknowledgement of deprivation and it may lead to policy recommendations, but only as a derived feature. On the other hand, the policy-oriented study is carried out with an explicit aim of designing public policies for combating poverty. In this, pragmatism, availability of resources and such other factors become the primary concern.

The focus of the present study is more on the 'descriptiveness' of poverty. It attempts to understand the nature of poverty in rural Bihar in the chosen 'spaces' without being overly conscious of arriving at pragmatic policy recommendations.

## **2.2 Identification vs. Aggregation**

Identification and aggregation of poverty are the two important tasks involved in the measurement of poverty (Sen, 1981). Identification of poverty involves articulating what constitutes the experience of poverty. Briefly, the concern of poverty identification is to arrive at criterion/criteria based on which the poor in a given population can be identified (Lipton and Ravallion, 1995). On the other hand, the aggregation of poverty is concerned with ranking communities on the basis of the chosen criterion/criteria and to arrive at an aggregate measure of poverty.

In poverty studies, both identification and aggregation of poverty are important. However, integrating these two dimensions of poverty into poverty studies has not been easy. If poverty is to be aggregated, the chosen criterion/criteria to identify poverty should be measurable. On the other hand, if only measurable criterion/criteria should be chosen to identify poverty, to facilitate its aggregation, then poverty, with its multifacetedness, would not be adequately identified. There has been, in poverty literature, a pronounced bias in favour of aggregation.



In the present study, the concern of identification of poverty takes precedence over aggregation of poverty. The *emphasis is on the identification of poverty* so that the question *Why the poor are poor* can be probed into within the dynamics of agrarian power structure and social relations of exchange.

### **2.3 Individual vs. Class**

Poverty is very often identified at the domain of individual persons or individual households. The traditional and generally used income concept and the much broader capability concept locate poverty at the domain of individuals. However, there are abundant data that proves that poverty is associated with certain socio-economic sections of a population. It is found to be highly concentrated among the agricultural labourers or among the landless or nearly landless. It is also found to be highly concentrated among the scheduled castes or among the scheduled tribes. These findings are indicative of the importance of viewing poverty *not only at the domain of individuals but also at the domain of socio-economic classes*. The focus of the study is not the individual persons/households per se but the individual persons/households as members of particular socio-economic classes.

### **2.4 Quantitative vs. Qualitative**

One of the most important debates in poverty discourse has been concerning qualitative and quantitative approaches to the study of poverty. Obviously, in the historiography of poverty discourse, the quantitative approach to the study of poverty found a preeminent place. However, the preeminent position of the quantitative approach has been challenged by many scholars in recent years. Although the quantitative approach continues to be dominant even today, the use of the qualitative approach has been increasing. Many bilateral and multilateral agencies<sup>51</sup> use the qualitative approach<sup>52</sup> to the study of poverty today. There is now

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<sup>51</sup>See, UNDP (1996), World Bank (1999), Narayan (1997), and Narayan *et al* (2000) among others.

<sup>52</sup> For an excellent appraisal of the present state of the "qualitative-quantitative-debate", see Ravi Kanbur (ed, nd), "Q-Squared: Qualitative and quantitative Methods of Poverty Appraisal", Permanent Black, Delhi – 92. Contributors to this volume discuss the strengths and weaknesses of both the traditions and suggest how these traditions can be integrated for better analysis of poverty.

an increasing recognition of the importance of qualitative research in poverty analysis. Both the approaches have their strengths and weaknesses. It is increasingly being recognized that attempts should be made to see “how to make the best of complementarities (of both the traditions) while minimizing trade-offs” (Kanbur, nd: 2). The present study is an attempt in that direction.

The above brief survey of different and sometimes competing hermeneutical strands found in poverty analyses points out that every study on poverty, at its outset, would have to choose a particular hermeneutical stand. This is a delicate trade-off that every study has to make at its outset. Keeping this in mind, the hermeneutical approach of the present study is summarized as follows:

The present study on poverty (1) is more *descriptive* in nature than *policy-oriented*, (2) is more concerned with *identification* of poverty than its *aggregation*, (3) examines poverty more at the *domain of class* than at the *domain of individuals*, and (4) integrates both *quantitative* and *qualitative* traditions.

### **3 Methodology Outlined**

This section outlines the methodology. Standard techniques of Household Surveys were adhered to to collect the quantitative data. Techniques of Participatory Poverty Appraisal were used for *deeper* and *contextualized* analysis of the data.

#### **3.1 Sample Selection**

*Stratified multi-stage sampling method* was used for the sample selection. In the first stage of the sample selection, one district each from two different regions of Bihar was selected. The two regions differed agro-climatically, socio-economically and politically. In the second stage, one (or two, depending on the requirement) Community Development Block (CD Block) was selected from each of the two districts. In the third stage, two villages each were selected from the chosen CD Blocks. And in the ultimate stage, 100 households each were selected from the four chosen villages using the *proportionate stratified random sampling* method. The *sampling frame* for the selection of the districts was the Census list (2001) of the

districts in the two regions; for the selection of the CD Blocks, it was the Census list of CD Blocks in the two chosen districts and for the selection of the villages, it was the Census list of villages in the selected CD Blocks. The *sampling frame* for the selection of households from the four villages was the household census survey conducted by the researcher prior to the sample selection.

### **3.1.1 Selection of Districts**

For the selection of the two districts, district-level secondary data on a number of different variables<sup>53</sup> were collated. The districts were classified into five<sup>54</sup> classes on the basis of the respective values of the selected variables. Two districts from the modal class of districts were, then, purposively chosen such that they represented two agro-climatically, socio-economically and politically different regions of Bihar. Madhubani from the region of Mithila and Gaya from the region of Magadh were thus chosen. It was also expected that these two districts would display pronounced differences in terms of the agrarian power structure and social relations of exchange.

### **3.1.2 Selection of Community Development Blocks**

The procedure employed in the selection of districts was also employed in the selection<sup>55</sup> of CD Blocks. The number of variables considered for this purpose was less than those considered for the selection of the districts. One CD Block from Madhubani and two CD Blocks from Gaya were purposively chosen from those CD Blocks falling under the modal class with respect to the values of the variables considered. Pandaul CD Block from Madhubani district and Bodh Gaya and Dobhi CD Blocks from Gaya district were thus chosen.

The selection of only one CD Block from Madhubani and two CD Blocks from Gaya was to ensure that the two villages eventually chosen from the same district differed

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<sup>53</sup> See Appendix 2 for the variables considered for the selection of sample districts.

<sup>54</sup> The five classes into which the districts were classified are: (1) lowest value to  $\mu - 2\delta$ , (2)  $\mu - 2\delta$  to  $\mu - \delta$ , (3)  $\mu - \delta$  to  $\mu + \delta$ , (4)  $\mu + \delta$  to  $\mu + 2\delta$ , and (5)  $\mu + 2\delta$  to the highest value, where  $\mu$  is the mean value and  $\delta$  is the standard deviation.

<sup>55</sup> See Appendix 3 for the variables considered for the selection of the CD Blocks.

in terms of intensity of cultivation, accessibility to market and some other variables indicative of the level of economic development. As it was possible for choosing two such villages from Pandaul Block in Madhubani, a second CD Block was not selected. On the other hand, it was not possible to choose two such villages from the same CD Block in Gaya. Hence, two CD Blocks were chosen.

### **3.1.3 Selection of Villages**

Four villages were purposively chosen from the chosen CD Blocks such that the two districts are represented by two villages each. The choice of the villages was influenced by the following criteria: (1) village-population consists of maximum caste configurations, (2) the village is large enough in terms of population, (3) the village has a large scheduled castes population, (4) among the two villages of the same district, one is more developed<sup>56</sup> than the other, and (4) feasibility and cooperation of the villagers. Thus, two villages each were chosen. The two more-developed villages were *Ilra* from Gaya and *Bargoria* from Madhubani and the two less-developed villages were *Kurmava* from Gaya and *Khangaon* from Madhubani.

### **3.1.4 Selection of Households**

The ultimate stage in the sample selection involved the selection of 100 households each from the four chosen villages. In order to prepare the sampling frame for this purpose, a *census survey* of the four villages were conducted by the researcher. The census survey collected information on (1) household size and caste, (2) the size of the landholding and the number of livestock owned by the households, and (3) the primary occupation of the heads of the households. The population in each of the sample village was *stratified* in terms of four different caste groups<sup>57</sup> and six

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<sup>56</sup> Whether one village is more developed than the other was determined by the researcher on the basis of (1) the transportation facility in the village, (2) the size and the proximity of market, (3) the extent of irrigation facility, (4) the use of modern technology in agriculture, (5) intensity and market-orientedness of cultivation, (6) proximity to bank, school, post office, etc., (7) the extent of employment diversification in the village and (8) the judgment of the villagers.

<sup>57</sup> The four different caste groups are: (1) Upper Castes, which included Brahmins, Rajputs, Kayasta and Bhumihaar, (2) Upper Backward Castes, which included Yadavs, Kurmis, and Koeries, (3) Other Backward Castes, which included Dhanuks, Kumhar and many others, and (4) Scheduled Castes, which included Ravidas, Paswans, Manjhis and Sadays among others.

landholding classes. From the stratified village population, 100 households were selected from each of the four villages according to the procedure of *proportionate random sampling*. The chosen sample was thus proportionate to the population in terms of the caste status and the class position (defined by the size of the landholdings) of the households.

### 3.2 The Sample Size

Khangaon, Bargoria, Ilra and Kurmava are the four sample villages where the study was concretely located. The first two villages are from Madhubani district, which was part of the Dharbhanga Raj of yesteryears (Henningham, 1990). The other two villages are from Gaya district, bordering Jharkhand – a state carved out from Bihar.

Initially, the survey started off with samples of 100 households from each of the four villages. However, for the well-known difficulties that are encountered in the field, complete information could not be collected for all the 100 households from each of the four villages. The final size of the sample households in the four villages, for which complete information was available, is given in Table 2.1.

Table 2.1: Village-wise Sample Size

Districts	Villages	Sample Size
Madhubani	Khangaon	087
	Bargoria	100
Gaya	Ilra	097
	Kurmava	102
Total Number of Households		386

### 3.3 Data Collection

A variety of methods used in both quantitative and qualitative traditions has been employed to collect data. The methods used included *structured* and *unstructured interviews*. Quantitative and qualitative methods were *mixed simultaneously*<sup>58</sup> to ensure that the data is both representative and comprehensive.

<sup>58</sup> The sequential mixing of both quantitative and qualitative methods has been used to study the risk management among the East African pastoralists by John McPeak, Christopher B. Barrett and others.

### 3.3.1 Survey Design

Prior to the preparation of the survey design the researcher spent about two months moving about the four villages and conversing informally with the villagers. This enabled the researcher to identify the issues of importance to the poor, to underscore the most appropriate analytical perspective, to identify the survey strategy and to gain acceptability of the researcher among the villagers. Three sets of questionnaires were prepared to collect quantitative and qualitative data.

Questionnaire Set I: This questionnaire was designed for collecting quantitative data on a number of quantifiable variables such as (1) demographic features (2) land tenure, (3) livestock, (4) movable and immovable household assets, (5) household income by sources, (6) formal and informal credit, (7) pattern of labour use, (8) labour migration, (9) education, (10) benefits received by the poor from the selected government schemes, and many other variables. This information was collected from all the sample households in the four villages through *structured interview*.

Questionnaire Set II: This was designed to collect data on household consumption expenditure on the twelve broad-household-consumption categories (as per the NSS Household Consumption Expenditure Survey). This information was collected twice from every household for a *recall period of two weeks* for which the researcher took the help of two youth from each village who were given training in data collection.

Questionnaire Set III: This was used for collecting qualitative data from a smaller sample of poor households<sup>59</sup> from the four villages. The questionnaire was so designed that it would give valuable insight into the mutually influencing and reinforcing relationship among the agrarian power structure, social relations of exchange and rural poverty.

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For example see John, G. McPeak and Christopher B. Barrett (2001) and Smith, Kevin, Christopher B. Barrett and Paul W. Box (2000). See also Chris, Barrett (nd.) in Kanbur (ed., nd.), *Q-SQUIRED*, Permanent Black, Delhi.

<sup>59</sup> After having identified the poor households, a smaller sample of 25 poor households each was selected from the villages. While choosing this sample of poor households, care was taken to ensure that the 20 poor households were representative of the population of the poor households.

Unstructured interviews and focused and open-ended discussions<sup>60</sup> were the methodological tools used to collect information on the third set of questionnaire.

### **3.3.2 Multi-Stage Data Collection**

The data was collected in stages using the quantitative and qualitative methods. The methods used for collection of data through the different stages are given below:

*Stage I:* Participatory Observation through conversations and discussions to identify the analytical framework and to design the questionnaire sets.

*Stage II:* Collection of quantitative data through structured interview on the questionnaire sets I and II. This involved visiting each household three times.

*Stage III:* Participant observation to understand how the poor themselves perceive the reality of poverty, its dimensions, causes and remedies. Three open-ended group discussions were conducted in each of the sample villages. In these group discussions, the PPA method of *wealth ranking* was also carried out to identify the poor households.

*Stage IV:* Collection of qualitative data through unstructured interview on the Questionnaire Set III. The first part of this questionnaire was administered to the heads of the smaller sample of poor households.

*Stage V:* Participant Observation involving open-ended group discussion to get feedback from villagers, particularly the poor on the initial findings.

### **3.3.3 Case-Studies**

Case study is a useful tool to explain certain socio-economic phenomena or to highlight some aspects of the findings highlighted by quantitative analysis. It can be used “creatively in interactive surveys to generate new hypotheses, to cross-check

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<sup>60</sup> This was found extremely rewarding to understand the *process of poverty*. The discussions were helpful in understanding the direction in which the analysis of the data should be carried out.

initial survey results, to select diagnostic variables, to examine processes in a holistic fashion and to feedback evaluations” (Harris White, 1996: 61).

The study used case-studies in two ways. Firstly, it was used where the quantitative data was hard to come by. For instance, it was hard to collect quantitative data on how much income, which was supposedly to be transferred to the poor under various anti-poverty programmes, had been siphoned off by the rich. In this situation, the study collected some case-studies to highlight this point. Secondly, case-studies were used to supplement certain findings highlighted by the quantitative data. Some quantitative data take on deeper meaning when related to the context.

Thus, the study employed the method of case-studies where (1) the quantitative data were hard to come by, (2) the findings of the quantitative data called for greater clarity, and (3) it was thought that contextualizing the data would increase the explanatory power of the data.

### **3.4 Data-Processing and Analysis**

As the preliminary step towards processing the data, those households were identified for which data on all relevant variables were available. There were only 386 households for which complete data were available, reducing the size of the sample to 386 from the original sample of 400. In the second step, the variables were coded. The qualitative data were coded using the method of scaling. In the third step, the doubtful cases were identified and rechecked. After having entered the data into SPSS software program, in the fourth step, the values of new variables – required for the analysis – were computed using the raw data. Methods of *descriptive* and *inferential* statistics were used for the analysis of the data. The specific methods used for computing analytical data are discussed below:

#### **3.4.1 Aggregate Poverty Measures**

Four Head Count Ratios (HCRs) of poverty have been estimated for the sample population based on four different criteria. They are: (1) biweekly per capita



consumption expenditure<sup>61</sup>, (2) yearly per capita consumption expenditure, (3) yearly per capita income and (4) person's capability. The HCRs estimated using the first three criteria would be referred in the study as the HCR of *Income Poverty*. The fourth HCR estimated through using the tools of Participatory Poverty Assessment would be referred in the study as the HCR of *Capability Poverty*.

**HCR of Income Poverty** The Head Count Ratio (HCR) of poverty is the percentage of the poor in a given population. It is estimated by identifying the total number of people in the population whose income is below the poverty-line income and then expressing it as a percentage of the total population. According to the planning commission, based on small sample survey estimates, the poverty-line income for 2003-2004 was Rs.340.93 for rural Bihar. The study used the same poverty-line as the data used in the study pertained to the same period.

**HCR of Capability Poverty** A fourth HCR was estimated through wealth-ranking<sup>62</sup> used in Participatory Poverty Assessments. In each village, the sample households were classified into five groups - very poor, poor, middle, rich and very rich - by two mutually exclusive groups of labourers and employers. The households, which have been classified independently by both the groups either as very poor or poor<sup>63</sup>, have been aggregated by the researcher to arrive at the percentage of the poor in each village. The rest of the households were considered as non-poor. This HCR of poverty is referred in the text as *HCR of Capability Poverty*.

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<sup>61</sup> National Sample Survey uses a moving reference period to collect data on consumption expenditure. This has not been possible for the present study. Relevant data were collected for two different periods during the field survey with the help of field-workers.

<sup>62</sup> The three major criteria on the basis of which the households were ranked were (1) landholdings, (2) sources of income other than cultivation, and (3) standard of living as perceived by the villagers.

<sup>63</sup> The ranking of the households by the group of employers and by the group of labourers differed from one another. Both the groups identified, independently, most of the landless labourers and the scheduled castes either as very poor or poor. However, both the groups differed substantially in their respective classification of other households. As a way of guarding against possible bias, the researcher considered those households as poor, which had been identified either as very poor or as poor by both the employers and the labourers. A household which had been classified as poor by the employers but not by the labourers was considered as non-poor. And, a household which had been identified as poor by the labourers and not by the employers was considered as non-poor.

This study prefers to choose the identification of the poor by the participatory method as the closest representation of poverty for the following reasons:

- Identification of the poor by the participatory method better reflects people's own perception of what constitutes poverty.
- The expenditure method, however well-designed, captures poorly<sup>64</sup> the actual situation of poverty. The greatest shortcoming of any aggregate-poverty measure based on expenditure is its failure not to identify the poor as poor and to identify the non-poor as poor.
- Household income has greater sharpness than expenditure in identifying the poor. However, the tendency of to understate income results in identifying non-poor as poor.
- The participatory method is sensitive to both the consumption expenditure and the income of households. It is also sensitive to the assets position and the general level of living of each household. Moreover, when the poor are identified through the participatory method, the actual 'level of living' of a household over a longer period of time is considered, not merely a unit of time as in the case of income or expenditure.

### 3.5 HCR of Convergent Poverty

A fifth HCR of poverty, which is referred to as HCR of *convergent poverty*, has been introduced here. This HCR pertains to those sample households, which have been identified uniformly either as poor or non-poor by the criteria of (1) per capita consumption expenditure for 15-day recall period, (2) per capita income, and (3) participatory poverty assessment. The three methods converge in their identification of 182 households, from a sample of 386 households, as poor or as non-poor. They identify 82 households as poor and 100 households as non-poor. This HCR is called as the HCR of *convergent Poverty*.

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<sup>64</sup> In the course of collection of data on consumption expenditure, the researcher wondered why the consumption bundle was so very uniform across households. The researcher found that it is difficult to capture the differences across households in their consumption expenditure on food. As a result, the overestimation of those who were poor; exclusion of some who were really poor and inclusion of those who were non-poor was a major drawback of identifying the poor by expenditure method.

## Other Measures of Poverty

The *Poverty Gap Index*, *Sen Index of Poverty* and *Pa Measures of poverty* were also estimated from the per capita per month expenditure using the following formulae.

$$\text{Poverty Gap Index (PGI)} = 1/N \sum (1-x_i/z) 1(x_i \leq z)$$

$$\text{Sen Index of Poverty (SI)} = P_0(1 - (1 - \gamma^p)\mu^p/z)$$

$$P_2 \text{ Measure of Poverty (P}_2\text{)} = 1/N \sum (1-x_i/z)^2 1(x_i \leq z)$$

Where, N is the Total Population

$x_i$  is the monthly expenditure of individual i

z is the poverty-line income

$\gamma^p$  is the Gini coefficient of inequality (in expenditure) among the poor

$\mu^p$  is the mean monthly expenditure among the poor, and

$P_0$  is head count ratio of poverty

### 3.5.1 Agrarian Power Structure

Agrarian power structure is another analytical variable in the study. In the spirit of what has been highlighted, agrarian power structure is basically the stratification of the sample households in terms of ownership of landholdings. The differentiation of the households on the basis of ownership of landholdings is not only indicative of the differentiation of the households on the basis of economic power<sup>65</sup>, but also

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<sup>65</sup> It is good to point out here that the study in its discussion on agrarian power structure does not involve a rigorous exercise in class-differentiation. Many criteria have been used by scholars to determine agrarian classes. Lenin (1965) and Mao (*How to Differentiate the Classes in Rural Areas*, collected works, Vol. III) give the theoretical basis for the differentiation agrarian classes. Roemer (1982) had derived agrarian classes on the basis of exploitation. These theoretical foundations of differentiating agrarian classes put forth basically three criteria to differentiate agrarian classes: (1) The extent of possession of means of production, (2) the extent of labour exploitation in the production process and (3) reproduction of the family and farm (the extent of surplus appropriated). Patnaik (1976, 80) has used the criterion of labour exploitation (according to her, the other two criteria are subsumed into this) to differentiate agrarian classes and she constructed an empirical index to identify them. Venkatesh Athreya, et al (1986a, 1987, and 1990) developed an index to identify agrarian classes empirically based on the surplus criterion. There are other attempts to differentiate

indicative of the differentiation of the households on the basis of social and political power. Therefore, the present study, for its purpose, considers the differentiation of agrarian society in terms of economic power – ownership of land – is indicative of the prevailing agrarian power structure.

### **3.5.2 Inequality in Agrarian Power Structure**

The inequality in the distribution of landholdings is a measure of inequality in the agrarian power structure as agrarian power structure is defined in terms of ownership of landholdings. One among the many standard measures of inequality, which satisfy the principle of transfers, is the Gini coefficient. The study estimated the Gini coefficients for the distribution of landholdings and household income using the formula (Deaton. 1997:139):

$$\gamma = (N + 1)/(N - 1) - 2 / \{N (N - 1) \mu\} \{ \sum \rho_i x_i \}$$

Where,  $\rho_i$  is the rank of individual  $i$  in the  $x$ -distribution (landholding), counting from the top so that the one with the highest landholding has rank 1

$\mu$  is the mean landholding,

$x_i$  is the landholding of individual  $i$ ,

$N$  is the total population in the sample.

### **3.5.3 Social Relations of Exchange**

The social relations of exchange is another important analytical variable in the study. The study examines certain aspects of exchange relations in land, labour and credit markets and its relationship to agrarian power structure and individuals' failure to command a minimum level of living. For this purpose descriptive and inferential statistical techniques are used.

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agrarian classes based on different criteria, including the quite commonly used area criterion. Rudra (1978), G. Djurfeldt and Staggan Lindberg (1975) and Chauduri Maitreyi (1987) are some examples.

Therefore the differentiation of the agrarian population on the basis of ownership of landholdings is not meant, here, to be equivalent to class differentiation. The suggestion here is that the distribution of landholdings is a good measure of distribution of economic, social and political power in rural Bihar.

### **3.5.4 Composite Index of Well-Being**

In the study, poverty has been defined in three 'spaces', namely, the 'space' of agrarian power structure, the 'space' of exchange relations and the 'space' of physical well-being. Therefore a Composite Index of Well-being/Poverty was created based on the chosen indicators of the three 'spaces' of poverty. The indicators<sup>66</sup> of these three different 'spaces' of poverty are given in Table 2.2.

After having ranked<sup>67</sup> the sample households in the four villages, each indicator was adjusted in such a manner so that each would have the range from zero to 100. To do that the lowest value was subtracted from the ranks of each indicator, divided it by the range and then multiplied by 100. Then, the values of all the indicators, pertaining to each household, were added and divided by 100 such that the composite index varies from zero to one. The sample households in the four villages were then classified into four different levels of well-being. The value of the Index ranging from zero to 0.25 was considered indicative of a situation of being very poor; 0.26 to 0.50 was considered as indicative of being poor; 0.51 to 0.75 and 0.76 to one were considered as indicative of being non-poor.

The composite index of rural well-being/poverty is a combination of three indices, to wit, index of agrarian power structure, index of social relations and index of physical well-being. At first, these indices were created and then they were combined to get the composite index of well-being. All the indicators of the 'space' of physical well-being and the 'space' of social relations had been given equal weightage in calculating the values of the indices. However, in creating the index of agrarian power structure, the agrarian classes to which individual household belonged were given more weightage than the other indicators of this 'space'. While individuals' position in the landholding class was given a weightage of 50 per cent, all the other indicators of the 'space' of agrarian power structure equally shared the other 50 per

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<sup>66</sup> It is not suggested here that the chosen indicators of each of the three 'spaces' are the most representative of the respective spaces. What is important is to show that a composite index of poverty taking into consideration all these three 'spaces' would better reflect rural poverty.

<sup>67</sup> See Kundu (2002).

cent. As it has already been pointed out, land is the most important of the resources which determine agrarian power and hence, it was given a greater weightage.

Table 2.2: Indicators of Composite Index of Well-being

Indices	Indicators	Ranking of HH
Index of Agrarian Power Structure	HH position in the agrarian class structure	1: Landless      2: Marginal 3: Small          4: S. Medium 5: Medium        6: Large
	HH position in caste structure	1: SCs and OBCs 2: Upper Backward Castes & Upper Castes
	If head of household is a government employee	1: No 2: Yes
	Current value of livestock owned ( $x_i$ )	1: $x_i = 0$ ; 2: $0 < x_i \leq \bar{X}/2$ ; 3: $\bar{X}/2 < x_i \leq \bar{X}$ ; 4: $\bar{X} < x_i \leq 2\bar{X}$ ; 5: $x_i > 2\bar{X}$ (Note: $\bar{X}$ = mean $x_i$ )
	Current value of farm machinery ( $y_i$ )	1: $y_i = 0$ ; 2: $0 < y_i \leq \bar{Y}/2$ ; 3: $\bar{Y}/2 < y_i \leq \bar{Y}$ ; 4: $\bar{Y} < y_i \leq 2\bar{Y}$ ; 5: $y_i > 2\bar{Y}$ (Note: $\bar{Y}$ = mean $y_i$ )
Index of Social Relations	If a HH is an agri. labour HH, number of employers worked for	1: Yes, worked for 1 employer 2: Yes, worked for 2 employers 3: Yes, worked for 3-5 employers 4: Yes, worked for anybody 5: Yes, worked for anybody in & outside the village 6: Not agricultural labourer
	If a HH contracted informal loan	1: Yes 2: No
	If a HH contracted consumption loan, if so frequency	1: Yes, every now and then 2: Yes, many times a year 3: Yes, a few times a year 4: Have not contracted con. loan
Index of Physical Level of Living	If a HH is poor or non-poor in terms of consumption exp.	1: Poor 2: Non-poor
	Housing Safe drinking-water	1: <i>Kucha</i> ; 2: <i>Semi-pucca</i> ; 3: <i>Pucca</i> 1: No; 2 Yes

### **3.5.5 Agrarian Power Structure and Rural-Poverty Nexus**

The relationship between agrarian structure and rural poverty would be examined by using descriptive statistics, graphs and by comparing and contrasting the findings for the sample villages.

## **4 Period of the Study**

The reference period of the Study is the agricultural year ~~2003-2004~~. This includes two crop seasons, beginning with July, 2003. The primary data on agricultural production for the agricultural year 2003-2004 and were collected at the end of the agricultural year. The primary data on biweekly household consumption expenditure were collected twice - July-August 2004 and - September-November, 2004. The data on yearly consumption expenditure were collected in December, 2004.

## **5 Data Sources**

The study is based on both primary and secondary data. The primary data were generated from four villages in Bihar through household surveys. The study uses secondary data in the introductory chapters preparing the background of the study. It uses secondary data in the analytical chapters to complement the findings based on the primary data. The secondary data are mainly collected from government sources, for example the National Sample Surveys, Census of India Reports, Agricultural Census Reports, Human Development Reports, and so on. Some data were collected directly from the Directorate of Statistics, Government of Bihar.

Many libraries have been consulted not only for collection of the secondary data, but also for consulting literature on poverty studies. The Dhananajyrao Gadgil Library, Gokhale Institute of Politics and Economics; Ratan Tata Library, Delhi School of Economics; Library of the Planning Commission, New Delhi; and A N Sinha Institute Library, Patna are the major libraries that have been consulted for the study.

## 6 Limitations of the Study

Firstly, the study is based on the primary data collected through household surveys of four sample villages representing two different agro-climatic and socio-political regions in Bihar. Given the limitations of any village study, great care must be taken to generalise the findings of this study for the state as a whole. The findings of this study can be considered to be representative of Rural Bihar only to the extent that a village can be seen as “a point at which social, economic and political forces operating over a much wider field meet and intersect” (Beteille, 1966).

Secondly, the study failed to carry out many quantitative statistical analyses using aggregate data at the village level. This was due to the fact that the sample contained only four villages, making the sample size too small to carry out meaningful quantitative analysis at the village level, which, if done, could have brought out the findings of the study more powerfully.

Thirdly, the use of both qualitative and quantitative methodologies in the analysis of poverty has been the strength as well as the weakness of the study. In combining these two methodologies, the study has compromised analytical rigour and language precision to some extent. In the same way, the familiarity of the researcher with the reality of poverty in the area of the study may have unconsciously influenced the study, although much care was taken to detach the researcher from the field while analyzing and interpreting the data.

## 7 Operational Definitions

The following gives a list of the operational definitions employed in the study:

- *Power*: Power, in the positive sense of the term, is the capacity of individuals to realize their striving for on-going self-actualization of which achieving a socially accepted minimum level of living is an absolute requirement.



- *Power*, from the point of view of societal relationships, is the capacity of individuals or social classes to control, affect and monopolize social institutions and social processes for one's own benefit at the cost of others.
- *Sources of Power*: This refers to those critical resources in a society on which societal power rests, and whose differential distribution brings about differential distribution of power in society. In the present study, land is the most critical rural resource whose differential distribution accounts for, to a large measure, differential distribution of power in the agrarian population in the four villages.
- *Criticalness of resources*: Criticalness of a resource at the prevailing forces of production (level of technology) is a function of the *scarcity* of the resource and its *centrality* for production.
- *Agrarian Power Structure*: This refers to the pattern of distribution of those resources, which determine power in a society. More precisely, in the study, this refers to the pattern of distribution of land across the sample agrarian population.
- *Production Relations*: This refers to the economic relationship of individuals to the productive resources in a given society. In this study, this refers to the relationship of agrarian population to land.
- *Exchange Relations*: This refers to relationship between economic agents when they trade in goods and services. In this study, exchange relations are used in a restricted sense. It refers only to labour and credit-market relations.
- *Poverty Process*: Poverty process implies that poverty is not only absence of a specified minimum of something but also a process which incapacitates individuals not to have that minimum of something. Poverty process refers to the inter-relationship among individuals' position in the agrarian power structure, social relations and their failure to achieve a minimum level of living.
- *Dynamics of Agrarian Power and Poverty*: This refers to the poverty process. The term dynamics does not suggest that the study examines changes in poverty over a period of time. The term dynamics simply refers to the mutually influencing and reinforcing relationship among agrarian power structure, social relations and individuals' failure to command a minimum level of living.

- *Head Count Ratio of Capability-Poverty*: This refers to the percentage of sample population who have been identified as poor by the technique of *wealth ranking* used in *participatory poverty assessments*.
- *Transfer Relations*: The concept of 'transfer relations' have been used in the study analogues to 'labour-market relations' or 'credit-market relations'. It refers to the relationship among the economic agents, namely the poor, the village leaders, the middle men and the concerned officials, in the process of availing or not availing of the benefit of various public schemes of income transfer to the poor. The sellers of the transfer schemes are those who have the power to control directly or indirectly the different schemes of the income transfer to the poor. The buyers are the poor who want to avail of the benefit of any of these schemes.
- *Agricultural Income*: This is the total income received from agriculture – both from cultivation and from agricultural labour. This also includes income received from allied activities such as livestock-raising.
- *Non-agricultural Income*: This is the total income received from all other sources other than the agricultural and allied activities. This would include income received from self-employment other than cultivation, non-agricultural wage, the remittance income received from migration, the income received as salary or pension, and income received as rent.
- *Household*: A group of person normally living together and taking food from a common kitchen constitutes a household. The word 'normally' means that temporary visitors are excluded and temporary stay-aways are included (NSS methodology).
- *Consumption Expenditure*: The expenditure incurred on domestic consumption during the reference period. It is the total of the monetary values of consumption of various groups of items, namely, (1) food, pan (betel leaves), tobacco, intoxicants and fuel and light; (2) clothing and footwear, and (3) miscellaneous goods and services and durable articles (NSS methodology).
- *Per Capita Consumption Expenditure of a Household*: It is the total household consumption expenditure divided by the size of the household.

- **Workers:** Persons who are engaged in any economic activity or who, despite their attachment to economic activity, abstained from work for reasons of illness, injury or other physical disabilities, bad weather, festivals, social or religious functions or other contingencies absent from work, constituted workers (NSS methodology).
- **Labour Force:** Persons who are either working or seeking or are available for work during the reference period constitute the labour force (NSS methodology).
- **Unemployed Workers:** Persons who, though available for work, could not find work, due to lack of availability of work (adopted from NSS methodology).
- **Rural Labourers:** Manual labourers working in agriculture and/or non-agricultural occupation in return for wages paid either in cash or kind and living in rural areas are considered as rural labourers (NSS methodology).
- **Agricultural Labourer:** Agricultural labourer is a person who is engaged in one or more of the agricultural occupations in the capacity of a wage-paid manual labour, whether paid in cash or kind or both (NSS methodology).
- **Landholding Groups:** Marginal = less than 1 hectare; Small = 1 - 2 hectares; Semi-medium = 2 - 4 hectares; Medium = 4 - 10 hectares; Large = 10 hectares and above.
- **Food-Grain Deficiency:** In the study, it refers to a situation where the total foodgrains received by a household as return from agriculture and the total foodgrains received from the Public Distribution System together do not add up to the total amount of foodgrains required by a household for a year. It implies that the total foodgrains received by a household, excluding the purchases made from the open market, fall short of the foodgrains required hectares for a year.
- **Informal Credit Contracts:** This refers to loans incurred from non-institutional sources such as employers, moneylenders, shopkeepers, friends and relatives.
- **Formal Credit Contracts:** This refers to loans contracted from government lending institutions, banks and cooperative societies.
- **Household's/Individual's Dependence on Land:** This refers to the critical importance of land for a household or individual for its/his survival.

## **8 A PROFILE OF BIHAR AND THE SAMPLE**

Bihar is a very fertile flat land covering 94,163 sq.km. The river Ganges divides the state into two parts - North Bihar and South Bihar. Land and water are the most important resources. Bihar has several rivers: Ganges, Son, Bagmati, Kosi, Budhi Gandak and Falgu to name a few. It lies in between latitudes N.24° 20' 10" and 27° 31' 15" and longitudes E 83° 19' 15" and 88° 17' 40". The state is bounded on the north by Nepal, on the east by West Bengal, on the west by Uttar Pradesh and on the south by Jharkhand. The state lies between 35 to 85 metres above the mean sea level.

The state falls in the middle region of the Gangetic plains. It is divided into three agro-ecological sub-zones. These are Northwest Alluvial Plains (Zone I), Northeast Alluvial Plains (Zone II) and South Bihar Alluvial Plains (Zone III). Zone I and Zone II fall in north Bihar and Zone III is comprised of the entire South Bihar.

### **8.1 Socio-Economic Profile of Bihar**

The socio-economic profile of Bihar is briefly discussed here. This provides a background to the present study of rural poverty.

#### **8.1.1 Population Characteristics**

Bihar contains more than eight per cent of the total population in the country with 89.54 per cent of its population living in rural areas. The population (82 million) is spread across 38 districts and 45,103 revenue villages. In the last decade (1991-2000), the population growth rate for Bihar has increased roughly by five percentage points (28.43) as compared with the population in the preceding decade (23.38). A vast majority of the working population is engaged in agriculture. More than 77 per cent of workers are engaged in agricultural works either as cultivators (29.2 %) or as labourers (48.2 %). Only a very small percentage of the total work force (3.9) is engaged in household industries. The proportion of agricultural labourers among the total workers is much higher than the cultivators in Bihar as a whole and in most of the individual districts of the state. Jehanabad, Gopalganj and Siwan are the very few districts where the proportion of cultivators is higher than the agricultural labourers.

About 16 per cent of the population in the state is SCs. Their population is spread somewhat evenly across all the districts. However, their population is more concentrated in some south Bihar districts, namely Gaya (28.6 per cent), Nawada (24.1 per cent), Aurangabad (23.5 per cent), and Nalanda (20 per cent). Kishanganj (6.6 per cent) and Katihar (8.7 per cent) are the only two districts where scheduled castes population is less than 10 per cent of the population of the respective districts.

Bihar is the most illiterate state in the country, according to the Census 2001. It is way behind almost all the other states. The literacy rate of Bihar (47.5) is about 10 percentage points lower than the neighboring state of Uttar Pradesh. According to the National Family Health Survey (2000), only 18.2 per cent of the villages in Bihar are electrified and only 15.5 per cent of the households live in *pucca* houses.

### **8.1.2 Agrarian Scene in Bihar**

About 90 per cent of Bihar is rural - 92.83 per cent of North Bihar population and 90.43 per cent of South Bihar population are rural. Above 79 per cent of the rural work-force is directly dependent on agriculture for sustenance (Census, 2001). Since time immemorial, Bihar – both north Bihar and south Bihar – have remained essentially an agricultural economy. Agriculture continues to be the single largest contributor to the net state domestic product with a share of 43.7 per cent in 1998-1999 (EPRF, 2003: 52). A few aspects of agrarian situation are highlighted here.

### **8.1.3 Land Utilization Pattern**

According to the information in Table 2.3, in 1999-2000, the gross cropped area in Bihar was 99,79,000 hectares. Bihar has the highest percentage of gross cropped area under food grains. In 1997-1998, 88 per cent of the gross cropped area was under food grain, much above the national average of 66.5 per cent. However, nearly 50 per cent of the gross cropped area is still un-irrigated, way behind Punjab with 95 per cent, Haryana with 78 per cent and neighbouring state of Uttar Pradesh with 66 per cent of their gross cropped area under irrigation (CMIE, February, 2004).

Table 2.3: Land Utilization: Bihar and other Major Indian States

States	Net Sown Area (Per cent of Area Reporting) (1999-00)	Gross Cropped Area ('000 ha) (1999-00)	Net Irrigated Area (Per cent of net sown Area)	Area Under Food grains (Per cent of gross cropped area)	Area Under Rice (Per cent of gross Cropped Area) *2	Area Under Wheat (Per cent of gross Cropped Area) *2
A. P.	40.01	13023	41.32	70.80	94.80	-----
Assam	34.41	04093	21.18	70.10	21.25	-----
Bihar	42.91*1	09979	50.27	89.76*1	40.26	88.41
Gujarat	51.39	10152	31.88	31.87	-----	125.27
Haryana	80.73	06029	81.31	71.11	99.40	98.33
H. P.	12.16	00957	18.51	86.03	-----	-----
Karnataka	53.85	12097	24.84	63.37	66.79	-----
Kerala	57.63	03002	16.97	12.62	49.88	-----
M. P.	44.54	20419	37.56	61.29	23.48	67.96
Maharashtra	57.52	22351	16.80	61.01	27.35	74.11
Orissa	39.01	08524	34.40	64.38	39.10	-----
Punjab	84.20	08240	94.48	75.92	100.23	97.02
Rajasthan	45.27	19286	36.18	56.75	-----	94.62
T. Nadu	42.06	06519	54.39	58.73	92.02	-----
U. P.	69.42	24903	75.54*2	80.36	62.27	92.54
W.Bengal	62.97	09545	40.53	71.75	25.70	-----
All India	46.15	189740	40.53	64.88	50.09	86.78

Source: CMIE, September 1999, p. 27- 47. All the data pertains to 1995-1996 Notes: \*1: data pertains to 95-96; \*2: data pertains to 1998-1999

Though Bihar is one of the largest rice-growing states in India, with rice land of 5281.6 thousand hectares, rice yield remains one of the lowest in India at 1.23 ton per hectare (CMIE, February, 2004)

#### 8.1.4 Landholding Pattern

Table 2.4 gives the distribution of operational holdings in the major states in India. Barring a few major states, namely, Punjab, Haryana, Gujarat, Maharashtra, Madhya Pradesh and Rajasthan, nearly 80 or more percent of the landholdings are either marginal or small. As far as Bihar is concerned, marginal landholdings (80.1 %) and small landholdings (10.8 %) constitute nearly 91 per cent of the total landholdings. Bihar has the second highest marginal landholdings, after Kerala

Table 2.4: Distribution of Operational Holdings (1995-1996)

States	Different Categories of Holdings				
	Marginal	Small	Semi-medium	Medium	Large
Andhra P.	59.4	21.3	13.2	5.3	0.8
Assam	62.2	21.0	13.1	3.6	0.5
Bihar	80.1	10.8	6.6	2.2	0.3
Gujarat	27.3	28.0	25.6	16.7	2.4
Haryana	47.2	19.6	19.0	12.0	2.2
Himachal P.	64.4	20.0	11.0	3.9	0.9
Karnataka	42.0	27.4	19.4	9.5	2.7
Kerala	94.0	4.2	1.5	0.3	0.04
Madhya P.	40.4	24.1	20.0	12.9	2.6
Maharashtra	40.0	29.8	20.2	8.9	1.1
Orissa	54.1	27.9	13.7	3.9	1.1
Punjab	18.7	16.8	29.3	28.0	16.2
Rajasthan	30.0	20.2	20.8	19.8	9.2
Tamil Nadu	74.3	15.4	7.5	2.5	0.3
Uttar P.	75.4	14.6	7.4	2.5	0.1
West Bengal	76.4	16.8	5.8	0.9	2.1
All India	61.6	18.7	12.3	6.1	1.2

Source: Agricultural Census 2001, Ministry of Agriculture, GOI, pp. 186-188.

Table 2.5: Percentage Area Operated by Landholding Groups (1995-1996)

States	Percentage Area Operated				
	Marginal	Small	S. Medium	Medium	Large
Andhra P.	20.2	22.5	26.0	22.5	8.8
Assam	19.8	24.5	29.4	15.8	10.5
Bihar	36.2	18.9	24.0	16.4	4.5
Gujarat	5.7	15.7	24.3	37.7	16.9
Haryana	11.0	12.9	24.9	33.2	18.0
Himachal P.	23.0	24.1	25.6	19.4	7.9
Karnataka	10.3	20.5	27.2	28.8	13.2
Kerala	53.3	20.4	14.3	6.1	5.9
Madhya P.	8.2	15.2	24.2	33.6	18.8
Maharashtra	10.5	23.2	29.5	27.3	9.5
Orissa	20.7	29.6	28.2	16.8	4.7
Punjab	3.0	5.8	20.1	42.3	28.8
Rajasthan	3.7	7.4	15.0	31.1	42.8
Tamil Nadu	30.3	23.6	22.2	15.5	8.4
Uttar P.	33.7	23.8	23.3	15.9	3.3
West Bengal	42.9	29.1	18.7	5.7	3.6
All India	17.2	18.8	23.8	25.3	14.8

Source: Agricultural Census 2001, Ministry of Agriculture, GOI, pp. 186-188.

Table 2.5 summarizes the percentage area operated by different landholding groups in the major states of India. In Bihar, according to agricultural census 2001, nearly 91 per cent of landholdings – marginal and small landholdings together – operate only 51 per cent of total area operated by all landholding categories and 0.5 per cent of large landholdings operate 4.5 per cent of the total operational area.

### 8.1.5 Economic Stagnation and Deceleration

In spite of its rich resources of land, labour and water, Bihar remains the epitome of economic stagnation and deceleration. Bihar is one of the poorest states in India. It has the distinction of having the lowest per capita Gross State Domestic Product of Rs. 3,656 in 2001 (See Table 2.6). This is much below the average of Rs.11, 433 for all the states. The state of Bihar, in general, is more than three times worse off in terms general opulence than most other states.

Table 2.6: Per Capita GSDP and Rank of States  
Triennium Ending (TE) 2000-2001 (in Rupees)

Rank	States	Per Capita GSDP (1993-94 Prices)
1	Maharashtra	16865
2	Punjab	16648
3	Gujarat	15779
4	Haryana	15716
5	Tamil Nadu	13859
6	Karnataka	12619
7	Himachal Pradesh	12027
8	Kerala	11304
9	Andhra Pradesh	10665
10	West Bengal	10236
11	Rajasthan	9569
12	Madhya Pradesh	8495
13	Assam	6762
14	Uttar Pradesh	6500
15	Orissa	6236
16	Bihar	3656

Source: EPW Research Foundation, Mumbai, June 2003, p. 27

The situation of Bihar in terms of per capita income is so grim that Bihar not only ranks the last in the list but its per capita income is only just above half of Orissa's



per capita gross state domestic product of Rs. 6,235. The Table 2.6 speaks for itself. Bihar is way behind other states in the country. The extent of economic stagnation and deceleration is a cause for worry. Contribution of GSDP of Bihar to the GDP of the country is negligible (Table 2.7).

**Table 2.7: Share of Top Five and Bottom Six States in GDP of India**

SL. No.	States	Share of GSDP at '80-'81 Prices: TE '82 '83	Share of GSDP at 1980-81 Prices: TE 1992-93	Share of GSDP at 1993-94 Prices: TE 1995-96	Share of GSDP at 1993-94 Prices: TE 2000-01
<b>Top Five States:</b>					
1	Maharashtra	14.0	15.3	15.3	15.6
2	Tamil Nadu	06.9	07.1	08.1	08.3
3	Gujarat	06.4	06.4	07.2	07.4
4	Punjab	04.4	04.3	04.0	03.9
5	Haryana	02.9	03.1	03.0	00.0
<b>Bottom Six States:</b>					
1	Uttar Pradesh	13.3	12.6	10.8	10.2
2	M. Pradesh	06.6	06.2	05.1	05.1
3	Bihar	06.2	04.6	03.0	02.8
4	Rajashtan	04.0	05.5	04.8	04.8
5	Orissa	03.0	02.6	02.4	02.2
6	Assam	02.2	01.9	02.0	01.7

*Source: EPW Research Foundation, Mumbai, June 2003, p. 27*

The average share of Bihar's GSDP to the GDP of the country is as low as 2.8 per cent for the period TE 2000-01 (Table 2.6). The share of Bihar has steadily decreased from 6.2 per cent for the period TE 1982-1983 to 4.6 per cent for the period TE 1992-93 to 3 per cent for the period TE 1995-1996 to 2.8 per cent for the period TE 2000-2001. As the Table 2.6 shows the bottom six states, which have more than 40 per cent of the country's population, contribute only 26.9 per cent of the GDP of the country. The situation of Bihar is particularly worrisome.

Table 2.8 highlights the deep crisis that characterizes the economy of Bihar. While majority of the states have shown increase in their annual compound growth rates of both GSDP and per capita GSDP, in Bihar the growth rate has been decreasing over the years. The annual compound growth rate of GSDP has decreased from 4.66 per cent in the period 1981-1991 to 2.87 for the period 1991-2001. Similarly the annual

compound growth rate of per capita GSDP has decreased from 2.45 per cent to 0.12 per cent. When all the states show some signs of progress, Bihar seems to decelerate.

Table 2.8: Annual Compound Growth Rate during 1980s and 1990s  
In per cent per annum

States	GSDP at 1980-81 prices: 1980-81 to 1990-91	GSDP at 1980-81 prices: 1990-91 to 2000-01	Per Capita GSDP at 1980-81 prices: 1980-81 to 1990-91	Per Capita GSDP at 1980-81 prices: 1990-91 to 2000-01
Andhra Pradesh	5.65	5.44	3.39	3.92
Assam	3.58	2.76	1.38	0.93
Bihar	4.66	2.87	2.45	0.12
Gujarat	5.08	7.35	3.04	5.56
Him. Pradesh	5.03	6.31	3.12	4.45
Karnataka	5.29	7.56	3.25	5.89
M. Pradesh	4.56	4.78	2.12	2.67
Maharashtra	6.02	6.83	3.63	4.70
Orissa	4.29	3.75	2.42	2.28
Punjab	5.32	4.85	3.35	2.89
Rajasthan	6.60	6.07	3.91	3.54
Tamil Nadu	5.38	6.62	3.88	5.52
Uttar Pradesh	4.95	3.95	2.57	1.86
West Bengal	4.71	6.84	2.44	5.10
India	5.55	6.10	3.32	4.08

Source: EPW Research Foundation, June 2003, p. 25

### 8.1.6 Poverty in Rural Bihar

Poverty in rural Bihar is alarming. In comparison with most other major states in India, reduction in poverty has been very slow. Table 2.9 gives district-wise census conducted by the state government to identify the BPL households (1997- 2002). According to this survey, there are more households which are below the poverty-line than what the estimates of HCR of poverty worked out by the Planning commission of India for 1999-2000 or for 2003-2004 would suggest. More than 50 per cent of households in most of the districts have been identified as BPL households. Table 2.9 also gives information on distribution of BPL households across various socio-economic groups. In terms of castes, the majority of BPL households are from SCs. In terms of employment, the majority of them are agricultural labourers.

Table 2.9: District-wise Rural Households Below Poverty Line (1997-2002)

Per cent of Respective Total Population

Districts	BPL Rural Households		Spread of BPL Rural Families among Different Socio-Economic Groups			
	Number	Per cent to Total	SC	Marginal Farmer	Small Farmer	Agri. Labour
Patna	220881	48.06	38.2	08.1	02.8	73.7
Nalanda	152866	53.83	47.7	08.2	02.1	86.0
Bhojpur	135088	55.30	30.6	17.2	05.6	56.0
Buxar	85268	46.64	34.5	15.6	03.8	91.5
Rahtas	135744	56.81	37.8	24.3	07.4	51.2
Gaya	294487	69.83	40.8	21.5	14.9	21.9
Jehanabad	89970	49.67	67.5	19.3	07.2	63.3
Nawada	162576	62.03	74.7	32.3	12.6	47.7
Aurangabad	123432	61.72	49.0	12.0	10.3	44.3
Saran	171431	54.10	32.3	31.9	05.6	46.2
Siwan	143282	50.98	24.7	12.9	02.5	65.6
Muzaffarpur	342388	55.93	28.9	19.4	02.4	33.2
Champanan E	286090	54.08	26.3	22.2	07.6	66.5
Champanan W	254068	47.37	31.2	12.5	03.0	83.6
Sitamarhi	294268	67.12	19.9	12.2	06.8	61.2
Vishali	191378	41.09	38.1	18.6	04.3	57.0
Darbhanga	290889	60.05	23.3	17.7	11.2	57.5
Madhubani	447695	72.43	24.3	24.8	14.9	49.9
Samastipur	337344	64.65	30.5	23.6	04.1	65.2
Begusarai	218932	65.35	15.5	10.0	05.0	45.0
Munger	88062	52.98	0.5	08.1	00.9	70.6
Jamuie	140959	63.45	28.4	23.9	04.6	54.9
Khagaria	152280	48.77	27.1	17.2	05.5	71.1
Bhagalpur	218618	70.19	14.6	31.2	10.2	42.0
Banka	157818	63.36	18.8	07.1	17.4	62.4
Saharsa	163507	71.09	24.1	02.0	03.5	37.2
Sapaul	201760	74.56	21.9	17.7	03.7	67.4
Madhepura	125642	55.36	37.9	27.9	04.1	55.2
Purnia	272848	69.96	18.1	16.8	03.6	69.9
Kishanganj	100038	57.99	8.4	10.8	03.3	84.8
Araria	317046	80.26	25.1	18.9	11.0	56.9
Katihar	184218	49.13	66.3	12.0	04.2	69.9

Source: Directorate of Statistics, Government of Bihar.

### 8.1.7 Indicators of Human Development in Bihar

Table 2.10 depicts the situation of Bihar in comparison with other major states in India with respect to certain indicators of human development.

Table 2.10: Human Development Index: Bihar and Major Indian States

States	Rural HDI (2001)		Rural HPI <sup>68</sup> (1991)		PCCE (Rural) (1999-'00)	IMR (Rural) 1991
	Value	Rank <sup>69</sup>	Value	Rank		
Andhra P.	0.416	10	45.04	9	453.61	58
Assam	0.386	14	52.57	12	426.12	94
Bihar	0.367	15	55.85	16	384.72	77
Gujarat	0.479	6	33.59	5	551.33	83
Haryana	0.509	5	32.29	4	714.37	56
Himachal P.	-----	-----	28.09	3	684.50	84
Karnataka	0.478	7	37.54	8	499.78	84
Kerala	0.638	1	21.75	1	765.70	45
Madhya P.	0.394	12	48.43	11	401.50	142
Maharashtra	0.523	4	36.53	7	496.77	85
Orissa	0.404	11	53.07	15	373.17	130
Punjab	0.537	2	27.95	2	742.43	81
Rajasthan	0.424	9	53.28	14	548.88	93
Tamil Nadu	0.531	3	33.98	6	513.97	62
Uttar P.	0.388	13	52.43	13	466.68	104
West Bengal	0.472	8	47.00	10	454.49	66
All India	0.472	-----	44.81	-----	486.08	84

Source: Human Development Report, Government of India

In terms of Human Development Index (HDI) for rural areas, Bihar is on the bottom-most position (0.367). The extremely low value of HDI - which captures level of economic development, education and health of the population – for rural Bihar is suggestive of an extremely low level of well-being of its rural population. The Human Poverty Index (HPI, 1991), Per Capita Consumption Expenditure (PCCE) and Infant Mortality Rate (IMR) also depicts the same grim situation.

## 8.2 The Area of Study

Bihar comprises three distinct regions, to wit, *Mithila*, *Magadh* and *Bhojpur*. They differ from one another agro-climatically, socio-culturally, economically and

<sup>68</sup> Human Poverty Index is defined as “a composite of variables capturing deprivation in three dimensions of human development viz. economic, educational and health. These have been captured by proportion of population below the poverty-line, proportion of population without access to safe drinking-water/sanitation/electricity, medical attention at birth/vaccination and proportion living in *kutcha* houses; proportion of illiterate population and children not enrolled in schools; and proportion of population not (expected) to survive beyond age 40” (Human Development Report 2001:143).

<sup>69</sup> The Ranks mentioned in this column do not refer to the Ranks given in the report as all the states are not included in the table here.

politically. Of these, only two regions, namely Mithila and Magadh, were selected for the study<sup>70</sup>. While agrarian radicalism and “flaming fields” characterize Magadh in South Bihar, Mithila in north-east Bihar, on the other hand, has been known for spiritualism, supremacy of Brahmanic ideology, and extreme forms of feudalism.

### **8.2.1 The Region of Mithila**

Mithili speaking region of north-east Bihar is known as *Mithila*. It is bound in the north by the Himalayas, on the south by the Ganges, on the west by the river Gandak and on the east by the Kosi River. Mithila, since the Vedic age, has been recognized as an acclaimed centre for intellectual excellence in Brahmanic and Buddhist teaching (S. N. Singh, 1922: 1-35 as referred to in Hetukar Jha (1991: 30). On the one hand, Mithila has been a land of cultural puritanism, intellectualism and erudition. However, on the other hand, it has been a land of Brahmanic hegemony over the masses. The Brahmins of Mithila “have been well known for their erudition and scholarship in Sanskrit” and they maintained their “hegemony over the masses with the help of Brahmanic ideology” (Prasad, B. N., 2002: 196).

### **8.2.2 The Region of Magadh**

The region of Magadh, where Magahi language is spoken, possesses a glorious tradition since ancient times. Magadh was not only the largest empire in India but also one of the most celebrated centres of Buddhism and Jainism, which preached against Brahmanic orthodoxy (Jha, H, 1991: 30). Magadh remained an important region during the medieval and modern periods both politically and commercially. The Grand Trunk Road, built during the rule of Sher Shah, connected this region with Kolkata, Varanasi, Allahabad, Kanpur, Delhi, Amritsar and the Pakistani cities of Lahore and Peshawar. In the modern period, Magadh region played an important role in the freedom movement. In recognition of its importance in the political

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<sup>70</sup> The choice of regions was made on basis of the fact that the region of Mithila is distinctly different from the other two regions and the region of Magadh is close to the region of Bhojpur both geographically and historically (Jha, 1991: 31). Hence the region of Mithila was naturally chosen for the study. From among the regions of Magadh and Bhojpur, which resemble one another in important respects, the region of Magadh was preferred to the region of Bhojpur for reasons of convenience.

landscape of the time, national level conference of the National Congress was held in Gaya in 1922. Magadh region has, thus been exposed to various “cultural, political and ideological influences from out side” (Prasad, B.N., 2002: 197). All these factors “conspired against the emergence of Brahmanic orthodoxy in this region, which had its stronghold in Mithila” (Jha, H, 1991: 30).

Also, non-upper castes in this region ‘remained for a long time at par with the upper castes in the sphere of land control’ (ibid: 31). The socio-political and economic challenge posed by the intermediate castes against the upper castes “often lead to conflict between upper-caste zameendars and intermediate castes (Krumi, Ahir) tenants” (Prasad, 2002: 197). This region is also in the forefront of the new phase of agrarian struggle of the agricultural labourers, inspired by Naxalite ideology, for social and economic emancipation (ibid: 203).

Agriculture in the Magadh region is relatively at a higher level than in the Mithila region as indicated by per acre fertilizer consumption and the proportion of the area under irrigation. The former is more prone to drought, while the latter<sup>71</sup> is more prone to floods. The major part of the irrigated areas in Bihar is from south Bihar. Agriculture in south Bihar, in general, registers higher growth, greater orientation to the market and wider use of wage labour than Mithila. Magadh region has a higher proportion of SC population than Mithila. The rate of literacy is also higher.

### **8.2.3 Madhubani and Gaya**

Madhubani and Gaya represent the two regions of Bihar – the region of *Magadh* and the region of *Mithila*, respectively. These districts also represent two of the three agro-climatic regions of Bihar. Madhubani represents the agro-climatic Zone I in north Bihar and Gaya represents the agro-climatic Zone II in south Bihar.

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<sup>71</sup> Eighteen rivers and rivulets of the Adhvara and Kosi basins pass through this district. These rivers originate from the Himalayan valleys and pass through Nepal enter into Madhubani and, finally, fall into the river Ganges. As a result, out of the total geographical area, 45.2 per cent is severely affected by floods and 54.8 per cent is flooded occasionally. The geographical area of the district is 3,501 square kilo metres and accounts for 3.7 per cent of the area of the state.

### *Socio-economic Features*

Madhubani and Gaya are two large districts of Bihar in terms of population. Some general social characteristics of these two districts are given in Table 2.11.

Table 2.11: Gaya and Madhubani: Socio-Economic Features

Population Characteristics	Bihar	Madhubani	Gaya
Population Total	82,998,509	3,575,281	3,473,428
Per cent Rural Population	89.5	96.5	86.3
Per cent SC Population	15.7	13.5	29.6
Household Size	6.0	5.0	7.0
Literacy Rate	47.0	42.0	50.4
Sex Ratio	919	942	938
Work Participation Rate	33.7	34.3	36.8
Per cent Cultivators	29.3	30.5	34.3
Per cent Agricultural Labourers	48.0	52.8	43.8
Per cent workers in HH Industries	3.9	3.4	4.1

*Source:* Census 2001

Madhubani has 4.31 per cent and Gaya 4.18 per cent of the total population of the state. Though both the districts are predominantly rural, Gaya is more urbanized than Madhubani. While the rural population in Gaya is 86.3 per cent, it is 96.5 per cent in Madhubani, about seven percentage points more than the state's average rural population. The SC population is very high in Gaya. About 30 per cent of the total population in the district is SC. On the contrary, in Madhubani the SC population is only 13.5 per cent, lower than the state average of SC population. Literacy rate, work participation rate, and the percentage of cultivators in the work force are higher in Gaya – characteristics of the region of Magadh – than in Madhubani. Madhubani has a larger percentage of agricultural labourers than Gaya and the state as a whole.

### *Agriculture and Pattern of Landholdings*

Agriculture in Gaya, which falls in agro-climatic Zone II, is more developed than in Madhubani, which falls in the flood-prone, low lying agro-climatic Zone I. Some data on the pattern of landholdings, irrigation and land use are given in Table 2.12. In comparison to Madhubani, Gaya has a larger area under cultivation. However, Madhubani had a higher percentage of Net Sown Area than Gaya, in the year 95-96.

According to the agricultural census 1995-1996, 78.7 per cent of the cropped area in Gaya was irrigated; where as the only 28.9 per cent of the cropped area in Madhubani is irrigated. The per hectare production of both rice and wheat, the two major crops in both Madhubani and Gaya, is higher in agriculturally more developed Gaya district than in Madhubani. The percentage marginal holdings were higher in Madhubani than in Gaya. The average operated area in Gaya (1.1 hectare) is also much higher than that in Madhubani (0.5 hectare).

Table 2.12: Landholdings and Agriculture in Gaya and Madhubani

Particulars		Bihar	Madhubani	Gaya
Land holdings (Per cent)	Marginal	80.1	87.1	73.5
	Small	10.8	7.6	15.5
	Semi-medium	6.6	4.0	8.4
	Medium	2.2	1.2	2.5
	Large	0.3	Neg.	0.1
Land Use	Cropped Area (ha)	9979000	198455	206185
	Net Sown Area (%)	42.9	97.4	77.7
	Net Irrigated Area (% Cro. Area)	50.3	28.9	78.7
	Average area operated (ha)	0.75	1.1	0.5
Food Grain Production	Rice (Tons) (2001-2002)	1.49	1.17	1.60
	Wheat (Tons) (2001-2002)	1.12	1.44	1.71

*Source:* Agricultural Census 2001, Government of India, Agricultural Census 1995-1996, Government of Bihar; Directorate of Statistics, Ministry of Agriculture, Government of Bihar.

Gaya and Madhubani, representing two regions in Bihar, differ geographically, agro-climatically and economically. They also differ historically, culturally and politically. The study traces, through descriptive analysis, how the differences in the socio-economic structure would influence the nature of poverty differently.

### 8.3 Socio-Economic Profile of the Sample

This section presents a brief socio-economic profile of the sample.

#### 8.3.1 Social Features

Table 2.13 highlights certain social features of the four sample villages. Though the table is self-explanatory, a few comments are in order. Firstly, the sample contains one large village each from both the districts. Khangaon in Madhubani is larger than



Bargoria, with 498 households. Similarly, Kurmava in Gaya is larger than Ilra, with 456 households. Secondly, the average household size is larger in the Gaya villages than in the Madhubani-villages. Thirdly, male and female literacy rates are comparatively higher in Bargoria and Ilra in than the other two villages. Fourthly, Khangaon and Bargoria – both from Madhubani – have a higher sex ratio than the two Gaya villages. Fifthly, the SC population is much higher in the Gaya villages than in the Madhubani villages. The proportion of SC population to the total population is as high as 42.4 per cent in Ilra and 32.2 per cent in Kurmava.

Table 2.13: Social Characteristics of Sample Villages

Population		Madhubani		Gaya	
		Khangaon	Bargoria	Ilra	Kurmava
Number of Households		498	269	230	456
Sex Ratio		1040	960	898	944
Household Size		6.0	5.0	8.0	7.0
Literacy Rate	Male	51.1	73.6	77.3	55.9
	Female	21.2	31.9	49.1	29.7
Proportion of SC Pop.		26.7	23.9	42.4	32.2
Proportion of Cultivators		36.6	22.7	36.4	59.6
Proportion of AL		54.6	45.7	49.6	33.9

Source: Census of India 2001, Government of India.

Although the percentage of SC population in Khangaon and Bargoria is lower than that in the Gaya villages, it is higher than the average SC population in the Madhubani district (13.5 per cent). Sixthly, the ratio of agricultural labourers to cultivators is higher in the Madhubani villages than in the Gaya villages. It is the highest in Bargoria where for every cultivator household, there are 2.01 agricultural-labour households. It is the least in Kurmava where for every cultivator household, there are only 0.56 agricultural labour-households.

Every village has a dominant caste, which controls the economic activities in the village, and a number of subsidiary castes, which are subservient to the dominant caste. Table 2.14 gives the caste composition of the sample households. In the case of the Madhubani villages, the dominant castes are from the upper castes. In Khangaon, Rajputs are the dominant caste while in Bargoria Brahmins form the

dominant caste. In the case of the Gaya-villages, the dominant castes are from the upper backward castes. Both in Kurmava and Ilra, Koeris and Yadavas belonging to upper backward castes form the dominant castes.

Table 2.14: Caste Composition of the Sample Households

Districts	Villages	Castes (Per cent of Total Sample Households)			
		UC	UBC	OBC	SC
Madhubani	1) Khangaon	35.6	8.0	14.9	41.8
	2) Bargoria	44.4	0.0	17.2	38.8
Gaya	1) Ilra	2.9	33.3	7.8	56.0
	2) Kurmava	2.1	40.2	2.1	55.6
All		20.8	20.8	10.4	48.1

Source: Field Study

Though, scheduled castes form the majority in terms of their population in three out of the four villages, they do not form a dominant caste groups in any of the villages. Their existence is always subservient either to the upper castes or to the upper backward castes. They provide the bulk of agricultural labour required for cultivating the land primarily owned by the dominant-caste groups.

### 8.3.2 Education

Educationally all four villages are quite backward. This fact is portrayed in Table 2.15. More than half the population is illiterate. Illiteracy rate varies from 53.7 in Kurmava to 58.7 per cent in Bargoria. In Bargoria and Khangaon, there is a greater number (and percentage) of people who have received secondary, senior secondary and university education than in the Gaya villages. Illiteracy rate is very high among both the SCs (66.6) and OBCs (68.6) and it is the lowest among the upper castes (35.7). Illiteracy rate is high among the female population. About 68 per cent of the female population is illiterate while only about 46 per cent of the male population is illiterate. Illiteracy rate among those below 18 years is lower than that among those who are above 18 years. About 56 per cent of the young population is literate. Only 8.2 per cent of the total sample population has received training in one skill or another. This suggests that there is hardly any diversification and formation of human capital in these villages.

Table 2.15: Educational Status of the Sample

Socio-Eco. Groups		Per cent Population				
		Illiterate	Lower Primary	Upper Primary	Higher Secondary	Senior Secondary & Above
Village	All	56.7	12.7	11.4	13.0	6.2
	Khangaon	56.9	09.9	11.4	14.6	7.2
	Bargoria	58.7	06.9	10.4	16.8	7.2
	Ilra	57.7	12.7	13.0	10.9	5.8
	Kurmava	53.7	20.2	10.7	10.4	4.9
Caste	UC	35.7	9.9	15.0	27.4	12.1
	UBC	45.4	13.7	15.8	16.0	9.2
	OBC	68.6	7.4	10.2	9.5	4.3
	SC	66.6	14.4	8.3	7.5	3.2
Age	6-18 years	44.1	28.8	14.7	9.8	2.4
	19 yrs. & above	51.8	6.9	12.7	18.7	10.0
Sex	Male	46.2	14.2	12.5	17.4	9.7
	Female	68.4	11.0	10.2	8.2	2.2

Source: Field Study

### 8.3.3 Housing and Sanitation

For the whole sample, 44 per cent of households live in *kutcha* houses. *kutcha* houses are very often one-room (some times two-room) hut made of mud. The SCs and most of the OBCs live in *kutcha* houses. The exceptions are few and far between. About 50 per cent of the population in Ilra and 55 per cent in Khangaon live in *kutcha* houses. The situation in Bargoria and Kurmava is better; a smaller percentage of the population than that in the other two villages live in *Kucha* houses. There are more people in Bargoria and Khangaon who live in *pucca* houses than in the two villages from Gaya (Table 2.16). Only a tiny minority of households (6.7 %) in all the four villages have toilets attached to their houses. In Kurmava, those who have toilets attached to their houses are merely 1 per cent. Access to safe drinking-water is somewhat better. About 51 per cent of the sample population has access to safe drinking-water. In Bargoria, however, only 39 per cent has access to safe drinking water. Except Kurmava, the other sample villages are electrified. However, most households in all the villages have to be content with their kerosene lamps.

Table 2.16: Living Conditions in Sample Villages  
(Per cent of total HH)

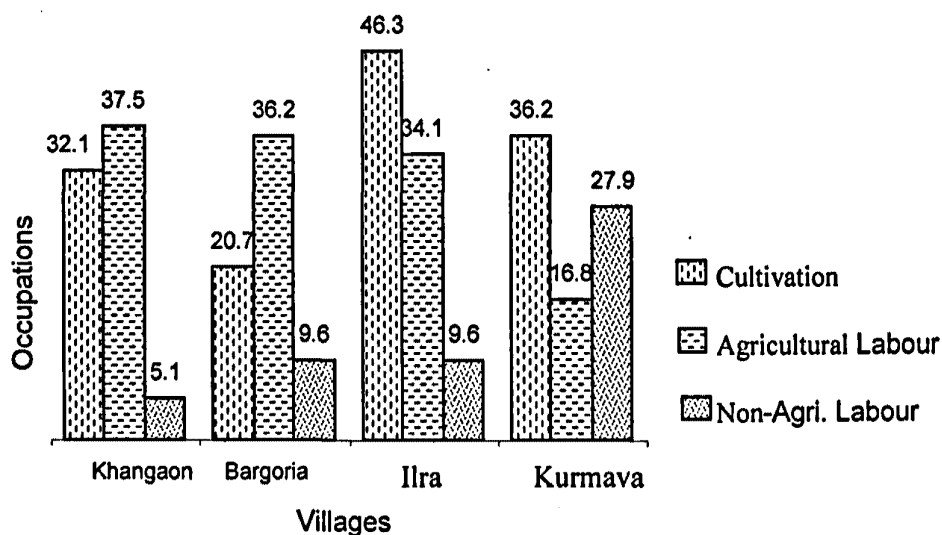
Amenities	Madhubani Villages		Gaya Villages		All
	Khangaon	Bargoria	Ilra	Kurmava	
Housing					
• <i>Kucha</i>	55.2	33.0	50.5	39.2	44.0
• <i>Semi-Kucha</i>	5.7	24.0	27.9	31.4	22.8
• <i>Pucca</i>	39.1	43.0	21.6	29.4	33.2
Have Attached Latrines	5.7	14.0	6.2	1.0	6.7
Have Access to Safe Drinking Water	56.3	39.0	52.6	51.3	51.3

Source: Field Study

### 8.3.4 Occupation

This section highlights the primary occupations in the sample. Relevant information is depicted in Figure 2.1. Nearly 70 per cent of the work-force in Khangaon, 57 per cent in Bargoria, 80 per cent in Ilra and 53 per cent in Kurmava is engaged in agriculture either as cultivators or as wage labourers.

Figure 2.1: The Occupational Distribution of the Rural Workforce



Source: Field Study

In the Gaya-villages the cultivators outnumber the wage labourers whereas in the Madhubani villages, the wage labourers outnumber the cultivators. In Kurmava, only 16.8 per cent of the workforce is engaged in agriculture as labourers as against the

36.2 per cent as cultivators. On the other hand, in Bargoria, 36.2 per cent of the workforce is engaged in agriculture as labourers as against the 20.7 per cent as cultivators. In Kurmava, 27.9 per cent of the work-force is engaged in non-agricultural works. In the other villages, the percentage of those engaged in non-agricultural works is much less.

In terms of primary occupations, the majority of the upper caste work-force is in service (40 %), followed by cultivation (36.7 %). About 9 per cent of the upper caste work-force is engaged in self-employment other than cultivation. The vast majority of the upper backward caste work-force is in cultivation. Those in cultivation constitute 66.4 per cent of the total upper backward caste work-force. No other caste group has such a high percentage of its work-force in cultivation. About 11 per cent of them are in service and another nine per cent are self-employed other than cultivation. The majority of OBC and SC work-force is engaged in agricultural wage labour. Agricultural labourers constitute 48.7 per cent of the SC work-force and 30.4 per cent of the OBC work-force. Cultivation is the second most important occupation among them. The dependence on agriculture either as labourers or as cultivators is the highest among the SC with 71 per cent of its work-force engaged in agriculture. The dependence of the upper caste on agriculture is the least. Only 36.7 per cent of its work-force is in agriculture.

Table 2.18: Social Groups and Primary Occupations

Social Groups	Percentage Population in Selected Primary Occupations					
	Culti- vation	Agri. Labour	Non- Agri. Labour	Self- Employ- ment	Service	Total
U. Castes	36.7	00.0	6.0	9.1	40.0	91.8
U. B. Castes	66.4	3.4	7.9	9.1	10.9	97.7
OBC	27.4	30.4	9.8	11.6	13.3	92.5
SC	22.7	48.7	18.3	3.0	6.7	99.4
Men	31.7	22.2	16.5	9.6	17.1	97.1
Women	39.7	49.3	7.2	0.9	2.6	99.7

Source: Field Study

(Note: The total percentages do not add up to 100 as certain occupations are omitted in the Table)

The variation in primary occupations of both the male and female work-force is very striking. Female work-force is engaged mostly in agriculture either as labourers or as cultivators. Nearly 89 per cent of the female work-force is in agriculture: 49.3 per cent as labourers and 39.7 per cent as cultivators. As opposed to this, only 53.9 per cent of the male work-force is engaged in agriculture: 31.7 per cent as cultivators and 22.3 per cent as labourers. Only 7.2 per cent of the female work-force is in non-agricultural wage labour. Their presence in service or self-employment is negligible.

### 8.3.5 Pattern of Operational Landholdings

One-fourth of the whole sample households are landless (Table 2.18). Khangaon and Bargoria – both in Madhubani – have a very high percentage of the landless households. It is as high as 43.7 per cent in Khangaon and 32.0 per cent in Bargoria. In Kurmava, the landless households, remarkably, constitute only a small minority of the sample households. As the result of *Bodh Gaya Bhoomi Andolan*, many of the labourers and the SCs in Kurmava had received some land. Nearly 72 per cent of the landless households in the whole sample are from the two Madhubani villages.

Table 2.18: Type of Landholdings and Area Owned in the Sample Villages  
Per cent

Landholding Category	Madhubani Villages				Gaya Villages				All	
	Khangaon		Bargoria		Ilra		Kurmava		1	2
	1	2	1	2	1	2	1	2		
Landless	43.7	0.0	32.0	0.0	21.6	0.0	6.9	0.0	25.2	0.0
Marginal	51.0	10.4	38.2	5.8	50.0	11.1	44.2	15.8	45.5	10.4
Small	16.3	8.5	11.8	6.5	17.1	10.9	32.6	28.9	20.8	13.2
S. Medium	18.4	21.1	30.9	31.3	17.1	21.7	14.7	27.1	19.8	25.7
Medium	10.2	20.6	17.6	36.0	11.8	32.2	8.4	28.1	18.1	30.1
Large	4.1	39.5	1.5	20.4	3.9	24.1	0.0	0.0	2.1	25.5

Source: Field Study

Notes: 1 – Landholdings (per cent); 2 – Area Owned (per cent)

The majority of the landholdings in all the four villages are either marginal or small. In Khangaon 51 per cent landholdings, in Bargoria 38.2 per cent landholdings, in Ilra, 50 per cent landholdings and in Kurmava 44.2 per cent landholdings are marginal. In the case of the entire sample, about 66 per cent of the landholdings are

either marginal or small. There are some large landholdings in Khangaon, Bargoria, and Ilra. Large landholdings are not reported from Kurmava village.

The distribution of landholdings is more inequitable in the Madhubani villages than in the Gaya villages. For example in Khangaon, a tiny minority of large landholders own 39.5 per cent of the total operational area. Nearly, 20 per cent of the total operational area in Bargoria and 24 per cent of the total operational area in Ilra is also under large landholdings. About 60 per cent of the operational area in Khangaon and 56 per cent each in Bargoria and Ilra is owned by the medium and large landholders who together constitute only 14 per cent of the landholders in Khangaon, 19 per cent in Bargoria and 16 per cent in Ilra. The pattern of landownership in Kurmava is distinctly different from that in the other three villages. The marginal and small landholders who constitute 77 per cent of the landholders in Kurmava own nearly 45 per cent of the total operational area.

### 8.3.6 Caste and Landholdings

Table 2.19 gives the caste-wise pattern of landholdings. Landlessness is associated with those who are on the bottom rank in the caste hierarchy. The landless among the upper castes and upper backward castes are not many. The Landless households are concentrated among the OBCs and the SCs. Among the OBCs, 40 per cent and among the SCs 36.8 per cent are landless.

Table 2.19: Landholdings and Area Owned (caste-wise)  
Per cent

Landholding Category	UC		UBC		OBC		SC	
	1	2	1	2	1	2	1	2
Landless	8.8	7.2	7.5	6.2	40.0	16.5	36.8	70.1
Marginal	26.0	14.5	40.5	22.9	54.2	9.9	59.0	52.7
Small	17.8	21.7	24.3	30.0	16.6	6.7	20.5	41.7
Semi-Medium	30.1	35.6	17.6	22.8	20.8	8.8	14.5	29.8
Medium	21.9	47.1	13.5	29.4	8.3	5.9	5.1	17.6
Large	4.1	50.0	4.1	50.0	0.0	0.0	0.0	0.0

Source: Field Study

Notes: 1 – Landholding Categories by Caste (Per cent); 2 – Distribution of each category of Landholdings in different Castes

Nearly, 70 per cent of the landless households in the sample come from scheduled castes and another 16.5 per cent from the OBCs. These two caste groups together constitute 86.6 per cent of the total landless households in the whole sample.

A majority of landholdings are marginal. Large landholdings are exclusively found among the upper castes and upper backward castes. Table 2.20 examines the pattern of landownership in the four villages with respect to caste. In Khangaon and Bargoria, the upper castes, which are the dominant caste groups in these villages, have monopolized the ownership of land. In Khangaon 86.7 per cent and in Bargoria 78 per cent of the operational area is owned by the upper castes. In Khangaon, the upper castes who constitute only 35.6 per cent of the sample, own 86.7 per cent of the total operational holdings. On the other hand, the SCs who constitute 41.8 per cent of the sample own merely 6.6 per cent of the total operational area. A more or less similar situation prevails in Bargoria too.

Table 2.20: Operational Area Owned by Different Castes

Castes	Per cent				All
	Madhubani villages		Gaya villages		
	Khangaon	Bargoria	Ilra	Kurmava	
Upper Castes	86.7	78.0	2.4	6.9	42.6
Upper Backward Castes	00.9	—	69.8	41.3	28.6
Other Backward Castes	5.6	7.3	00.9	9.5	3.7
Scheduled Castes	6.6	14.7	26.9	42.3	22.8

Source: Field Study

Briefly, in Khangaon and Bargoria, the ownership of land is concentrated with the upper castes. The SCs and OBCs have only marginal ownership of land in these two villages. In the Gaya villages, though the dominant caste groups have a greater share in the total operational area, the SCs and OBCs are not defined out of ownership of land as much as they are in the Madhubani villages. For example in Kurmava, the SC households own 42.3 per cent of the total operational area. In Ilra too, they own 26.9 per cent of the total landholdings.



### 8.3.7 Livestock

Livestock-raising is a major economic activity in rural Bihar. It is one of the most important ways of supplementing the household income. It is also one of the ways of insuring against unexpected expenditure. Table 2.21 gives the total and the mean number of livestock raised by households in the four villages.

The more developed villages in the sample, namely Ilra from Gaya and Bargoria from Madhubani have a higher number of livestock than the other two villages. The mean number of livestock in Bargoria is 1.55 and in Ilra is 1.93. In terms of castes the mean number of livestock owned by the upper backward castes is the highest.

Table 2.21: Village and Caste-wise Ownership of Livestock

Villages and Social Groups	Livestock Owned per HH (Mean)	
	Draught and Milk Animals	Other Animals
Khangaon	1.20	0.47
Bargoria	1.55	0.29
Ilra	1.93	0.53
Kurmava	1.48	0.78
UC	1.55	0.23
UBC	2.25	0.72
OBC	1.42	0.57
SC	1.27	0.54

Source: Field Study

### 8.3.8 Technology and Farm Production

In general the agriculture in the south Bihar district of Gaya is more technologically developed than in the north Bihar district of Madhubani. Table 2.22 furnishes some information on the level of the agricultural development in the four sample villages. These villages display, to some extent, the general trend in the state. Per hectare value of farm equipments is greater in the Gaya villages than in the Madhubani villages. This can be considered as suggestive of the fact that agriculture in the former is more advanced than that in the latter. Per hectare production of rice and wheat is also greater in the Gaya-villages than in the Madhubani-villages.

Table 2.22: Use of Modern Technology and Productivity in Agriculture

Villages	Value of Farm Equipments (Rupees, Per Ha)	Rice Productivity (Tons, Per Ha)	Wheat Productivity (Tons, Per Ha)	Per cent of Grains Marketed
Khangaon	3339.3	0.51	0.28	16.3
Bargoria	3167.7	0.49	0.32	23.3
Ilra	4686.0	0.56	0.35	20.6
Kurmava	4007.9	0.62	0.38	16.4

Source: Field Study

Rice and wheat are the two important crops. However, in Kurmava out of 151.9 hectares of land operated by the sample households, only 71.9 hectares can be cultivated twice. Hence, wheat is cultivated on a much smaller scale than the other three villages. In Ilra, though wheat is a major crop, cultivation of wheat is on a much smaller scale than rice. The reason being a good share of land is used for cultivation of tomatoes, which is more remunerative, though risky, than other crops. Cultivation of tomatoes on a large scale in Ilra makes cultivation in this village more market-oriented than the other three villages. The percentage of grains marketed in Bargoria and Ilra is more than that in Khangaon and Kurmava. As pointed out, Bargoria and Ilra are more developed agriculturally than the other two villages.

### 8.3.9 A Profile of Poverty in the Sample Population

The HCR of income-poverty based on consumption expenditure for the 15-day recall period gives the lowest HCR of 40.7 per cent (Table 2.23). The consumption expenditure for one agricultural year gives the second lowest HCR of 42.7 per cent. The HCR estimated from the per capita yearly income indicates to a high incidence of poverty. According to this estimate, 54.7 per cent of the sample population is poor. The HCR arrived at using the participatory method – which is referred to as HCR of capability-poverty – is 48.4 per cent. It is less than the high HCR given by per capita income and higher than that given by per capita expenditure.

There is greater and greater convergence in the identification of households as poor and non-poor by the participatory method with other methods as one move from the 15-days per capita consumption expenditure to the yearly per capita consumption expenditure and to the yearly per capita income. The convergence in the

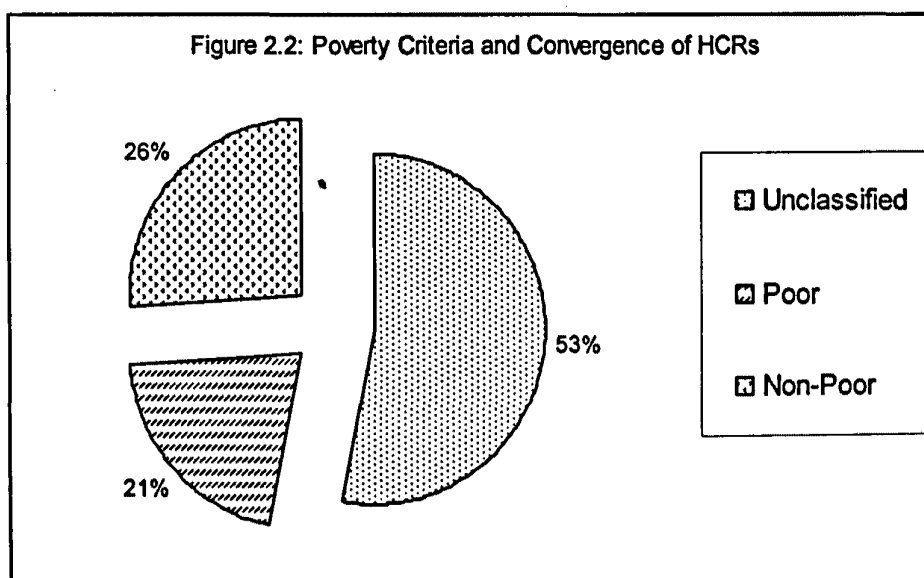
identification of households as poor and non-poor gets narrower when more than two methods are considered simultaneously. The identification of the poor by three different methods, namely, (1) per capita consumption expenditure for a recall period of 15 days, (2) yearly per capita income, and (3) participatory assessment are considered here simultaneously.

Table 2.23: Aggregate Poverty Measures: All Households

Poverty Measures	Methodology	Poverty Indices
HCR of Income Poverty by Per Capita Consumption Exp.		
	• 15-day Recall Period	40.7 %
	• 1-Year Recall Period	42.7 %
HCR of Income Poverty by Per Capita Yearly Income		54.7 %
HCR of Capability Poverty by Participatory Method		48.4 %
Poverty-Gap Index (PGI)		0.0845
Sen Index of Poverty		0.1154
Foster, et al (1984) Index of poverty (P2)		0.0246
Gini for Per Capita Yearly Income		0.4500
Gini for Per Capita Monthly Cons. Expenditure		0.258

Notes: N = 386; Poverty-line Income = Rs. 340.93

As shown in the figure 2.2, the identification of the poor by the three methods converges only in the case of 47 per cent of the sample households.



From the sample population, 26 per cent had been identified as non-poor and 21 per cent as poor by all the three methods. There is no convergence in the identification of the rest of the households, which constitute 53 per cent of the sample population. As shown in the figure 2.2, the identification of the poor by the three methods converges only in the case of 47 per cent of the sample households. From the sample population, 26 per cent has been identified as non-poor and 21 per cent as poor by all the three methods. There is no convergence in the identification of the rest of the households, which constitute 53 per cent of the sample population.

### 8.3.10 Poverty in the Four Sample Villages

Kurmava has very high incidence of poverty (Table 2.24). In Kurmava, the HCR with respect to income is as high as 74.5 per cent and that with respect to expenditure is 68 per cent. The other three villages have only a moderate HCR with respect to expenditure. Bargoria has only a moderate HCR with respect to not only expenditure but also income. Khangaon and Ilra, while having a low HCR with respect to expenditure, have a very high HCR with respect to income.

Table 2.24: Village-wise HCR of Poverty

Criteria	Per Cent			
	Madhubani Villages		Gaya Villages	
	Khangaon	Bargoria	Ilra	Kurmava
Expenditure (15-day recall period)	32.2	31.0	32.0	68.0
Per capita Yearly Income	57.5	35.0	51.5	74.5
Participatory method (Capability)	49.2	42.0	44.5	40.0

*Notes:* Computed from primary data

HCR of capability poverty does not vary between villages as much as the HCRs of income-poverty. The highest incidence of capability-poverty is in Khangaon followed by Ilra and Bargoria. HCR of capability poverty is the least in Kurmava.

### 8.3.11 Caste and Poverty in the Sample

Table 2.25 gives the HCRs of income-poverty and capability-poverty, the Poverty Gap Index, Sen Index of poverty and Foster, *et al* (1984) Index of poverty for the

different caste groups. All these different poverty measures suggest that poverty is far greater among the SCs, followed by OBCs. The extent and severity of poverty among the scheduled castes in comparison to other castes, particularly the upper castes, suggests that rural poverty is predominantly a phenomenon among the SCs.

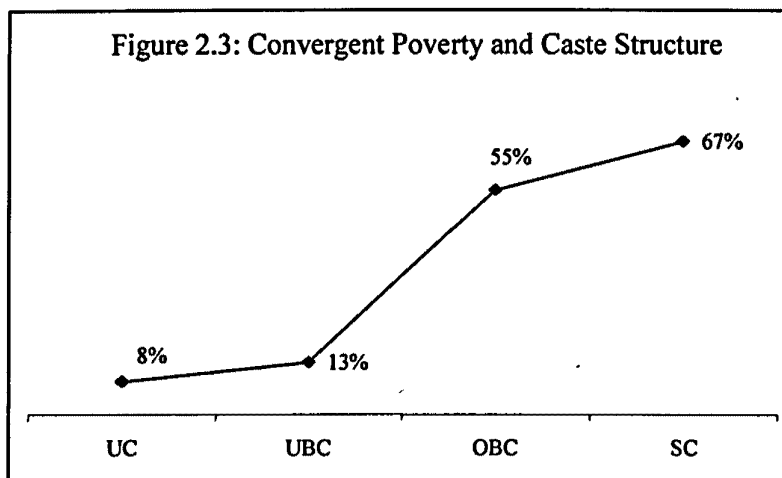
Table 2.25: Poverty Measures for Caste Groups

Castes	Poverty Measures				
	HCR (IP)	HCR (CP)	PGI	Sen Index	$P_2$
UC	17	17	0.0467	0.0483	0.0162
UBC	40	24	0.0728	0.0991	0.0183
OBC	45	50	0.0919	0.5351	0.0264
SC	46	66	0.0979	0.5515	0.0463

*Notes:* Computed from primary data

It is the capability-poverty that is more sensitive to caste than the income poverty. The HCR of capability-poverty clearly brings out the difference in the incidence of poverty among the different caste groups. According to capability-poverty, 66 per cent of SCs, 50 per cent of OBCs are poor. The incidence of poverty among those from the upper backward castes and upper castes is much less. The HCR of capability-poverty among them is 24 per cent and 17 per cent respectively. The incidence of income-poverty among the different caste groups is not much different from one another, except for those belonging to upper caste groups.

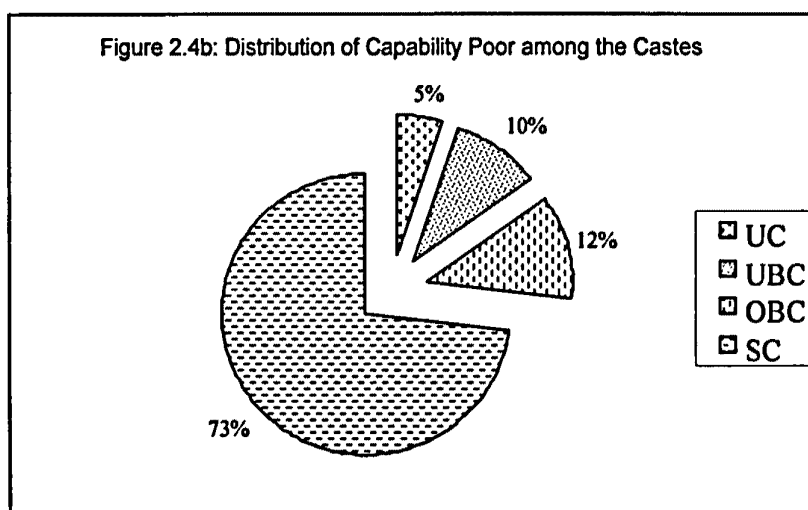
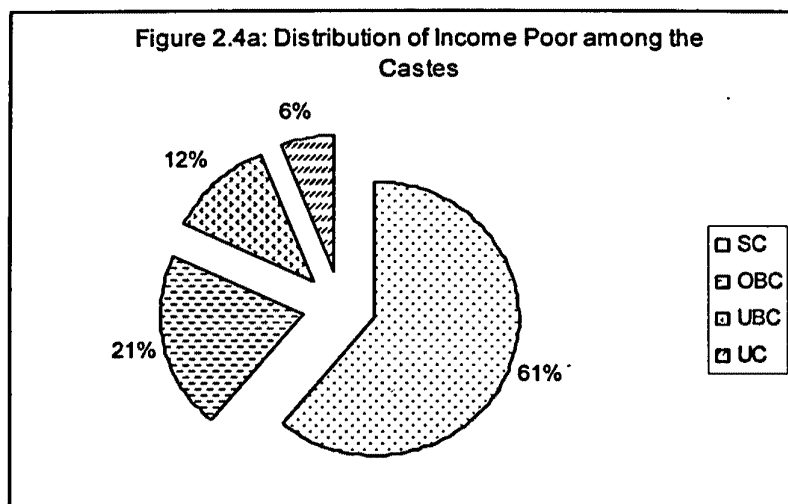
The HCR of convergent poverty on which all the three different methods of identifying the poor converge highlights the relation of rural poverty to caste more convincingly. The caste-wise incidence of convergent poverty is depicted in figure 2.3. The HCR of convergent poverty among the SC is 67 per cent; among the OBCs it is 55 per cent; among the upper backward castes it is 13 per cent and among the upper castes, it is eight per cent. The pattern of incidence of poverty shows a sharp increase in the incidence of poverty as one climbs down the caste hierarchy.



*Notes:* UC: Upper Castes; UBC: Upper Backward Castes; OBC: Other Backward Castes; SC: Scheduled Castes

The pattern of incidence of poverty divides the sample population into two distinct groups: (1) the group, which includes the SCs and OBCs where the incidence of poverty is exceedingly high; (2) the group which includes upper backward castes and upper castes where the incidence of poverty is low. In terms of the incidence of poverty, there is a great divide between these two combinations of castes: the SCs and OBCs on the one side with very high incidence of poverty and the upper backward castes and the upper castes on the other with low incidence of poverty.

The distribution of the HCR of both capability and income-poverty has something in common – poverty is highly concentrated among the SCs. According to the HCR of capability-poverty, 73 per cent of the poor come from the SCs alone. The HCR of income-poverty also suggests that most of the poor (61 %) come from the SCs. The SCs, which constitute about 53 per cent of the sample population, share 73 per cent of the HCR of capability-poverty. Figures 2.4a and 2.4b depict the distribution of HCR of income - and capability – poverty.



### **8.3.12 Education and Poverty in the Sample**

In this section, some salient features of the incidence and distribution of poverty with respect to the educational level of the heads of the sample households are examined.

As the shown in Table 2.26, the HCRs of both income-poverty and capability-poverty, Poverty Gap Index and the Sen Index exhibit a clear decreasing trend as one moves from illiteracy to literacy; somewhat a decreasing trend when one moves along the different levels of education up to the level of secondary education. After that, the incidence of poverty, as per both income - and capability - poverty suddenly increases. All measures of poverty indicate that the incidence and depth of poverty

among those who have reached up to senior secondary education or above is more than who have reached only up to matriculation. However, the HCR of convergent poverty, unlike other measures shows a decreasing trend in the incidence of poverty all along as one moves up the different educational levels. The convergent HCR decreases from 67 per cent to 31 per cent to 22 per cent to 19 per cent to 15 per cent as the level of education increases from illiteracy to senior secondary and above.

Table 2.26: Poverty Measures and Education of Household Head

Educational Groups	HCR (IP) Per cent	HCR (CP) Per cent	Poverty Gap Index	Sen Index
Illiterate	45.1	68.7	0.1034	0.1396
Lower Primary	41.2	38.2	0.0694	0.0976
Upper Primary	40.0	25.5	0.0531	0.0918
Secondary School	29.7	23.0	0.0445	0.0600
S. Secondary and Above	37.0	29.6	0.0633	0.0884

Source: Field Study

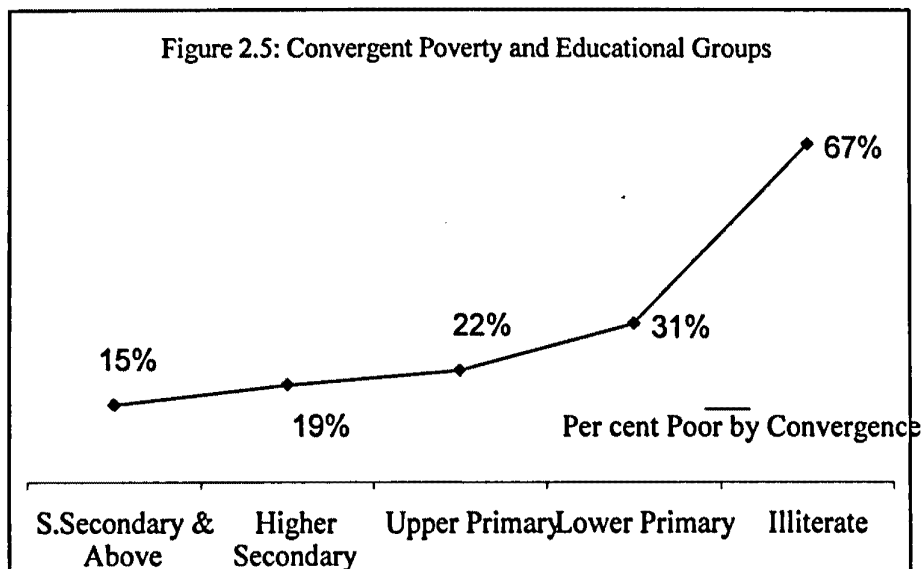
The HCR of capability-poverty and the HCR of convergent poverty (Figure 4.5) divides the sample households clearly into two different groups in terms of the incidence of poverty<sup>72</sup>: (1) the illiterates among whom incidence, depth and intensity of poverty is very high, and (2) the literates (includes all levels of education) among whom incidence, depth and severity of poverty is far less pervasive and less severe.

Given the nature of the agrarian economy and the lack of non-farm employment opportunities in Bihar, it does not really matter what level of education one may have attained. Aspiring to attain higher levels of education or acquiring a specialized skill does not seem to influence the incidence and the nature of poverty. What seems to influence rural poverty is not the higher levels of education per se, rather crossing the bridge from illiteracy to literacy. Primary education seems to be, therefore, benefiting the poor in rural Bihar in reducing their vulnerability to poverty. As the HCR of capability-poverty in Table 2.24 and the HCR of convergent poverty in Figure 2.5 demonstrate there is a marked decrease in the incidence of poverty as one

<sup>72</sup> The income HCR of poverty does not suggest any clear trend in the relationship of rural poverty with different levels of education. It does register a steady fall in the incidence of poverty up to high school. But the fall in HCR is not much pronounced as in the case of other poverty measures.



moves from the group of illiterates to the group of literates. The fall in the incidence of poverty as one move from one educational level to another is far less kinked than the case when one moves from illiteracy to literacy.



Finally, rural poverty is highly concentrated among the illiterates. As for the HCR of capability-poverty, 72 per cent of the total incidence of poverty is concentrated among the illiterates. The corresponding figure for the HCR of income-poverty is 56 per cent. According to the HCR of convergent poverty, 75.6 per cent of the poor come from the group of illiterates (no table given for this). All these figures go to suggest that illiterates are far more vulnerable to poverty than others.

This section is concluded with a final comment. What seems to substantially alter the incidence, depth and severity of poverty in rural Bihar is not different educational levels attained by individuals. It is, rather, individuals moving from being illiterates to being literates (whatever be the level of literacy be – from lower primary to university education) that marks a distinctive break in the incidence and the nature of rural poverty in Bihar. It is being illiterate or being literate which is more sensitive to rural poverty than the different levels of education. An individual's ability to move from illiteracy to primary education may contribute much more in combating rural poverty than the attainment of higher levels of education.

## 9 Conclusion

This chapter broadly outlined the methodology of the study. The methodology is influenced by the particular hermeneutical stand that the researcher has chosen for the study of poverty. The study focuses more on the *identification* of poverty than on its *aggregation*; more on viewing poverty as a *class-phenomenon* than on as a reality of *individuals* and more on the *descriptive content* of poverty than on its *usefulness in policy formulation*. The methodology of the study, therefore, integrates *quantitative* and *qualitative* analysis, one enriching the other. The methodological tools employed have briefly been discussed in this chapter.

This chapter introduced the state of Bihar. The chapter also examined certain socio-economic characteristics of the sample. In introducing the sample, it was pointed out that the sample villages from Madhubani differ from the sample villages from Gaya on many important socio-economic variables that were discussed. Kurmava, one of the sample villages from Gaya differs from the other sample villages on landholding pattern, primary occupation, and many other socio-economic variables.

The sample permits the study to enquire into the mutually influencing and reinforcing relationships among the agrarian power structures, social relations of exchange and vulnerability to poverty. The difference in the agrarian power structure in the four villages enables one to study the impact of the variation in the agrarian power structure on the nature of rural poverty.

## **CHAPTER III**

### **RURAL POVERTY AND HUNGER FOR LAND**

#### **1 Introduction**

Land is the most critical rural resource in Bihar. The entire network of agrarian social relations in Bihar within which the agrarian population becomes either capable or incapable of achieving a minimum level of living is founded on land relations. The nexus between land relations and poverty in Bihar is examined in this chapter.

As a matter of procedural soundness, the chapter locates the enquiry in its context. In doing so, the chapter highlights some important issues concerning the question of land and its centrality in rural Bihar. This preliminary discussion on land and its centrality is based on the current perceptions of rural people and on a brief review of historical evolution of land relations in Bihar.

After having located the enquiry in its context, the chapter proceeds to examine the nexus between the relationship of the poor to the land and their susceptibility to poverty. The chapter highlights that the highly unequal distribution of landholdings has made the landless labourers and marginal farmers who constitute the vast majority of the poor susceptible to poverty.

#### **2 The Centrality of Land**

An understanding into the land relations is crucial in understanding *why the poor are poor* in rural Bihar. In the perception of the poor in rural Bihar, the nature of their relationship to land determines their life in general and their vulnerability to poverty in particular. This perception of the poor on the centrality of land is shaped by the fact that, in the past, the nature of their relation to land had been the most important factor that determined their social, economic and political existence in the state. This chapter, through a descriptive discussion on some important aspects of the land relations and its relationship to poverty, points out that the existing land relations is the most important determining factor of poverty in the sample population.

## 2.1 Land Defines a Person's Socio-Economic Existence

The story of Baleshwar Manjhi from Kurmava brings home the point that land defines the socio-economic existence of the agrarian population in Bihar.

Baleshwar Manjhi<sup>73</sup> is a respected leader of Manjhi *tola* of Kurmava village, Gaya. The name of the *tola* – *Baljhor* – is very telling. This name, which means 'taken by force', has a history of a long and arduous struggle for land, which began in 1978. About 750 villages of Gaya district were reeling under the control of the Bodh Gaya Matt, having control of about 30 thousand acres of land spread out in these villages (Prabhat, 1999). Bodh Gaya Mutt was the symbol of the most naked form of socio-economic oppression that continued much after Independence. There were about 53 *kachaharis* spread across these villages for the administration of revenue collection and supervision of cultivation. The agricultural labourers were called *Kamiyas*<sup>74</sup>, which means bonded<sup>75</sup> labourers. Kurmava was one among those villages under the Matt. Baleshwar and his co-villagers were *kamiyas* of the Mahant.

Inspired by Jaya Prakash Narayan's call for Total Revolution through peaceful class struggle<sup>76</sup>, some youth decided to march to the villages of Dalits and the landless. They chose Bodh Gaya, 80km to the south of Patna for their first experiment in Total Revolution. 'Land belongs to those who till the land' was the redefinition of ownership of land, which formed the ideological paradigm of the struggle for land.

At the end of the arduous struggle for many years Baleshwar and his co-villagers (not all of them!) had received some land for cultivation. This is what Baleshwar told us about his newfound identity:

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<sup>73</sup> 'Manjhi' is the title of one of the scheduled castes in Bihar.

<sup>74</sup> This word *Kamiyas* (bonded labourers) was the most prevalent in Ilra village, Gaya. Those labourers who are not bonded to any employer are called *Upariyas*.

<sup>75</sup> A proverb says: 'To live one must work and to work one must remain bonded' (Prabhat, 1999: 30).

<sup>76</sup> Jaya Prakash Narayan after his long association with the Bhoodan Movement together with Vinobha Bhave had come to experience disillusionment with the idea of appealing to the landlord to bring about fundamental changes in the agrarian society of Bihar. He spoke of class struggle in order to bring about changes in the social structure. He advocated a peaceful class struggle and organized some youth who would go to the villages, the labourers and the landless (Prabhat, 1999: 46-47).

We were landless and bonded. We own some land now. We may be poor still, but the land has reshaped our social existence. We live in dignity. When our sons get married, we now build a new room, at least a '*katcha*' one. It was not the case earlier. We all used to stay in the same one-room hut. It is a sign of growth in our self-respect and dignity. Other people in the village who belong to upper castes give us respect now. They invite us for their social functions. We are not bonded labourers, but owners and cultivators of land, however small our holding may be. Land has had a profound impact on our life. When we were landless and bonded, our approach to life was that if we do not work, we couldn't eat; but now our approach is if we do not cultivate, we couldn't eat. This has changed our life (Baleshwar).

The graduation of Baleshwar from a bonded landless labourer to a cultivator who owns some land has had a reorienting impact on his socio-economic existence. The researcher's interaction with the respondents in the four villages awakened him to the fact that it is land that defines their socio-economic existence. Baleshwar was fortunate; he has some land now, which gives him a newfound identity. Many others still long for a piece of land of their own.

## 2.2 Hunger for Land

The story of Baleshwar Manjhi is just an illustration of how important a role land plays in the socio-economic existence of the agrarian population in Bihar. Even a casual observer can perceive an ever increasing 'hunger for land' among different sections of the agrarian population. While those who were hitherto excluded from any ownership of land strive for a piece of land of their own, the others strive to consolidate their landholdings. The 'hunger for land'<sup>77</sup> has rendered a part of rural Bihar into 'flaming fields'. The 'hunger for land' particularly among those who were hitherto excluded from any ownership of land is articulated in their casual conversations to occasional collective action to capture land.

Changes in land relations have played an important role in the evolution of the class of agricultural labourers. It has also been the question of land that formed the core of

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<sup>77</sup> Jannuzi had noted that there is a "yearning for land ...expressed almost uniformly by all classes of rural society" and that "the most consistently emphasized viewpoint of peasant respondents was that they should have land for personal cultivation" (1974: 173). He had warned "any government in Bihar... must now be cognizant of the peasantry and their hunger for land" (Jannuzi, 1974: 173).

various agrarian movements in Bihar as well as in the country. The role of land and land relations in the evolution of the class of agricultural labourers and of the agrarian movements is briefly reviewed here. This review is expected to bring to focus the centrality of land in rural Bihar.

### **2.3 Land Relations and Agricultural Labourers**

There are opposing views<sup>78</sup> among scholars on the historical evolution of agricultural labourers in Indian agrarian society. The standard 'Indian nationalist' and 'Marxist view' is that "the colonial rule was responsible for the creation of the class of landless agricultural labourers"<sup>79</sup>. Some other scholars hold that the class of landless agricultural labourers has always existed in Indian agrarian society. The intention here is not a discussion on the origin of the class of agricultural labourers, rather to highlight some important features of the evolution of the class of agricultural labourers with respect to the changing nature of land relations. The discussion focuses on the changes that occurred in land relations, which, in turn, changed the character of the class of agricultural labourers.

In the traditional society as well as in the Mughal period, formation of the class of agricultural labourers was based on the social definition of caste. The agricultural labourers were in hereditary servitude to the landed classes and were forbidden to hold land because of their position in the caste hierarchy (Habib, 1995: 166; Dumont, 1972: 149). By the social definition based on caste, "the members of the low Castes were excluded from landownership in order that their working power could be mobilized" (Breman, 1974: 5). In return for their mere subsistence, the labourers poured out their labour in the field of their masters. However, their

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<sup>78</sup> S.J. Patel (1952) is a representative of the view that the class of agricultural labourers was primarily a colonial phenomenon. Kumar (1965) represents the opposing view that a class of agricultural labourers always existed in Indian society and that it is not particularly a colonial phenomenon. See also the views of Moreland (1920: 111-5), Kosambi (1956: 353), Habib (1963) and others.

<sup>79</sup> On this question of depeasantisation and the growth of agricultural labourers in Bihar arising out of changes in tenure relations, and the nature of agrarian power structure, see Manoshi Mitra (1985), Manoshi Mitra and T. Vijayendra (1982), Nirmal Sengupta (1982, 1986), Arvind N. Das (1982) among others. These studies on the peasant movements in Bihar discuss the evolution of agricultural labourers in Bihar as a result of eviction, debt bondage, and various economic policies both under the colonial and post-colonial periods.

landless servile status was not due to their landlessness per se<sup>80</sup>, rather “was bound up with a specific position in the caste hierarchy” (Patnaik, 1983: 4; Omvedt, 1986).

Colonial rule, which redefined agrarian relations to land with the introduction of permanent settlement, changed the character of the class of agricultural labourers. It was no longer their position in the caste hierarchy that determined their position in the agrarian society but their relation to land. The caste-determined servitude of agricultural labourers in the pre-colonial period was replaced by land-determined bondage in the colonial period. The change of the material base of agrarian differentiation from caste relations to land relations changed the character of class of agricultural labourers. The new relationship of class of agricultural labourers to land had two components, namely, they depended completely on land and they had no ownership and control of land. The changes that were brought about in the tenure pattern under the permanent settlement fundamentally redefined one’s relationship to land. If one does not ‘own’ land, one has no control of land for its use. The increasing criticalness of land and the inevitable differential control of that very resource, facilitated by permanent settlement, resulted in increasing dependence of labour on land on the one hand and increasing dispossession of land on the other.

#### **2.4 Land and Agrarian Unrest**

At the heart of agrarian unrest in Bihar has been the relationship of agrarian society to land (Jannuzi, 1974: 168). The agrarian struggle in Bihar can be seen as having gone through three stages in terms of its content and the chief agents who spearheaded the movements. The first stage of the agrarian struggle attempted to affect the hierarchically organized agrarian power structure by redefining social relations based on the theory of ‘purity and pollution’ of caste system. The second stage of agrarian struggle was primarily of the substantial tenants for abolition of intermediaries, which Gail Omvedt calls as ‘anti-zameindari struggle’ (1986). This was led by *Kisan Sabha* under the charismatic and committed leadership of Swami

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<sup>80</sup> D. D. Kosambi (1956), in his brilliant analysis has shown how the institution of caste originated in the transition of Aryan new-comer in late-Vedic times from pastoralist to food production. In his analysis, he views Caste as institutionalization of the existing economic structure.

Shahajanand Sarswati. The third stage of the agrarian struggles, which is currently under way, has been led by those at the bottom of the agrarian structure in Bihar, to wit, the class of agricultural labourers. They challenge the social assumptions underlying the issue of land relations in Bihar more fundamentally than ever before. Each of these stages is briefly discussed below.

#### **2.4.1 Stage One of Agrarian Struggle**

In the caste-ridden agrarian society of Bihar, the upper castes – Brahmins, Bhumihars, Rajputs and Kayasthas – constitute about 15 per cent of the total population. In the pre-independence period, the majority of the *Zameendars* and big landowners came from the upper castes (Sengupta, 1982, 17). Historically, the upper castes enjoyed social, political and economic dominance in the state<sup>81</sup>. The ritual status, social prestige and economic power set them apart, with nearly complete control of the agrarian society in Bihar.

Among the backward castes, Yadavs, Kurmis and Koiris are the most numerous. They are socially, politically and economically more powerful than the other backward castes. Backward castes constitute more than 50 per cent of the total population and more than 30 per cent of them are OBCs (Frankel, 1989; Chaudhary, 1999). They have been agriculturalists by caste occupation (Rudolph and Rudolph, 1987). In the pre-independence period, they were mostly tenants (ibid: 17). The Population of the SCs accounts for about 15 per cent of the total population in the state. Numerically, the largest among them are the Chamar, Dusadh<sup>82</sup> and the Musahars<sup>83</sup>, who have been predominantly agricultural labourers.

The agrarian struggle in Bihar found initial expressions in numerous caste struggles in the beginning of the twentieth century. It was against the social exploitation by the upper caste *zameendars* and big landlords that the peasants chose to voice their

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<sup>81</sup> Blair (1980, 1984), Frankel (1989), Pradhan (1980, 1987) have "attempted to analyze the structural configurations and historical circumstances in which the upper castes established an enduring dominance in the state" (George, K., 2001: 160).

<sup>82</sup> Ravi das and Paswan are the respective titles by which Chamars and Dusadhs are known today.

<sup>83</sup> Musahars and Doms are socially, politically and economically the most deprived among the SCs.



protest in the initial stage of their struggle for social and economic equality. The *zameendars* manipulated the ritual gulf between them and the other castes. Because of their ritual status, the tenants drawn from the backward castes were treated inferior to the other tenants from the upper castes. They not only had to pay higher rents and perform the customary forced labour (*begar*), but were also meted out socially humiliating treatment by the upper caste *zameendars*. The *zameendars* were exhibiting extreme form of arrogance (Das, 1982). The more affluent among the backward castes, particularly Yadavas, Kurmis and Bhūmihars, “longed for higher ritual status in consonance with their growing wealth” (Das, 1982: 49).

Movements<sup>84</sup> aimed at preventing various forms of social oppression began in the early 1920s, particularly among the Yadavas and Kurmis (Sengupta, 1982: 20). They organized themselves against the caste-based oppression meted out to them by the upper castes. The movement gradually assumed political forms (Bihar and Orissa, 1924: 7 as cited in Das, 1982, 49). The caste movement among the Bhumihars was another important movement during this period of caste-based agrarian struggles. The caste movements among the Bhumihars were quite different<sup>85</sup> in its development from that of the Yadavas and other backward castes. Although these caste associations and movements appeared to be, at the outset, as movements for improved social status defined by castes, they were rooted in the class contradictions inherent in the existing agrarian structure. “The underlying tensions” in the agrarian structure and land relations in rural Bihar “were manifested in the form of fast multiplying caste associations” (Lacey, 1928: 7 as cited in Das, 1982: 50).

#### **2.4.2 Stage Two of Agrarian Struggle**

The agrarian struggle in the second stage is closely associated with the developments after the permanent settlement of 1793. Under this arrangement the “property of the

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<sup>84</sup> The social movements at this stage were primarily Caste associations. For more on the Caste associations in Bihar, see Blair (1980) Frankel (1989) and Sengupta (1979).

<sup>85</sup> Bhumihars were also agriculturalists (Das, 1986). Since they were involved in cultivation, they were assigned a lower status than the Brahmins. A fierce social movement by rich Bhumihars developed in Bihar to restore their ritual status equal to that of the Brahmins (Sengupta, 1982, 20).

soil was formally declared to be vested in the landholders” (Sengupta, 1982: 18), which gave them immense power to exploit the cultivators, as the cultivators had no right over the land. Permanent settlement thus brought about radical change<sup>86</sup> in the way one’s relationship to land was defined and conceived by the agrarian society.

The increased land value and the redefinition of land rights had created acute land hunger. The emerging class of moneylenders tried to grab land whenever the tenants failed to tide over the debt that they incurred for reasons of consumption or payment of rent. The increase in population, land use and land value had given the landlord unheard of power to evict the tenants on one pretext or another and to lease it back to the same person for share-cropping or rent it to other tenants. Such land transactions brought huge amounts to the landlord in the form of *salami* (Sengupta, 1982: 19). In addition to large-scale eviction of the tenants and exorbitant rent payable to the *Zameendars*, the *Zameendars* extracted several types of labour rents (*begari*) and illegal payments (*abwabs*). The eviction of tenants was rampant. The hitherto tenants, evicted from their land, were redefined in their relationship to land. They were now either agricultural labourers or share-croppers having no right over land.

The effect of changed land relations defined in the permanent settlement can be summarized in the following points: (1) accumulation of ownership of land in fewer hands, (2) ever increasing number of the landless, (3) increasing dependency of the landless on the landholders, (4) increasing intensity of exploitation of peasantry by landholders, and (5) increasing misery of the majority of the agrarian population.

The fast-deteriorating agrarian situation and the rising consciousness among the peasantry had “produced an explosive mixture” (Das, 1982: 56) for the peasantry to rise up in revolt. The rising rebellion among the peasantry found its organized articulation in the Kisan Sabha. The movement, which was aimed at the abolition of intermediaries, grew from strength to strength. The widespread and organized

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<sup>86</sup> Though the emerging class of *Zameendars* had vast area under their jurisdiction for revenue collection, they were not vested with absolute rights over the land under their jurisdiction prior to the colonial rule. In the same way the cultivators, though had no power to collect rent, instead had to pay rent, they were not perceived as not having any rights to the land they cultivated.

agrarian struggle led by the Bihar Pradesh Kisan Sabha (BPKS) under the charismatic and committed leadership of Swami Shahajanand Saraswati came to its logical irrelevance as soon as the Zameindari was abolished in 1950.

The second stage of the agrarian struggle was primarily aimed at the abolition of the Zameindari system (Omvedt, 1986). The demand was to do away with the role of intermediaries. It did not envisage a radical change in the agrarian structure by altering the social assumptions of ownership of land. It was not conceived by the movement of this period that the landless agricultural labourers who have been toiling the soil could also be owners of the soil. In that sense, the anti-Zameindari struggle did not have a radical agenda of questioning the pyramidal agrarian structure by redefining the persisting social definition of 'owners of soil'. It remained a struggle of the 'substantial tenants' against the *Zameendars* whose actions and strategies were hurting their growing economic interests.

#### **2.4.3 Stage Three of the Agrarian Struggle**

Bihar was the first among the states of the Indian union to introduce agrarian reforms in response to the agrarian struggle that had reached its peak at the time of independence. More than half a century has passed since then. There is no sign of quenching of the agrarian unrest in Bihar. Those who had been hitherto left out have taken up the 'essence of' agrarian struggle forward challenging the very foundation of agrarian social structure – the "control of scarce land resources in a society that remains predominantly agrarian" (Jannuzi, 1974: 168). The catchy title, '*Flaming Fields of Bihar*'<sup>87</sup> aptly captures the spirit of the present day agrarian unrest in Bihar. "Land to the Tiller"<sup>88</sup> summarizes the content of the present-day agrarian struggle<sup>89</sup>,

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<sup>87</sup> *Flaming Fields of Bihar* is the title of one of the publications of a Naxal Group operating in Bihar.

<sup>88</sup> 'Land to the tiller' has been the ideological paradigm of Gaya Land Struggle and the Naxalite movements in the state. For an illuminating reading of Gaya Land Struggle, which was based on the principle of peaceful class struggle, see Prabhat (1999).

<sup>89</sup> There is a lot of literature on the various aspects of the present-day agrarian unrest in Bihar. There is a wide range of issues addressed by scholars in the study of present day agrarian unrest in Bihar such as the social structure of agrarian Bihar, rural violence, and the caste-class question. The present-day agrarian unrest, which is the most radical expression of peasant unrest in Bihar, is commonly named as the Naxalite movement because of its radical ideology and modus operandi. See Louis

which has been demanding radicalization of the very concept of 'owners of land'. This third and contemporary stage of agrarian struggle has captured the imagination of the landless agricultural labourers even in the face of severe state repression and the combined strength of the state machinery and the *senas*<sup>90</sup> of the landlords.

In the post-independence period, Zameindari was abolished and a plethora of agrarian reforms, including various measures of land reform were introduced. However, "radical language" and "conservative action" (Januuzi, 1974: 6) summarize the agrarian reforms in Bihar. The performance of Bihar in the implementation of the agrarian reforms was dismal. "It is indeed ironical that the very state that was instrumental in the enunciation of the programme was also the chief instrument of its subversion. The subversion applied to all aspects of the programme, including the abolition of intermediary interests, tenancy reform and land ceilings" (Chakravarty, 2001). Jannuzi remarks: "Not only has Bihar failed to implement agrarian reforms, the misery and poverty of her landless labourers, share-croppers and small farmers are extreme... To live at the margin of subsistence is the way of life for the majority of Bihar's peasantry" (1974: 8).

A government working group also had the same comments on the performance of Bihar with regard to the implementation of the land-reform laws. It said: "By their abysmal failure to implement the laws, the authorities in Bihar have reduced the whole package of land-reform measures to a sour joke. This has emboldened the landowning class to treat the entire issue of agrarian reform with utter contempt" (Government of India, 1973)<sup>91</sup>. At the end of the second phase of agrarian struggle and the enactment of various agrarian reforms that followed in the post-independence period, the landlords and substantial tenants consolidated their hold

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Prakash (1998, 2001), Pradhan H Prasad (1975, 1979, 1987,1991), Das (1984, 1987), Arun Sinha (1977, 1978), Bharati (1990) and many others. For good bibliography on the present-day agrarian unrest in Bihar see Louis Prakash (2001).

<sup>90</sup> For more information on the formation and modus operandi of the *senas* of the landowning class in Bihar see Louis Prakash (2002: 224-234).

<sup>91</sup> Government of India (1973): "A field Study: Agrarian Relations in Two Bihar Districts", National Commission on Agriculture, Working Group on Land Reforms, *Mainstream*, Vol. 11, No.40, June 2.

over ownership of land and over the agrarian society in general. As a result, the condition of the newly created class of *battaidars*<sup>92</sup> and landless agricultural labourers deteriorated. The legislations in the 1960s, protecting the rights of *battaidars* and labourers made the landlords “apprehensive and aggressive”. The increasing number of agricultural labourers “curtailed their bargaining powers, reducing many of them to the status of bonded labourers” (Sengupta, 1982: 31).

The agrarian poor were pushed to the wall, only to bounce back with a new consciousness of social, economic and political equity. The new consciousness has been finding expression in manifold ways in the state under the leadership of many political parties. However, the one ideology that has captured the imagination of the landless labourers of Bihar is that of the “Naxalite” ideology<sup>93</sup>. Bhatia states, “the Naxalite movement can be considered to be the first awakening of the agricultural labourers” (Bhatia. 2000: 64). Under the leadership of Naxalite groups the landless poor of Bihar has been challenging the agrarian structure in no uncertain terms<sup>94</sup>. Senas have been formed by the landlords (Prakash Louis, 2002) to protect them against the growing consciousness of the landless poor. The fear and terror; killings and counter killings have given Bihar countryside a character of ‘flaming fields’<sup>95</sup>.

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<sup>92</sup> Nirmal Sengupta points out that the category of *Battaidars* in Bihar is a post-independence creation. In the pre-independence period, they hardly existed. He draws a useful parallel between those whose land was declared *bakshat* and was given back to the same person for cultivation without occupancy rights in the pre-independence period and those who have been evicted and employed as *battaidars*, without any right to ownership in the post independence period. In the pre-independence period all the peasantry together fought against the Zameendar class. That class character has changed in the post-independence period. A section – substantial tenants – of the pre-independence period peasantry has crossed over to join the ranks of those who control the land resource in Bihar.

<sup>93</sup> For a discussion on the ideology of the Naxal movement, see Rabindra Ray (1988) and for Naxalite movement see B. Dasgupta (1974), Prakash Louis (2002), S. Pandey (1985) among many others.

<sup>94</sup> In the wake of the fear of rural India turning ‘red’ as the poor peasants’ demand for dignity and right to land came to be articulated in the slogan of ‘land to the tiller’, Vinobha Bhave had started an imaginative movement based on spiritual values to solve the land problem. He advocated peaceful resolution of this problem as against the ‘violence’ adopted by the Naxalites. Started in Telengana (April 18, 1951), his main focus was on Bihar, where he remained for a longer period advocating ‘bhoodan’ to ‘gramdan’ to ‘prakand dan’ to ‘Bihar dan’. For an understanding of the movement see Hallam Tennyson (1955), *India’s Walking Saint: The Story of Vinobha Bhave* and Jayaprakash Narayan (1958), ‘The Bhoodan Movement in India’, *Asian Review*, October, pp. 271-274.

<sup>95</sup> For a survey of mass killings, arising out of agrarian unrest, in the countryside of Bihar see Prakash Louis (2002, 235-248). See also Pandey, S. (1985), Pradhan P.H. (1989), and Prasad B. N. (1985).

To sum up, it was land and the social, economic and political supremacy associated with ownership of land that was challenged in the different stages of agrarian struggles in Bihar. However, in the third stage of the agrarian struggle, the landless agricultural labourers have radically challenged the very question of ownership of land. The demand of the landless poor for land is not based on the economic soundness or the political expediency of this demand, but on their legitimate right to own land and thus to have their rightful place in the agrarian structure in Bihar.

### 3 Poverty among the Agrarian Classes

The context of the enquiry in this chapter is clear. The centrality of land in understanding and analyzing rural society in general and rural poverty in particular forms the context of our enquiry into land-poverty nexus in rural Bihar. The enquiry into poverty-land nexus begins with examining the incidence of income- and capability-poverty among the agrarian classes in the sample. According to the HCR of capability-poverty (Table 3.1), 84 per cent of the landless are poor. The HCR of capability-poverty shows a steady and sharp decrease in the incidence of poverty as one climbs up the agrarian class structure. There are no poor among the large landholders. Among the semi-medium and medium landholders, the poor constitute only a small percentage of their respective populations (5 per cent and 3 per cent).

Table 3.1: The Poverty Measures and the Agrarian Classes

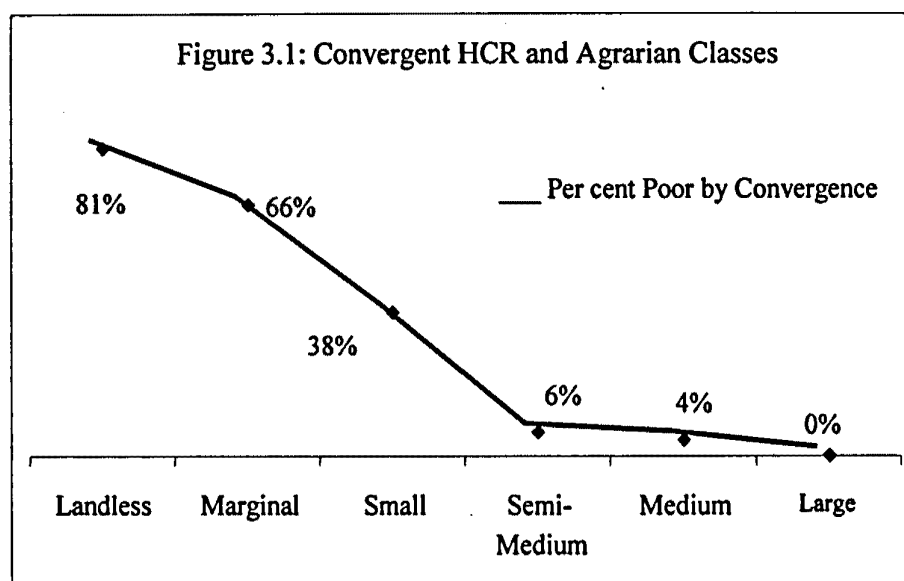
SL. No.	Agrarian Classes	Poverty Measures			
		HCR(IP)	HCR (CP)	PGI	Sen Index
1	Landless	44	84	0.206	0.2290
2	Marginal	47	57	0.209	0.2356
3	Small	40	38	0.212	0.2286
4	Semi-medium	30	5	0.174	0.1854
5	Medium	29	3	0.235	0.2420
6	Large	17	0	----	----

*Source:* Computed from primary data

*Notes:* IP- Income Poverty; CP- Capability Poverty

The HCR of income-poverty though keeps decreasing as one climbs up the agrarian structure; the decrease is not as sharp as the case with the HCR of capability-poverty. According to the HCR of income-poverty, only 44 per cent of the landless are poor.

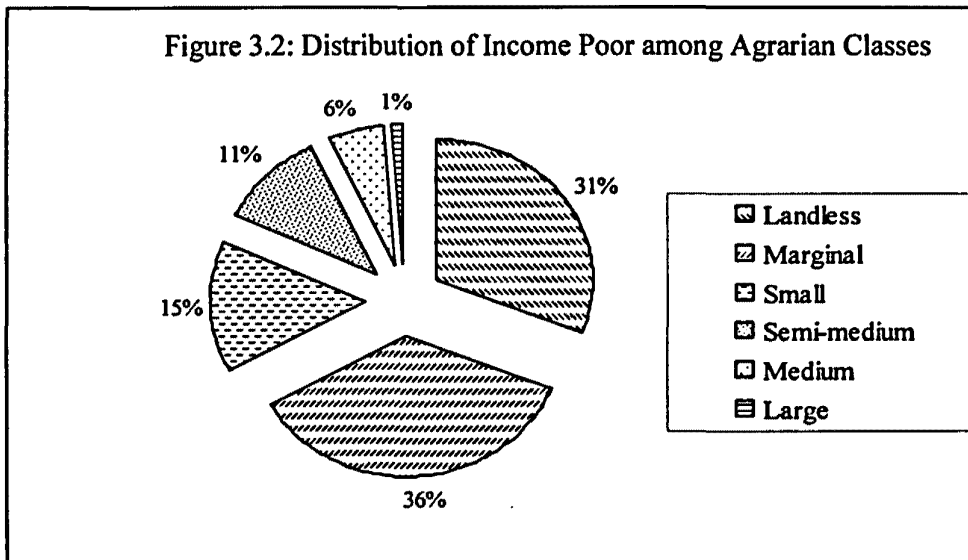
According to the same, the incidence of poverty even among households with semi-medium and medium landholdings is quite high as against what has been suggested by capability-poverty. The income-poverty identifies 17 per cent of large landholders as poor. The existence of 17 per cent HCR of poverty among them as shown by the income-poverty is quite untenable, unless certain extraordinary circumstances account for their poverty. In normal circumstances, it is erroneous to say that 17 per cent of households with large landholdings are poor.



The capability-poverty clearly identifies households' vulnerability to poverty with their position in the agrarian class structure. The HCR of capability-poverty suggests that even if the landholding is only marginal, it can substantially bring down the incidence of poverty. The convergent HCR of poverty (Figure 3.1) makes the finding clearer that it is those at the bottom of the agrarian structure who are susceptible to poverty. According to the convergent HCR, 81 per cent of the landless, 66 per cent of marginal landholders, 38 per cent of small landholders are poor. Incidence of poverty is negligible in the top-most agrarian classes.

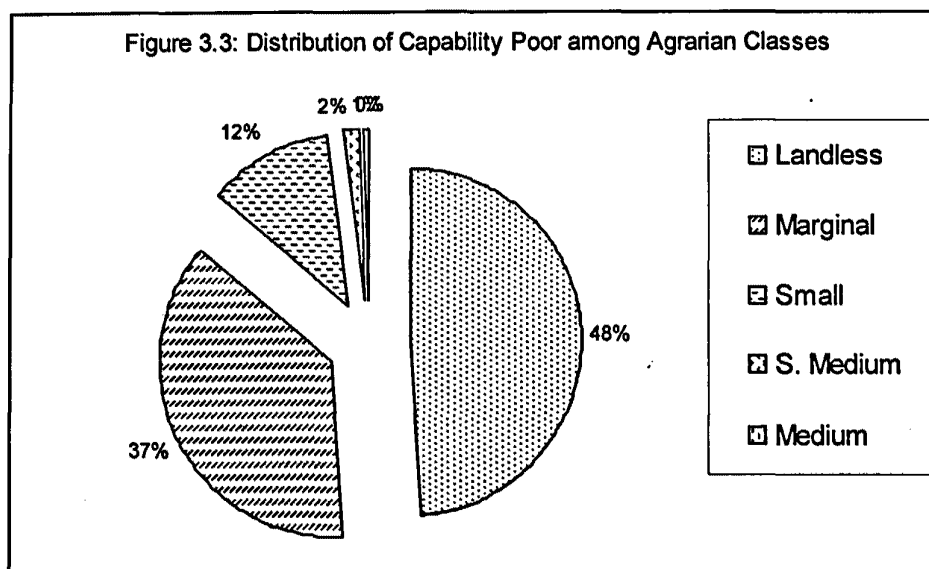
Figures 3.2 and 3.3 show the distribution of the total poor in the sample population among the different agrarian classes. It is clear from the pie diagrams that poverty is

highly concentrated at the bottom of the agrarian class structure. The highest concentration of income-poverty is among the marginal farmers (36 per cent). The landless poor constitute 31 per cent of the total income-poor in the sample. That is, the poor among the landless and the marginal farmers constitute 67 per cent of the total income-poor. Among the income-poor, 15 per cent are small farmers, 11 per cent are semi-medium and six per cent are medium farmers. The poor among the large farmers constitute the remaining one per cent of the poor in the sample.



Although, in general, the distribution of the capability-poor among the agrarian classes is similar to that of the distribution of the income-poor, there are some important differences too. The highest concentration of capability-poverty is among the landless (49 per cent), followed by the marginal landholders (37 per cent) and the small landholders (12 per cent). The poor among the landless and the marginal farmers together constitute 86 per cent of the capability-poor.





The examination of incidence of poverty in the sample population in relation to agrarian classes brings out an important characteristic of rural poverty: rural poverty is a phenomenon among those at the bottom-most in the hierarchical agrarian classes. The landless and those with marginal landholdings are highly susceptible to poverty and the vast majority of the rural poor come from these two agrarian classes.

#### 4 Land and Rural Poverty

Land as one of the important correlates of rural poverty has been widely recognized in the literature on correlates of poverty. However, there is no unanimity with regard to the nature and intensity of this relationship. For example, Haris Gazdar (1992), in his study of four villages of West Bengal, found a strong association between landlessness and rural poverty. On the other hand, the study conducted in Palanpur village of Uttar Pradesh (Lanjouw and Stern, 1998) found that, though poverty is associated with landlessness, the association is not strong<sup>96</sup>. In fact, the simple

<sup>96</sup> Explaining the weak correlation between landlessness and poverty, the authors point out that "It should be stressed that the rather weak relationship between poverty and landlessness in Palanpur reflects the absence of a large group of landless labourers, and the relatively advanced diversification of occupations" (Lanjouw and Stern, 1998: 338). Therefore, the nature and intensity of relationship between rural poverty and land differs from place to place depending on many factors such as the pattern of land distribution, diversification of non-agricultural occupations, and so on.

statistical association of land with rural poverty need not reveal the 'innermost secrets' of this relationship.

In economic discourse, there are two interrelated aspects<sup>97</sup> to individuals' relation to land, to wit, (1) Individuals' *dependence on land* and (2) Individuals' *control over land and its use*. A household which is landless need not be poor, if it does not depend on land for its survival. Also, it need not be poor if its dependence on land gives the household that purchasing power, which is required to have a minimum standard of living. It is the degree of dependence of a landless household on land for its survival and its inability to acquire a minimum purchasing power from that dependence that makes it vulnerable to poverty. In that sense, landlessness per se need not make a household vulnerable to poverty. Similarly, a household with a large landholding may not be dependent on land for its survival. In this situation, the household not being in poverty is not related to its ownership of large landholdings. Therefore, it is important to examine (1) households' dependence on land and (2) households' ownership of/accessibility to land to understand the land-poverty nexus.

#### **4.1 The Primary Occupation of the Poor**

The primary occupation of a vast majority of rural household is land dependent. One hardly comes across a rural household, which is not engaged with agriculture in some way or the other. This is much more so in the case of the rural poor in our sample. Three major primary occupations of poor households are given in Table 3.2. The most important primary occupation of the poor households is agricultural labour, with the exception of Kurmava in our sample. Among the poor households in the total sample, 44.6 per cent are agricultural labourers. For 63 per cent of poor households in Khangaon, 57.5 per cent in Bargoria and 45.7 per cent in Ilra, agricultural labour is the primary occupation.

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<sup>97</sup> The relationship of people to land can be understood culturally, spiritually, sociologically, anthropologically and economically. In the economic discipline, 'land relations' has been used in a very specific sense. Land relations, in economics, refer to the pattern of ownership and tenure. In our study, we use the concept of one's relation to land in its economic sense, but with a broader meaning.

Self-cultivation is the second most important primary occupation of the poor in the sample. From the Table we note that for 21.7 per cent of the poor households in the total sample, self-cultivation is the primary occupation. As for individual villages, the percentage of cultivators among the poor households varies from a minimum of 15.2 per cent in Khangaon to a maximum of 26.9 per cent in Kurmava.

In brief, Table 3.2 suggests that the primary occupation of a vast majority of the poor households in our sample is agriculture. They are either agricultural labourers or self-cultivators. In our sample, 78.2 per cent poor households in Khangaon, 77.5 per cent in Bargoria, 69.6 per cent in Ilra, 44.2 per cent in Kurmava and 66.7 per cent in the entire sample depend on agriculture for their primary occupation. Given the fact that the dependence of the non-agricultural labourers on agriculture is also no less than that of the agricultural labourers or of cultivators, one may say that the percentage of poor households, which directly or indirectly depend on agriculture as the primary means of livelihood varies from a minimum of 82.5 per cent in Bargoria to a maximum of 86.9 per cent in Khangaon.

Table 3.2: The Three Major Primary Occupations of the Poor

SL. No.	Primary Occupations	Madhubani		Gaya		All Poor
		1	2	3	4	
1	Cultivation	15.2	20.0	23.9	26.9	21.7
2	Agricultural Labour	63.0	57.5	45.7	17.3	44.6
Total of (1) & (2)		78.2	77.5	69.6	44.2	66.3
3	Non-Agricultural Labour	08.7	05.0	13.0	46.2	19.6
Total of (1), (2) & (3)		86.9	82.5	82.6	90.4	85.9

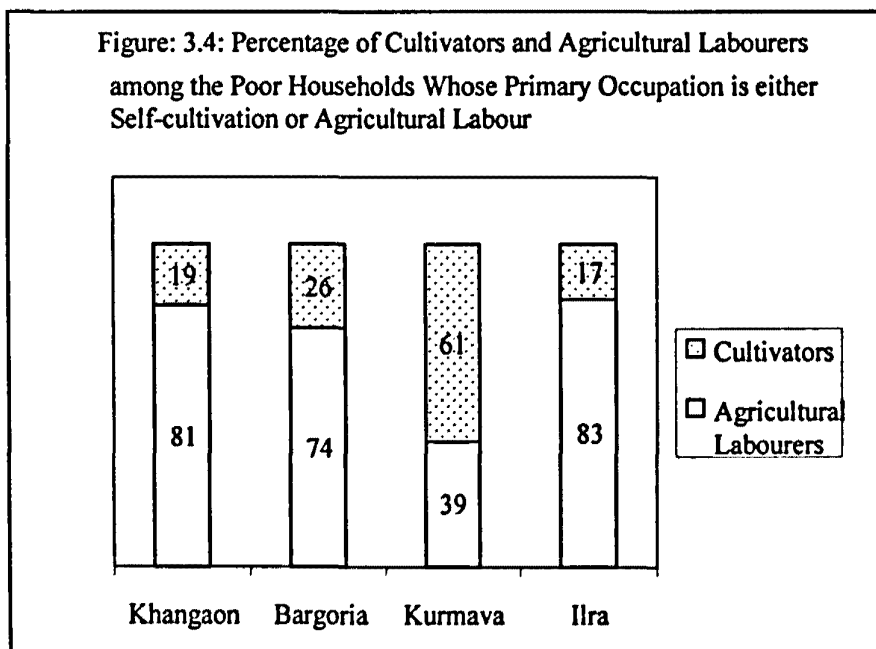
*Source:* Field Study

*Notes:* 1: Khangaon; 2: Bargoria; 3: Ilra; 4: Kurmava

The Table also brings out some remarkable variation across the villages with respect to the primary occupations of poor households. Firstly, the percentage of poor households dependent on agriculture for their primary occupation either as cultivators or as agricultural labourers is remarkably lower in the Gaya villages than in the Madhubani villages. About 78 per cent of the poor households are dependent on agriculture either as cultivators or as agricultural labourers in the Madhubani

villages. On the other hand, the cultivators and the agricultural labourers constitute only 69.6 per cent and 44.2 per cent of the poor households in Ilra and Kurmava respectively. Secondly, agricultural labour is the primary occupation of much larger percentage of poor households of the Madhubani villages than of the Gaya villages. We note from the table that 63 per cent of the poor households in Khangaon and 57.5 per cent in Bargoria are agricultural labourers. The corresponding figures for Ilra and Kurmava are 45.7 per cent and 17.3 per cent, respectively.

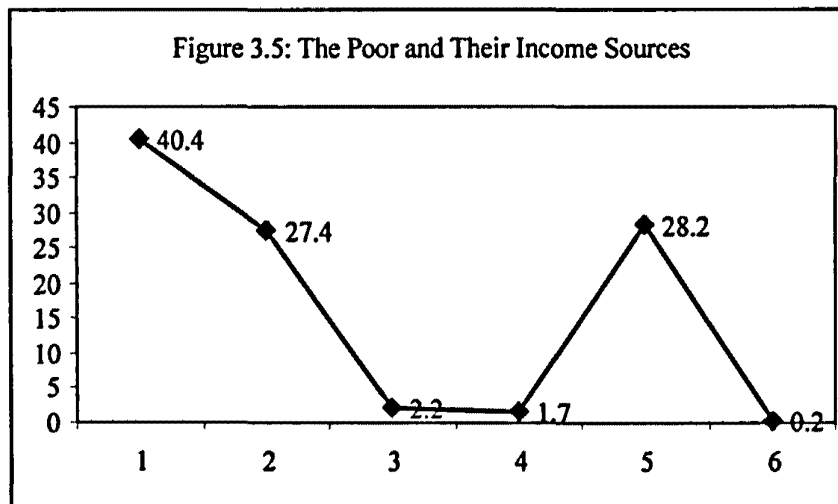
It is already noted that a vast majority of the poor households in the sample depend on agriculture for their primary occupation. It is important also to take note of the fact the vast majority of the poor households whose primary occupation is land dependent are agricultural labourers. The cultivators constitute only a small percentage of the poor households. According to Figure 3.4, agricultural labourers constitute 81 per cent of the poor households in Khangaon, 74 per cent in Bargoria, and 83 per cent in Ilra whose primary occupation is land dependent. It is also good to keep in mind the majority of the poor households with self-cultivation as the primary occupation are marginal farmers.



The data on the primary occupation of the poor households highlight two important points: (1) the vast majority of the poor depend on agriculture for their primary occupation either as cultivators or as agricultural labourers and (2) the vast majority of the poor dependent on agriculture are agricultural labourers.

#### 4.2 The Income Sources of the Poor

This section examines a few aspects related to household income. Firstly, it examines the composition of household income, particularly of the poor. Secondly, it examines the agricultural and non-agricultural mean income, particularly of the poor. These two sets of data on household income are examined here in the backdrop of the finding in the preceding section that the primary occupation of the vast majority of the poor households is either agricultural labour or self-cultivation. First, the percentage share of different income-sources to the per capita annual income of the poor is examined with the help of Figure 3.5 and Table 3.3. Figure 3.5 depicts the relative importance of different income sources in the total income of the poor.



*Notes:* 1 – Agricultural Income; 2 – Non-agricultural wage Income; 3 – Salary/pension; 4 – Business; 5 – Remittance and 6 – Rent

Y – Axis represents percentage contribution of different sources of income to the total household income

As seen in the figure, the three most important sources of income for the poor are agriculture, remittance and non-agricultural wage labour. Agriculture, non-agricultural wage labour and remittance income together constitute 96 per cent of the total income of the poor. Among these three major sources of income of the poor, agriculture occupies a preeminent position. For the poor in the total sample, 40.4 per cent of the total per capita annual income comes from agriculture and allied activities. As far as individual villages are concerned (Table 3.3), the contribution of agriculture and allied activities to the total per capita annual income of the poor is much less than 40 per cent, except for Ilra. The percentage contribution of agriculture and allied activities to the total per capita annual income of the non-poor is much higher (50.7) than that in the case of the poor.

Table 3.3: Source-wise Composition of Per Capita Annual Income  
Per cent

Category	Village	1	2	3	Agri- culture (1+2+3)	4	5	6	7	8
Poor	Khangaon	10.7	10.4	16.3	37.4	31.7	3.4	0.1	27.2	0.0
	Bargoria	8.5	7.4	15.1	31.0	4.7	1.1	0.0	63.1	0.0
	Ilra	22.6	10.9	21.4	55.2	33.3	0.0	2.8	9.1	0.2
	Kurmava	13.1	6.4	15.9	35.4	36.3	3.8	4.2	20.0	0.4
All Poor		14.1	9.1	17.2	40.4	27.4	2.2	1.7	28.2	0.2
Non-Poor	Khangaon	32.0	9.9	2.2	44.1	2.1	22.9	6.8	23.4	0.4
	Bargoria	34.7	7.3	0.1	42.1	1.0	24.7	2.7	29.0	0.9
	Ilra	43.8	14.7	2.9	61.4	6.9	10.9	8.0	12.6	0.4
	Kurmava	39.7	12.6	3.8	56.1	5.7	11.4	12.6	14.4	0.1
All Non-Poor		37.6	11.0	2.1	50.7	3.9	17.6	7.2	20.2	0.4

Source: Field Study

Note: 1: Cultivation; 2: Agricultural wage; 3: Animal Income; 4: Non-agricultural wage; 5: Salary; 6: Business; 7: Remittance income; 8: Rent.

It may be helpful to highlight some important variations among the villages with respect to the relative importance of different sources of income to the total household income. The income received from remittance is the greatest contributor to the per capita annual income of the poor households in Bargoria. About 63 per cent of per capita annual income of the poor households in Bargoria comes from remittance. This is understandable as most of the men labourers migrate to Punjab or

to Durgapur in West Bengal at the end of the peak agricultural season in the village. The second largest contributor to the per capita annual income of the poor households in Bargoria comes from agriculture with a share of 31 per cent. Non-agricultural wage labour does not contribute much to their total income.

In the case of the poor households in Kurmava, non-agricultural wage and agricultural income contributes more or less equally to their per capita annual income. It is good to recall that there are more non-agricultural labourers among the poor households in Kurmava than in other sample villages. Remittance income contributes 20 per cent to the total income in this village. The contribution of agriculture to the total income is the highest in Ilra (55.2 per cent).

To sum up, the above data reveal that agriculture is the single most important income source of the poor and also of the non-poor. The inter-village variations apart, agriculture and allied activities contribute about 40 per cent of the annual income of the poor. Having acknowledged the fact that agriculture, in general, is the highest contributor to the household income of the poor, one important inference can be made when the income data is examined in conjunction with the data on primary occupation. On the one hand, it has been noted that the primary occupation of the vast majority of the poor is agriculture. They are either agricultural labourers or cultivators of marginal farms. On the other hand, the share of agriculture and allied activities to their total income is just about 40 per cent. The contribution of agriculture and allied activities to the total income of the poor is much less than what one would have expected, given the fact that their primary income source is agriculture. If we exclude animal income from the total agricultural income, the share of agricultural income – income from cultivation and agricultural labour – to the total annual income of the poor is much smaller. Its contribution to the total income is only 21.1 per cent for Khangaon, 15.9 per cent for Bargoria, 33.5 per cent for Ilra and 19.5 for Kurmava. The percentage contribution of agriculture to the total mean income of the poor is incompatible with the fact that the vast majority of them depend on agriculture for their primary occupation either as labourers or as marginal farmers. In other words, although the vast majority of the poor depend on agriculture

for their primary occupation, non-agricultural income sources account for about 67 per cent to 84 per cent of their annual income.

This is a paradoxical situation. The contribution of agriculture to the total income of the poor is incompatible with the degree of their engagement with agriculture either as agricultural labourers or as cultivators. This paradox is probed a little further by examining monthly per capita income of the poor. Agricultural and non-agricultural mean income of different socio-economic groups is given in Table 3.4.

Table 3.4: Agricultural and Non-Agricultural Per capita Monthly Income of different Socio-economic Groups

Socio-economic Groups		Mean Income in Rupees	
		Agricultural Income	Non-Agricultural Income
Poor	Khangaon	111.3	213.8
	Bargoria	104.2	248.6
	Kurmava	77.13	161.9
	Ilra	170.6	126.7
	All Poor	114.9	183.1
Non-Poor	Khangaon	250.8	384.1
	Bargoria	393.8	557.5
	Kurmava	200.7	223.4
	Ilra	378.9	304.1
	All Non-Poor	312.7	376.2
Landholdings	Landless	118.0	282.2
	Marginal	116.6	214.2
	Small	211.3	218.3
	Semi-medium	337.1	366.6
	Medium	412.6	423.9
	Large	1567.2	458.1
Primary Occupation	Agri. Labour	135.6	246.3
	Non-Agri. Labour	119.4	204.4
Castes	UC	338.2	410.7
	UBC	279.9	266.2
	OBC	204.9	255.9
	SC	153.3	251.0

Source: Computed from Primary data

At the outset, notable variations across the villages and socio-economic groups are discussed. In Ilra, the cultivation of tomatoes makes agriculture quite remunerative



both for the poor and the non-poor. In Kurmava, the agricultural mean income is low primarily because land is mostly cropped only once due to lack of irrigation. If all the cultivable land were to be cultivated twice in Kurmava, the mean income from agriculture would have exceeded the mean income from non-agricultural sources.

Agricultural mean income is much smaller for marginal and small farmers in comparison to all other agrarian classes. The monthly agricultural mean income of the landless is Rs. 118 only. The same for marginal farmers is still less. It is Rs. 116 only. The monthly agricultural mean income of the small farmers is nearly two times more than that of the marginal farmers. The mean agricultural income keeps increasing as one moves up the agrarian classes. The mean agricultural income registers a sharp jump in the case of the large farmers. Their monthly mean agricultural income is more than three times higher than that of the medium farmers. For those having small, semi-medium and medium landholdings, the difference between the mean non-agricultural income and mean agricultural income is not very large. Moreover, the mean agricultural income and mean non-agricultural income is not very low for the semi-medium and medium landholding classes unlike in the case of the landless and the marginal farmers. As far as the large farmers are concerned, it is not only that their mean agricultural income far exceeds the mean non-agricultural income but also that both the incomes are high.

In terms of caste, the highest mean agricultural and non-agricultural incomes are received by the upper castes. Since salary is a major source of many upper castes households, the mean non-agricultural income is higher than the mean agricultural income. The upper backward castes receive the second highest mean agricultural and non-agricultural income. For them, the agricultural mean income is greater than the non-agricultural mean income. For the OBCs and SCs, the agricultural mean income is much less than the non-agricultural mean income.

Keeping with the central focus of the discussion, the case of certain socio-economic groups who constitute majority of the poor is considered here. Contrary to the expectations, as shown in Table 3.4, barring a few cases, for all the socio-economic

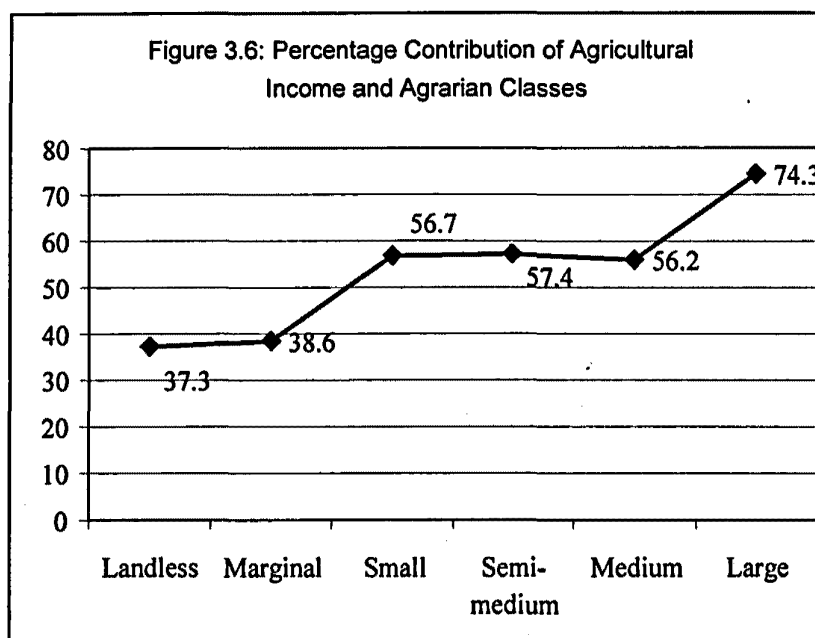
groups that we are primarily concerned with – the poor, the agricultural and non-agricultural labourers, the marginal farmers, the scheduled castes - the mean non-agricultural income far exceeds the mean agricultural income. The mean non-agricultural income is about two times higher than the mean agricultural income. Moreover, both the mean incomes are abysmally low for these groups. For all other socio-economic groups agricultural income is higher than non-agricultural income.

The central finding of the analysis of the income data can be summarized as follows: (1) agriculture is an important source of household income of the poor and non-poor; and (2) the percentage contribution of agricultural income and mean agricultural income of the poor is incompatible with the earlier finding that the vast majority of the poor depend on agriculture as the primary source of their income.

Why does the poor who depend on agriculture as the primary source of their income fail to receive an income commensurate with their dependence on agriculture?

### **4.3 Agricultural Income and Ownership of Land**

This section examines why the poor who depend on agriculture as the primary source of their income fails to receive an income compatible with their dependence. To begin with, consider the share of per capita annual agricultural income in the total per capita income of the different agrarian classes. Figure 3.8 suggests that, in general, the contribution of per capita income to the total per capita household income increases as one climbs up the hierarchical agrarian structure, defined in terms of ownership of land. We also note that the percentage contribution of agricultural income registers a sharp jump in the case of small farmers in comparison with the landless and marginal farmers and again in the case of large farmers in comparison with the semi-medium and medium farmers. The percentage contribution of agricultural income to the total income of the landless and marginal farmers is less than 40 per cent; it is about 20 per cent higher for small, semi-medium and medium farmers than that for the lower two agrarian classes; and it is nearly 20 per cent higher for large farmers than that for the small, semi-medium and medium farmers.



Barring some exceptions, the percentage contribution of agricultural income increases in all the sample villages as one moves from the bottom most agrarian class to the top most agrarian class (Table 3.5).

**Table 3.5: Share of Per capita Annual Agricultural Income in the Total Per capita Annual Income of the Agrarian Classes**

Per cent of the Total Income

SL. No.	Landholdings	Per cent Share of Agricultural Income				All Households
		Madhubani Villages		Gaya Villages		
		Khangaon	Bargoria	Kurmava	Ilra	
1	Landless	37.0	30.3	31.5	50.4	37.3
2	Marginal	41.9	38.0	33.3	42.7	38.6
3	Small	38.3	41.8	54.9	81.7	56.7
4	Semi-Medium	53.0	46.0	62.0	73.8	57.4
5	Medium	42.6	49.2	53.3	75.5	56.2
6	Large	35.5	89.6	----	95.1	74.3

*Source:* Computed from primary data

In the case of Khangaon, the percentage contribution of agricultural income to the total income is lower for large farmers than for the medium farmers. In this case, government job and business are also major source income, making the percentage contribution of agriculture to the total income smaller.

From the analysis thus far, it can be suggested that percentage contribution of agricultural income to the total income is related to the size of landholdings. The landless agricultural labourers and the five agrarian classes are at least equally dependent on agriculture for their primary occupation and survival. In fact, the dependence of the landless agricultural labourers and the marginal and small farmers on agriculture is far greater than that for the large farmers. This is so, because the income sources of large farmers is far more diversified than that of the landless or marginal farmers. Yet, the landless agricultural labourers and marginal and small farmers have the least percentage contribution of agriculture to their total income. The above data suggest that greater the landholding, the greater the percentage contribution of agricultural income to the total income.

Probing further into the relationship between agricultural income and the size of landholdings, the per capita annual agricultural income of the sample households was regressed on the following variables: (1) per capita operational holdings, (2) per capita value of farm equipments, and (3) per capita value of draught animals. The results of the linear regression are set out in Table 3.6.

A large part of (from 68 per cent to 91 per cent) the variation in the per capita household income is explained by the three variables included in the regression. The size of operational holdings exercises significant and positive influence on household agricultural income in all the four villages and for the entire sample households. The coefficient of operational landholdings is highest among the coefficients. For Khangon, it is 0.857; for Bargoria, it is 0.773; for Kurmava, it is 0.509; for Ilra, it is 0.891 and for the entire sample, it is 0.450. The households' access to the resources of agricultural production such as land, farm equipments and draught animals have a strong influence in determining household income from agriculture. Among all the resources considered, it is land that influences the agricultural income the most.

Table 3.6: Explanatory Variables of Per Capita Agricultural Income (Linear Regression)

Villages	Constant	Coefficients of the Explanatory Variables of Per Capita Annual Agricultural Income			Adjusted R Square
		$\beta_1$ Per capita Operational Holdings	$\beta_2$ Per Capita Value of Farm Equipments	$\beta_3$ Per Capita Value of Draught Animals	
Khangaon	635.6 (2.44)	0.857 (14.12)	0.404 (5.09)	0.440 (5.54)	0.898
Bargoria	339.13 (0.99)	0.773 (13.66)	0.142 (2.81)	0.114 (2.42)	0.872
Kurmava	141.52 (0.97)	0.509 (6.40)	0.180 (2.41)	0.302 (3.86)	0.794
Ilra	444.30 (2.01)	0.891 (14.95)	0.065 (1.08)	0.033 (0.91)	0.913
All	636.31 (9.48)	0.450 (11.83)	0.386 (9.80)	0.167 (4.78)	0.683

Notes: N: 87 for Khangaon, 100 for Bargoria, 97 for Ilra, 102 for Kurmava and 386 for the entire sample; *t* - statistics are given in parentheses

To sum up, the major findings are pooled together. Incidence of poverty is very high among the landless and marginal farmers. The vast majority of the poor are landless agricultural labourers and marginal farmers. Their primary occupation is agriculture. However, the contribution of agriculture to their income is incompatible with the degree of their engagement with agriculture either as agricultural labourers or as marginal farmers. The size of landholding being the most important correlates of agricultural income, the landless agricultural labourers and marginal farmers fail to receive an income compatible with the degree of their engagement with agriculture. The dependence of the poor on land, not proportionately backed by ownership and control of land have them tied to land but fails to generate a good share of their total income from land.

#### 4.4 Land Ownership and the Poor

Agricultural income is the most important income source for the poor. The size of landholding is one of the most important determining factors of household agricultural income. Do the poor own land on which they severely depend for

survival? Do they have access to land for its use? The data presented in Table 3.7 answers these questions in the negative. The poor who constitute about 49 per cent of the sample population in Khangaon own only 13.2 per cent of the total operational landholdings (Table 3.7). In the same way, the poor in Bargoria (42 per cent), in Kurmava (40 per cent) and in Ilra (44.5 per cent) own only 8.4 per cent, 24.2 per cent and 17.1 per cent of the total operational holdings respectively. The poor in the entire sample (48.4 per cent) own only 15.3 per cent of the operational holdings. The poor in the Gaya villages, particularly in Kurmava, have a greater percentage share in the total operational holdings (24.2 per cent).

Table 3.7: Operational Landholdings Owned by Non-poor and Poor

Particulars		Percent				All HH
		Madhubani		Gaya		
		1	2	3	4	
Land Owned (per cent of the Total)	Poor	13.2	8.4	24.2	17.1	15.3
	Non-Poor	86.8	91.6	75.8	82.9	84.7
Gini Index for Land Distribution		0.8086	0.7160	0.4907	0.6844	0.8104

*Source:* Computed from primary data

*Notes:* 1: Khangaon; 2: Bargoria; 3: Kurmava; 4: Ilra.

It is clear from the Table that the poor owns only a small percent of the total operational holdings in the sample villages. Table 3.7 also gives the Gini coefficient for land distribution for the entire sample and for the individual villages. The value of Gini coefficient of per capita land owned is very high for all the villages. In fact, except for Kurmava, the value of Gini coefficient is extremely high. The values of Gini-coefficient for the individual villages suggest that that land ownership is highly unequal. On the one hand the size of landholdings is the most important correlates of agricultural income and on the other we have the vast majority of the poor with either no landholdings or with only marginal landholdings. As a result, agriculture fails to contribute to their total income proportionate to their dependence on it.

#### 4.4.1 Tenancy and the Poor

Even though the vast majority of the poor does not own land, do they have access to the use of land through tenancy? Table 3.8 gives the percentage of the poor and non-

poor households leasing-in and leasing-out cultivable land. The Table also gives the mean land leased-in and leased-out. For the entire sample, 22.2 per cent poor households and 29.8 per cent non-poor households have leased-in land. The poor have not, except for a few cases, leased-out land. According to the Table, 17.2 per cent non-poor households have leased-out land to others. Except for a few cases, the poor households in Kurmava neither lease-in nor lease-out land. Leasing-in land by the poor is more prevalent in the Madhubani villages than in the Gaya villages.

Table 3.8: Some Selected Information on Tenancy

Category	Village	Leased in		Leased Out	
		Per cent Household	Mean acres of Land	Per cent Household	Mean acres of Land
Poor	Khangaon	30.4	0.88	4.3	0.50
	Bargoria	29.3	1.12	0.0	0.00
	Kurmava	1.9	0.36	1.9	0.23
	Ilra	19.6	1.80	4.3	0.80
	All HH	22.2	1.00	2.7	0.56
Non-Poor	Khangaon	29.3	1.46	6.8	1.33
	Bargoria	27.1	1.19	11.9	6.58
	Kurmava	24.5	1.32	14.3	2.31
	Ilra	38.8	1.44	18.4	1.30
	All HH	29.8	1.36	17.2	2.61

*Source:* Computed from primary data.

The mean land leased-in by the poor in the entire sample is one acre and that by the non-poor is 1.36 acres. The mean land leased-out by the poor in the entire sample is 0.56 acre and that by the non-poor is 2.61 acres. The mean land leased-out by non-poor is the highest in Bargoria (6.58 acres).

A detailed examination of tenancy is not intended here. This brief discussion is only to draw the attention to a few important points. First, a large number of households – poor and non-poor - leasing-in land is an indication of the criticalness of land. The poor and the non-poor alike try to have a piece of land to cultivate. Second, about 47.8 per cent of the land leased-out was owned by those with large landholdings in Madhubani. As they are engaged in other economic activities, they lease-out much of their land on sharecropping. Third, even though some of the poor have some

access to the use of land through tenancy, a majority of them are still left with no access to the use of land. Fourth, in many instances of leasing-in land by the poor, they do not seem to benefit. The land leased-in by the poor, in many instances, was found to be of inferior quality. Moreover, in many instances, it was under labour-typing arrangements that land was leased-in by the poor.

The two aspects of the relationship of the poor to land have been highlighted. On the one hand, their dependence on land for survival is severe. On the other hand, they either do not own land or own only marginal landholdings. One of the most important factors that explains why the landless, the marginal farmers and the labourers are highly susceptible to poverty is the nature of their relationship to land. It is a relationship characterized by extreme dependence on land for survival on the one hand and insignificant ownership of and control over land on the other.

## 5 Inequality in Land and Income Distribution

The above findings become clearer when the shares of poor and the non-poor in the total income in the sample villages are examined. Table 3.9 gives the Gini index of income distribution and the percentage share of agricultural income, non-agricultural income and the total income received by the poor and the non-poor. The inequality in the distribution of land is carried over to the distribution of income. The inequality in the distribution of income is 0.4298 for Khangaon; 0.4684 for Bargoria; 0.3390 for Kurmava; 0.4617 for Ilra and 0.4540 for the entire sample.

Table 3.9: Share of the Poor and the Non-Poor in Income

Villages	Inequality in Income Distribution (Gini Coefficient)	Percentage share of Poor and Non-Poor in Income					
		Agricultural Income		Non-agricultural Income		Total Income	
		1	2	1	2	1	2
Khangaon	0.4298	33.2	66.8	37.9	62.1	34.3	65.7
Bargoria	0.4684	15.5	84.5	22.7	77.3	17.6	82.4
Kurmava	0.3390	29.0	71.0	43.5	56.5	31.4	62.6
Ilra	0.4617	29.7	70.3	28.1	71.9	29.7	70.3
All HH	0.4540	25.6	74.4	31.0	69.0	27.4	72.6

Source: Computed from primary data, Notes: 1: Poor and 2: Non-Poor



These figures suggest that the distribution of income is unequal in all the four sample villages. In comparison to the other villages, Kurmava, which has got the least inequality in the distribution of landholdings, has the least inequality in the distribution of income. From the table, it can be noted that the poor (capability poverty) who constitute 48.4 per cent of the total sample population receive only 25.6 per cent of agricultural income, 31.0 per cent of non-agricultural income and 27.4 per cent of total income. The income share of the poor in Bargoria is the least among all the sample villages. The poor in Bargoria, who constitute 42 per cent of the sample population, receive only 15.5 per cent of agricultural income, 22.7 per cent of non-agricultural income and 17.6 per cent of total income in that village. The poor in other villages have a larger share in the agricultural, non-agricultural and total incomes in these villages.

The income distribution in Kurmava calls for an explanation. Although the inequality in income distribution is the least in Kurmava, the share of the poor in the agricultural income is only 29 per cent of the total. Given that Kurmava has the least income inequality, the share of the poor in the agricultural income should have been higher. The poor in Kurmava has a lower share in the agricultural income because a good majority of the poor in Kurmava, unlike in the other sample villages, are non-agricultural labourers. In fact, the poor in Kurmava receive non-agricultural income proportionate to their population. The poor who constitute 40 per cent of the sample receive 43.5 per cent of the total non-agricultural income in this village.

To sum up, the findings suggest that the highly inequitable distribution of the most important rural resource – land pushes a majority of the rural population to poverty. The landless agricultural labourers and marginal farmers, although depend on land as the primary source of their income, do not receive an adequate share of their total income from land as they are either landless or with only marginal landholdings.

## **6 Dependence of Poor on Land: Some Observations**

The finding that the contribution of agriculture to the total income of the poor is incompatible with the degree of their dependence on it may make one wonder why

the poor continue to depend on agriculture. Even though economic rationality may suggest that the poor must break their dependence on land as it does not contribute to their well-being proportionately, it is easily said than done. The highly inequitable distribution of the most critical rural resource – land, and resulting concentration of agrarian power comes to control the entire spectrum of economic activities. In the all-encompassing control of the agrarian structure, the poor has no choice but to depend on land. This point would become clearer as labour relations, credit relations, etc. are discussed in the subsequent chapters. Without going into that, this section discusses some points that throw light on the dependence of the poor on land.

### **6.1 Certain Characteristics of Agricultural Income for the Poor**

Some characteristics of agricultural income partially explain the rationale for the dependence of the poor on land. Agricultural income is a more ‘secure’, ‘permanent’ and ‘regular’ income for the poor than the income from other sources. This is particularly true of the labourers – agricultural and non-agricultural – marginal and small farmers. Though the agricultural income itself is subject to seasonal fluctuations, given the nature of income from other sources, the agricultural income is more ‘secure’, ‘permanent’ and ‘regular’ income than the income from other sources. In any given normal agricultural year, they are more or less certain to get some income from their engagement in agriculture and allied activities. Moreover, cultivation and agricultural labour is the most tested and the best-known occupation for the majority of them. Though they may get non-agricultural employment for a number of labour days in a year, these employments are much less ‘certain’ and ‘regular’ than employment in agriculture, given the fact that non-farm sector in these villages is abysmally under-developed. Although a large number of the poor out-migrate for work and remittance income is a major source of income, migration has not emerged as a viable option for them to reduce their dependence on land.

Another important characteristic of agricultural income is that it minimizes the dependence of the poor on the commodity market. The lesser the dependence of the poor on the commodity market, the greater their ability to reduce their vulnerability

to poverty<sup>98</sup>. It requires no elaboration that the market participation of the poor is often 'forced' and out of 'distress' (Bhaduri, 1983). Therefore, given the composition of the agricultural income, its welfare effect on the poor is far greater than that of an equal income from any other sources. By increasing their dependence on land, the poor reduce their dependence on the market.

The third important characteristic of agricultural income is its positive influence on the consumption bundle<sup>99</sup> of the poor. For example, remittance income is a major source of income for a large number of poor households. However, the welfare effect of remittance income is not transferred to the households as immediately and directly as the welfare effect of the agricultural income. Though income from migration is also used for the purpose of daily consumption, it is more often used to meet extraordinary expenses of a household such as marriage, social function following the death of someone in the family, medical treatment and purchase of clothes. It is the income generated from one's engagement with land that immediately influences and shapes the consumption bundle of the poor. The consumption bundle of rural households is determined largely by the agricultural cycle. Moreover, a greater share of agricultural income gets transferred to households' consumption bundles than income from other sources<sup>100</sup>. Therefore, from the point of view of the physical well-being of the poor, the agricultural income has the greatest welfare effect.

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<sup>98</sup> Martin Ravallion (1987) explores the links between the market mechanism and survival chances. He identified high foodgrain prices as an important cause of starvation and deaths, while investigating the famines South India in 1977 and in Bangladesh in 1974 (1987: Figures 2.6 and 2.7). Emphasizing the accessibility of the rural poor to land for reducing their dependence on the product market thus their vulnerability to poverty, El-Ghonemy (1990) writes: "(The) peasants, who have no accessible opportunities to hold productive land and consequently fail to establish command of their food needs, are the most likely candidates for high risk of hunger..." (112).

<sup>99</sup> This is also one of the reasons that prompt the agricultural and even non-agricultural labourers to get back to their villages during the agricultural season from the place where they have migrated to.

<sup>100</sup> Income from every source need not be converted to household consumption bundle in an equal proportion. Income from certain sources, depending on the nature of wage payment etc., is more prone to get leaked in the process of converting an income into a consumption bundle. For example, income from migration, though a large amount, in most cases, does not get proportionately converted to household consumption bundle. A large part of this income gets leaked before it gets converted to the consumption bundle. In the case of agricultural income, proportionately, a larger share of it gets converted to the consumption bundle.

## 6.2 Land and Non-Wage-Income of the Poor

An important factor that explains the rationale for the dependence of the poor on land is their need to supplement their meagre income by engaging in non-wage-income generating economic activities. Collection of fallen grains, green leaves, discarded potatoes, tomatoes and other vegetables, firewood and cow-dung, etc. are some of the non-wage-income generating activities that the poor households are found to be engaged in. Most of these non-wage-income generating activities that the poor are engaged in are land-dependent. An examination of the consumption bundle of the poor suggests that 4.57 per cent of their per capita annual consumption expenditure is on pulses; 6.97 per cent is on vegetables and 13.8 per cent is on fuel. These figures are only imputed percentage expenditure on these items. A majority of the rural poor do not incur a good part of this expenditure. These items in their food bundle are often not bought from the market, but gathered from agricultural fields.

Women and children of the poor households engage themselves in gathering<sup>101</sup> fallen grains, green vegetables and other vegetables such as tomato, potato and so on from the agricultural fields of those for whom they hire out their labour for agricultural operations. In the same way, they meet part of their fuel requirements by gathering firewood and dry leaves or by gathering cow-dung left hidden in the fields. Women and children engage themselves in such non-wage-income generating activities to meet part of their consumption expenditure, especially the expenditure on vegetables, pulses, and firewood. All these income-generating activities are land-related, which in turn, increases their dependence on land. It increases their dependence in two ways. Firstly, in the sense that they are able to meet part of their consumption expenditure through such non-wage-income generating activities. Secondly, in the sense that if they have to undertake these non-wage-income

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<sup>101</sup> It may seem that it is free for anybody to collect dry leaves and firewood, which otherwise would only disintegrate (of course it will eventually increase the fertility of the land!) or pluck the green leaves of pulse plants as it only helps in spreading the shoots. But that is not the case. If only the male members of a household go plough the land for the landlord, will he allow the female members to engage themselves in such income-generating activities; or else, the females would be bathed in abusive and derogatory language, which would hurt them at the core of their humanity.

generating activities, they would have to necessarily hire out their labour to the landowners, from whose land they collect fallen grains etc<sup>102</sup>.

### 6.3 Land and Animal Income

Animal income, which forms an important source of household income of the poor, is another factor that explains the rationale for the dependence of the poor on land. The agricultural income consists of three components, namely income from cultivation, income from agricultural wage labour and income from livestock. Table 3.10 gives the percentage contribution of each of them to the per capita annual agricultural income of both the poor and the non-poor. For the non-poor in the entire sample, 80.5 per cent of the total agricultural income comes from cultivation. Income from agricultural wage is insignificant for the non-poor. The contribution of animal income to the total agricultural income varies from 11.8 per cent in Bargoria to 22.7 per cent in Ilra.

Table 3.10: Source-wise Composition of Agricultural Income of Poor /Non-Poor

Villages		Per cent Contribution to the Total Agricultural Income					
		Cultivation		Agricultural Wage		Animal Income	
		1	2	1	2	1	2
Madhubani Villages	Khangaon	32.2	76.4	39.7	1.6	28.1	22.0
	Bargoria	30.9	88.1	41.5	0.2	27.6	11.7
Gaya Villages	Ilra	61.4	76.9	23.8	3.6	14.8	19.5
	Kurmava	40.8	73.6	40.1	3.6	19.1	22.8
All Households		44.4	80.5	34.3	1.6	21.3	17.9

Source: Field Study; Notes: 1: Poor; 2: Non-Poor

But for the poor, all the three components of agricultural income are important. Animal income is an important source of agricultural income for the poor. Its contribution varies from 14.8 per cent in Ilra to 28.1 per cent in Khangaon. Animal income is more important a component of total agricultural income for the poor than

<sup>102</sup> They depend on common property resources also to gather firewood, cow dung and so on. However, as the common property resources are depleting, their dependence on the employer for gathering firewood, etc. increases.

the non-poor. To graze animals, the poor who are mostly landless or marginal farmers have to depend on land owned by others. This is particularly so as common pastoral land is not available in the sample villages, except in Kurmava.

## **7 Dependence on Land: Seeds of Rural Poverty**

The preceding analysis of land-poverty nexus in rural Bihar explains why poverty in rural Bihar is primarily a land-centric phenomenon. It also explains why the landless and the marginal farmers swell the ranks of the poor in rural Bihar. This section brings together the major findings on the land-poverty nexus.

First, the dependence of a vast majority of the poor on land is very severe. They depend on land for their primary occupation. It was also found that agriculture is one of the most important sources of their income. In many instances, although the contribution of agriculture to the total income is less than that of non-agricultural sources, certain characteristics of agricultural income make the agricultural income the single most important component of the total income of the poor.

Second, the dependence of the poor on land, which seems to be important for their survival, turns out to be an impoverishing dependence. It was found that the income they receive from agriculture is incompatible with the degree of their dependence on land. Third, the poor fail to receive an income compatible with their dependence on land because their dependence on land is not backed by ownership of land. The size of landholding being the most important correlates of agricultural income, the landless and the marginal farmers who constitute the majority of the poor fail to receive an income proportionate to their dependence on land.

Why, then, do they depend on land? The criticalness of land and the overwhelming power that accrues to ownership of land render the labourers and the marginal farmers powerless. Their employment opportunities and choices are controlled by those on the top of the agrarian structure because of their monopoly over the most critical resource – land. In a situation such as in the sample villages where the rural non-farm sector is undeveloped, what else can the poor do for survival, but to

depend on land? It is in this 'involuntary dependence' of the majority of the poor households on land, necessitated by the highly unequal agrarian structure, that their susceptibility to poverty can be located. The undeveloped rural non-farm sector is no accident; rather it is a necessary consequence of the inegalitarian agrarian structure. The self-perpetuating nature of the agrarian structure ensures that land ever remains the most critical rural capital, which can employ the abundant rural labour. Within this highly unequal and hierarchical agrarian society in rural Bihar, a majority of the rural population come to depend on land and to be susceptible to poverty<sup>103</sup>.

## 8 Conclusion

This chapter dealt with the land-poverty nexus in the sample population. It was found that among the agrarian classes, the landless and the marginal farmers – in that order – are highly vulnerable to poverty. The poor in these two agrarian classes swell the ranks of the total poor in the sample. The analysis into the land-poverty nexus examined why the landless and marginal farmers are highly susceptible to poverty.

In doing so, the chapter analyzed two interrelated aspects of the relationship of the poor to land, to wit, their dependence on land and their ownership/control of land. While analyzing various facets of their dependence on land two important points emerged: (1) there is a strong "compulsion" acting on the poor to depend on land for survival and thereby making land assume unparalleled power over them, and (2) this dependence on land has become detrimental to their well-being as land fails to contribute to their income proportionate to their dependence on land. In that sense their dependence on land is 'involuntary' and impoverishing.

Finally, the land-poverty nexus in rural Bihar is not merely a matter of academic invention based on statistics, but an existential and historical reality as well. No wonder then why the poor said: "Give us land, we shall take care of ourselves".

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<sup>103</sup> M. Riad El-Ghonemy (1990) in a cross-country analysis of nexus between land concentration and rural poverty found that rural poverty is influenced by inequality index of land distribution (170-172).

# **CHAPTER IV**

## **RURAL POVERTY AND STRUGGLE FOR EMPLOYMENT**

### **1 Introduction**

The previous chapter examined the relationship of rural poverty with land. The poor depend on land for their survival. However, their dependence on land does not contribute proportionately to their income. The highly unequal distribution of land renders the landless labourers and marginal farmers susceptible to poverty. However, the majority of the poor have no choice, but to depend on land.

At one end, the poor depend on land for their survival and at the other most of them fail to achieve a minimum bundle of 'valuable functionings'. In between these two ends of the poverty process, there exists a network of social relations such as labour relations, credit relations and 'transfer relations' within which they try to convert whatever resources they may have into a bundle of goods and services necessary for a life free from poverty. The character of these social relations plays an important role in shaping their capability to achieve a set of valuable 'functionings'.

This chapter is the first of the three consecutive chapters which examine the character of social relations to broaden the understanding of the factors and processes that shape individuals' vulnerability to poverty in rural Bihar. The important features of labour relations, which accentuate the vulnerability of the labourers to poverty, are analyzed in this chapter. It begins with examining the incidence of poverty among the agricultural and non-agricultural labourers and then proceeds to discuss certain specific characteristics of labour relations and their role in accentuating the vulnerability of rural labourers to poverty.

### **2 Poverty among the Rural Labourers**

This section examines the incidence of poverty among the cultivators, agricultural labourers and non-agricultural labourers (Table 4.1). The incidence, depth and



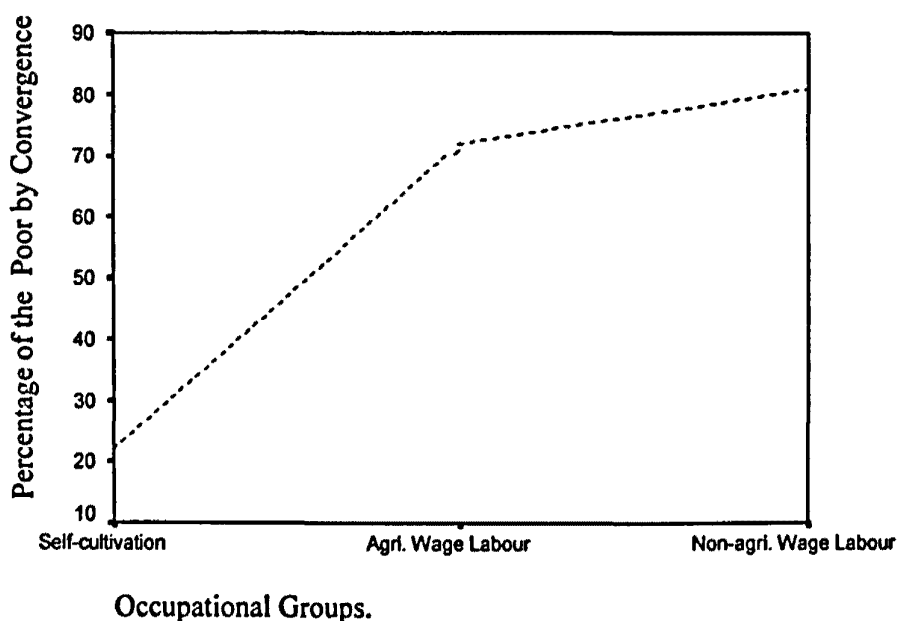
severity of poverty are the least for the cultivators among the three occupational groups considered in the table. According to the HCR of capability-poverty, only 29 per cent of the cultivators are poor whereas income-poverty suggests a higher HCR of 35 per cent. The Poverty Gap Index and Sen Index of poverty are also suggesting that poverty is the least for the cultivators among all the groups considered.

Table 4.1: Measures of Poverty by Occupation

Occupational Groups	HCR (IP) Per cent	HCR (CP) Per cent	Poverty Gap Index	Sen Index
Cultivation	35	29	0.0741	0.1006
Agricultural Labour	42	76	0.0090	0.1263
Non-agricultural Labour	61	71	0.1165	0.1592

On the other hand, 76 per cent of the agricultural labourers and 71 per cent of the non-agricultural labourers are identified as poor by the capability-poverty. The corresponding percentages for the income-poverty are 42 and 61. Both the income-poverty and capability-poverty agree that cultivators as a class are less vulnerable to poverty than the labourers. This point is further emphasized by the Figure 4.1.

Figure 4.1: Convergent Poverty and Occupational Groups



It is clear from the Figure that as one moves from cultivator to agricultural labourer or non-agricultural labourer, the convergent HCR increases sharply. As a matter of fact, all these occupational groups depend on agriculture for sustenance. The nature of their engagement in agriculture – as cultivators or as wage labourers – brings about a sharp difference in the incidence of HCR of poverty.

There is another important observation that can be made from the data given in Table 4.1. Except for the HCR of capability-poverty, all the other poverty measures suggest that the non-agricultural labourers are more vulnerable to poverty than the agricultural labourers. The HCR of income poverty shows a much higher incidence of poverty (61 per cent) among the non-agricultural labourers than the agricultural labourers (42 per cent). The HCR of convergent poverty also suggests that the incidence of poverty is more among the non-agricultural labourers (81 per cent) than among the agricultural labourers (72 per cent)<sup>104</sup>. The Poverty Gap Index and Sen Index are also the highest for the non-agricultural labourers among all the three occupational groups considered here.

Although the HCR of poverty suggests that the non-agricultural labourers as a group are, in general, more vulnerable to poverty than the agricultural labourers, it may be helpful to examine the village-level data before drawing any conclusions on this. The village-level HCRs of income-poverty and capability-poverty for the three occupational groups are given in Table 4.2.

Table 4.2: Village-wise HCRs of Poverty among Three Occupational Groups  
Per cent

Occupational Groups	Madhubani Villages				Gaya Villages			
	Khangaoon		Bargoria		Kurmava		Ilra	
	CP	IP	CP	IP	CP	IP	CP	IP
Cultivation	21.2	6.1	25.0	31.3	43.8	43.8	31.4	36.1
Agricultural Labour	93.5	51.6	59.0	43.6	64.3	50.0	80.8	55.6
Non-Agri. Labour	66.7	16.7	33.3	33.3	80.0	76.7	66.7	55.6

Source: Field Study

Notes: CP – Capability-Poverty; IP – Income-Poverty

<sup>104</sup> The data related to Convergent poverty is not given in Table 4.1.

As in the case of the entire sample, the HCR of both income-poverty and capability-poverty is the least for the cultivators in all the four villages. The HCRs of both income and capability poverty are higher for cultivators in Gaya villages than for the cultivators in Madhubani villages.

The incidence of poverty is very high among the agricultural and non-agricultural labourers in all the four villages. Are the non-agricultural labourers as a class more vulnerable to poverty than the agricultural labourers? Except in the case of Kurmava, the incidence of both income-poverty and capability-poverty is higher among the agricultural labourers than among the non-agricultural labourers. It is only in Kurmava that the incidence of poverty is higher among non-agricultural labourers than among the agricultural labourers.

However, the percentage of population engaged in non-agricultural labour as its primary occupation is very small in all the three villages – Khangaon, Bargoria and Ilra – where the incidence of poverty is less among the non-agricultural labourers than among the agricultural labourers. Khangaon and Bargoria have only 6.9 per cent and 6.1 per cent of their respective population engaged in non-agricultural labour. And in Ilra, only 9.8 per cent are engaged in non-agricultural labour. On the other hand, in Kurmava, the non-agricultural labourers constitute 29.4 per cent of the sample population. The percentage of the non-agricultural labourers in the sample is higher than the percentage of agricultural labourers. The agricultural labourers in Kurmava constitute only 13.7 per cent of the sample population.

In the Madhubani villages, the majority of the non-agricultural labourers are into traditional occupations such as hair-dressing and carpentry. Some of them are also engaged in digging tube wells. These skill-based occupations are quite remunerative. On the other hand, in Kurmava, most of the non-agricultural labourers are unskilled and are engaged in stone-cutting. Only a very few of them are engaged in traditional occupations. Due to lack of agricultural works in Kurmava compared to the other sample villages, the labourers in Kurmava have taken to the non-agricultural labour such as stone-cutting.

On the basis of the village-level specificities, the following points can be noted: (1) the labourers – both agricultural and non-agricultural – are highly vulnerable to poverty in all the four villages and they are more vulnerable to poverty than the cultivators; (2) The non-agricultural labourers who are engaged in occupations that require some specialized skills are less vulnerable to poverty than the agricultural labourers, and (3) the non-agricultural labourers who are unskilled and engaged in ordinary non-agricultural activities due to lack of agricultural labour are more vulnerable to poverty than the agricultural labourers.

The incidence of poverty is more or less equally high among both agricultural labourers and non-agricultural labourers. The majority of poor comes from these two occupational groups. Whether one is an agricultural labourer or a non-agricultural labourer does not make much of a difference in one's susceptibility to poverty as both are highly susceptible to poverty. In the light of the above discussion, it can be said that rural poverty in Bihar, to a great extent, can be identified with the degree of individuals' engagement in agriculture as labourers. To be engaged in agriculture as a labourer in rural Bihar is to be highly susceptible to poverty. And, to be engaged in agriculture as a cultivator is to be less susceptible to poverty in comparison to labourer's susceptibility to poverty. Once again, what emerges with convincing clarity from the above analysis is that it is land and the nature of the relationship of agrarian population to land that fundamentally influences their vulnerability to poverty.

In rural Bihar, to be a non-agricultural labourer without any specialized skill is more risky<sup>105</sup> than to be an agricultural labourer, though, as a matter of fact, both are very highly susceptible to poverty. The greater vulnerability of the unskilled non-agricultural labourers to poverty increases the dependence of labourers on agriculture. Though being engaged in agriculture as labourers does not reduce their vulnerability to poverty in any substantial way, because of the greater vulnerability

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<sup>105</sup> There are many reasons that make non-agricultural labour more risky. The most obvious reason is the lack of wage employment in non-farm sector. The uncertainty and irregular nature of non-agricultural employment makes it very risky for a labourer to break his ties with land and agriculture.

to poverty associated with unskilled non-agricultural labour, they are compelled to depend on agriculture. *More and more labourers, in fact almost all of them, join the ranks of those who depend on land as labourers, by compulsion of survival.*

The implications of this necessitated dependence on land are manifold. It depresses the bargaining power of labourers and the wage rate, as there is an exceedingly surplus labour in agriculture. It leads labourers to seek some sort of, as subtle as it is, labour-bonding relations so as to ensure a place in the labour market. It affects the development and diversification of human capital of the labourers. It does not challenge the cultivators to seek innovation and introduce modern technology in agriculture. The dependence of rural labourers on land itself thus becomes the most important factor that influences their susceptibility to poverty. The overwhelming dependence on land results in land assuming a preeminent position.

Being related to land as a wage labourer, by and large, defines the poor in rural Bihar. Although being related to land as labourers is to be susceptible to poverty, the best available option open to those who have only labour power as their resource is to be related to land. To be unrelated to land is to take the risk of a greater susceptibility to poverty. Being related to land as a wage labourer is being susceptible to poverty and being unrelated to land is being more susceptible to poverty. And within this paradox, institutions of labour relations get determined.

### **3 Character of Labour in Rural Bihar**

It has been highlighted in the above discussion that the vast majority of the labourers – both the agricultural and non-agricultural labourers – in the sample are poor. They alone constitute 64 per cent of the poor in the total sample population. Among the labourers who are poor, 63.4 per cent are landless, 30.5 per cent are with marginal landholdings and 6.1 per cent are with small landholdings. Why do rural labourers in Bihar fail to command a minimum bundle of “valuable functionings” in exchange for their labour power, which, in majority of cases, is their only resource? The following discussion probes deep into the salient features of rural labour in Bihar in relation to the above question.

The most distinguishing feature of rural labour in Bihar is that it is *not free, but dependent on and bonded to the most critical rural resource – land*. This claim on the fundamental character of labour in rural Bihar, although it follows from the preceding findings in this chapter and also from the findings in the previous chapter, calls for some discussion, as this has been a much-debated agrarian topic in economics. The following section discusses the claim that rural labour in Bihar is not free in the background of the many debates of yesteryears on the subject.

### 3.1 'Bonded Freedom' of Labour in Rural Bihar

The question of free labour in Indian Agriculture was part of the heated debate in the 70s and 80s on the 'mode of production' in Indian agriculture. Marx defines labour as free in a 'double sense'. Firstly, a labour is free in the sense that he is no longer a possession of another as in the case of a slave or a serf. And secondly, he is free in the sense that he does not possess any means of production himself. "... free labourers, in the double sense that neither they themselves form part and parcel of the means of production, as in the case of slaves, bondsmen, and co., nor do the means of production belong to them, as in the case of peasant-proprietors; they are, therefore, free from, unencumbered by any means of production of their own"<sup>106</sup>. Freed from being in possession of another and from ownership of means of production, he is totally free to sell his labour in the market like any other commodities. Elaborating on this, Marx writes:

The immediate producer, the labourer, could only dispose of his own person after he has ceased to be attached to soil and ceased to be the slave, serf or bondsman of another. To become a free seller of labour power, who carries his commodity wherever he finds a market, he must further have escaped from the regime of the guilds, their rules for apprentices and journeymen, on the impediments of their labour regulations. Hence, the historical movement which changes the producers into wage workers, appear, on the one hand, as their emancipation from serfdom and fetters of guilds...But on the other hand, these *new freed men* become sellers of themselves only after they had been robbed of all their own means of production, and of all

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<sup>106</sup> Marx, Karl (1954), *Capital – A Critical Analysis of Capitalist Production – 1*, Foreign Language Publishing House, Moscow, p. 174.

the guarantees of existence offered by the old feudal arrangements (Marx, 1954: 715).

In line with the definition of capitalism as 'generalized commodity production', the mostly accepted interpretation of the concept of free labour is that of 'commodified labour', meaning that labour has become a commodity like any other commodity to be sold and purchased in the market at a price. A labourer is neither bonded to his *malik* nor tied to means of production. The only thing that he owns is his labour, which can be sold in the market to the highest bidder. Daniel Thorner and Alice Thorner (1962) in their discussion of the employer-labour relations in rural India gave one of the clearest explanations of the concept of free and unfree labour:

A free labourer is able to accept or reject the conditions and wages offered by the employer. If he wishes, he may refrain altogether from working. Once having taken a job he can decide to give notice and quit. Economic stringency may indeed compel a free labourer to agree temporarily to terms he does not consider favorable. But his basic right to refuse to work or to seek alternative employment remains uncompromised.

An unfree or bonded labourer, by contrast, is one whose bargaining power is virtually non-existent, or has been surrendered. Such a labourer does not possess the right or has yielded the right to refuse to work under the terms set by his master; through custom, compulsion, or specific obligation, the bonded labourer is tied to his master's needs. He can neither quit nor take up work for another master without first receiving permission.

The above explanation, which has widely been used by scholars, suggests what makes a labourer free or unfree is non-existence or existence of 'extra-economic coercion'. If a labourer enters into a labour contract with an employer as a result of any form of 'extra-economic coercion', then the labourer is considered unfree. Extra-economic coercion involves any constraints other than that of economics, within which labourers have to work. This would include politico-juridical and customary factors that lie outside the domain of economics. In the pre-capitalist economy with which unfree labour is often associated, labourers are subjected to various restrictions imposed by political power as well as social institutions such as caste system in Indian society (see Takahashi, 1978; Laclau, 1971; and Dobb,

1978). This is also one of the two conditions laid down by Marx to consider a labourer free. He is freed from all forms of extra-economic coercion and therefore he is free to engage in labour contract on his own will, having the “right to refuse to work under the terms set by his master”. It was the existence of extra-economic factors impinging on the freedom of labourers that motivated many economists to describe the Indian agriculture as ‘semi-feudal’.

There are economic constraints that act upon the employer and labourer to enter into a labour contract. These economic constraints, according to the explanation of free labour advanced by Thorner does not make a labour unfree. The labour contracts entered into by both the employer and labourers under the economic constraints are “essentially free arrangements... with no compulsion other than the necessity on the one side to get farm work done at the appropriate season, and on the other to obtain income by working” (Thorner, 1962: 25). This explanation suggests that both the employer and labourers are mutually dependent on each other and the economic necessity acting upon them brings about mutually beneficial labour arrangements. This indeed is the case if both the employer and the labour are equally placed in terms of their bargaining power. This is not the case, however. The position of the rural labourers in the agrarian power structure has rendered them with little bargaining power to enter into any ‘free’ labour contracts. How can an “unequal exchange” (Bhaduri, 1983) be considered a free-exchange relations, even though the nature of compulsion on the part of the labourer may be deemed as economic?

Patnaik (1971) in her contribution to the mode of production debate has offered us some meaningful insight into the specific nature of Indian agricultural labourers:

The rural wage-labourers in India are indeed free in so far as they are not generally tied to particular pieces of land: but, in the absence of alternative job opportunities, they are effectively tied to *agriculture as a main source of livelihood*...The absence of alternative employment imposes constraints analogues to the earlier explicit tying to the land. The totally unorganized nature of the destitute labour force combined with a vast underemployed reserve army ensures that wages are barely enough for subsistence... (The big landowner) maximizes the returns



from *destitute labour tied to agriculture* and force to accept bare subsistence (emphasis added).

Countering Patnaik's argument that the Indian labour need not be free just because he is deprived of ownership of means of production, Chattopadhyay (1972) resorts to the two Marxian criteria: free from being a "part of means of production" and free from ownership of means of production. He argues that if there is no extra-economic coercion forcing a labourer to enter into labour contracts and if he is freed from possessing any means of production, a labourer qualifies himself to be deemed a free labourer in Marxian sense.

When Marx spoke of the existence of free labourers as a condition of capitalism, he meant this freedom in a double sense: freedom of the labourer to sell his labour power as his own commodity and from ownership of any other commodity for sale. If the rural labourers in India did not possess any other commodity but their labour power and if they were not tied to particular employers, in that case they, we submit, fulfill Marx's condition. They might be tied to agriculture in the same way as the industrial wage labourers are 'tied' to Industry...The situation would of course be altogether different if the rural labourers were tied to agriculture by non-economic forms of exploitation (81-82).

Alvi (1975) agrees with Patnaik's (1971) views on the historical specificity of agricultural labour in India and discusses further the question of development of free labour in Indian agriculture. He points out that the absence of extra-economic coercion and not having ownership of means of production, say land, in themselves, as Chattopadhyaya (1972) suggests, do not render Indian agricultural labourers free when the historical process of evolution of land-labour relations are taken into consideration. In the pre-colonial period, when land was in abundance and the labourers had the choice of occupying the hitherto un-reclaimed lands to escape from the tyranny of the landlords, it was necessary to use force through extra-economic means to ensure the process of surplus extraction. When land became private property, the labourers were left with no choice, except that of starvation, but to be bonded to those who possessed land. There was no need to enforce their bondage through any extra-economic means. The bondage of labour to land and to those who possess land has already been institutionalized by the very dynamism of

the agrarian structure that emerged from the ownership of private property in land. The following excerpt from Alvi (1975) is worth noting:

Land, in fact, was not yet the most valued resource in pre-British India, for there was an abundance of it relative to the number of people available to extract the fruit of the unyielding earth. The truly precious possession was labour. The labourer had, therefore to be made *unfree* as a necessary condition for his exploitation. He had to be held by coercion. It was only when, under the colonial regime all land was appropriated and labourer had no direct access any more to 'waste' land and had nothing, therefore, to sell but his labour power, that condition of his exploitation in freedom arose...

...The appropriation, thus, of all land as well as demographic growth, led to a situation in which the landowner had no longer 'to exercise coercion' over the cultivator...for, now, the poor peasants was 'free' to sell nothing but his labour. He was now free to leave his master; and to starve.

It is a paradoxical situation. On the one hand the labourers seem to fulfil the two criteria laid down by Marx and which Thorner (1962) and other scholars use in identifying if agricultural labour in India is free or not. On the other hand, as suggested by Patnaik (1971) and Alvi (1975), the dependence of the labourers on land and hence on those who own and control land for their survival places them in a situation not much different from that of being in bondage. Alvi (1981) reiterating his position on the specific nature of Indian agricultural labour writes: "The peasant was now legally free to leave his *Zameendar*. But being dispossessed, he could have no access to the means of his livelihood without turning to the landowner for whom he now worked out of economic compulsion, 'freely'. The peasant was now trapped, as a seller of labour power; by his dispossession... his demand was (now) to be that for security of tenure rather than freedom to leave the lord" (174).

The preceding discussion on the question of free labour was not intended either to resurrect the ghost of 'mode of production debate' of the 70s<sup>107</sup> or to point out

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<sup>107</sup> The debate is not merely confined to the 1970s. For example see Brass (1990; 1996a; 1996b), Jodhka (1994; 1995; 1996). Also, see T.J Bryes, Karin Kapadia and Jens Lerche (Eds) (1997), *Rural Labour Relations in India*. For a review of issues related to unfree labour in Indian agriculture see Rao (1997) in T.J. Bryes, *et al* (1997).

certain inadequacies in the definition of free labour. It was to highlight the point that even if the labour in rural Bihar may seem to fulfil the two criteria contained in the definition of free labour, it cannot be taken for granted that the labourers are engaged in exchange relations with the employers on an equal footing. As Bhaduri (1983) argued in the context of backward agriculture, the labourers in rural Bihar are necessarily engaged in 'unequal exchange' relations. And, most importantly, their entry into relations of 'unequal exchange' is 'forced' upon them by the sheer necessity of survival. Given their dependence on land and their position in the agrarian power structure<sup>108</sup>, they are left with no choice but engage themselves in a network of 'unequal exchange' relations for their survival as the exchange relations themselves only reflect 'the underlying economic and social organization of production' (Bhaduri, 1983: 1).

Our discussion on free labour was to highlight that labour power is controlled by the agrarian power, which primarily rests in the ownership of land<sup>109</sup>. The dependence of labourers on land for survival is a total dependence. Having no land is to be powerless – politically, socially and economically. The bondage of labour<sup>110</sup> to land and its powerlessness therein is, thus the most fundamental character of rural labour in Bihar. The entire labour process, the manifold institutions of 'unequal exchange' and their vulnerability to poverty are only reflections of this fundamental character

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<sup>108</sup> In the chapter on "Hunger for Land and Poverty in Rural Bihar", we have already discussed at some length the many aspects of labourers' dependence on land for survival and their position in the agrarian power structure.

<sup>109</sup> See Rao (1997: 243-262), "Agrarian Power and Unfree Labour", in T.J Bryes, Karin Kapadia and Jens Lerche, *Rural Labour Relations in India*, for a discussion on how agrarian power can make employment relations quite much 'unfree'.

<sup>110</sup> What we mean by "bondage of labour to land" is the following: Because of labourers' dependence on land for survival and lack of ownership of land, their set of present and future options are highly restricted. Their set of options is controlled by the agrarian structure founded on ownership of land. In the context of interlinking of labour and credit markets, Srinivasan (1980) states that "the essence of "bondage" lies in its restricting the set of future options of a labourer because of his past debt" (165). Hence, whatever the source of the bondage is, what bondage entails is restriction of freedom of choice of the labourer. His options are controlled. In our case, the origin of the bondage of a labourer is the particular nature of his relationship to land – dependent on land, and yet not owning land. This basic bondage of, say a landless, scheduled caste labourer to land may lead to a chain of other bondages, to wit bondage due to 'past debt'.

of rural labour in Bihar. The discussion now proceeds to examine some of the most important features of rural labour, which is bonded to land in more ways than one.

## **4 Institutions of Labour Control**

The institutions of labour control are “multifarious, resilient and subtle” (Griffin, 1976: 186). The different ways of labour-control, in effect, “atomize the rural labour force into highly vulnerable groups of workers confronted by landowners who have a monopoly of the material means of production” (ibid). This section is intended for a brief and discrete survey of different forms of labour control that exist in the study area. For that purpose here, the manifold mechanisms of labour control that are commonly found in the sample villages are grouped into two broad groups: (1) fragmentation of labour market, and (2) interlinkages among different transactions. This survey is in no way exhaustive, as, in fact, there are myriad of ways the labour process is controlled and surveying all of them is neither possible nor necessary for our purpose. In this survey, those incidence of “fragmentation” and “interlinkages” are highlighted, which either have not received much attention in the literature or it was thought to be important in understanding the labour relations in rural Bihar.

### **4.1 Fragmentation**

Fragmentation of the labour market is one of the most important and effective ways of labour control. What follows are some of the different ways by which labour market in rural Bihar is fragmented.

#### **4.1.1 *Restricting Employment Opportunity:***

The employment opportunity frontier of a rural labourer gives different combinations of allocation of his/her labour power for different employments that he/she chooses from the possible set of employment opportunities that faces him/her. Greater the number of employment opportunities open to the labourers at any given time, the greater the criticalness of labour and hence greater the bargaining power that accrues to the labourers as different employments compete with each other to attract labourers. The criticalness of labour and the bargaining

power of labourers can be curtailed if the possibility frontier of employment opportunities open to labourers is limited or can be controlled. It is here that the agrarian structure, first and foremost, exerts its power to control the labour process.

First of all, as the rural non-farm sector is appallingly underdeveloped, the employment opportunity frontier facing labourers are severely limited. Moreover, the exploiting class, which has economic, social and political power because of its ownership of land, can effectively control the limited employment opportunities that are open to the labourers at any given time. This class can play a vital role in controlling the employment opportunities<sup>111</sup> open to the labourers by sequencing the available employment opportunities. The labourers have no choice. The entire labour force in rural Bihar is reserved for that employment which is made available to them. During the agricultural season, the only employment that is available<sup>112</sup> to the labourers is agricultural works. By making only one employment available to the labourers, say agricultural works, the entire labour force is reserved for that one particular employment. The labourers are fragmented in the sense that they have no choice<sup>113</sup> of employment at any given time.

#### ***4.1.2 Restricting Labour, Mobility***

First and foremost, control on the opportunity for employments whereby the entire labour force comes to be reserved for that one employment, which is made available

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<sup>111</sup> Let us take the example of Khangaon village. The landowning class is primarily comprised of upper castes households. Two upper caste households own the two brick factories which provide some non-agricultural work to the labourers. The Panchayat Mukhiya, who is a representative of the upper castes himself, is an owner of large landholdings. It is the Panchayat Mukhiya who decides what public works should be taken up and when, under the employment generating schemes of the government. This is to illustrate the point that the class who own and control land also come to control the employment opportunities in a village. Therefore, this class is in a position to control the labour process to its own benefit by sequencing the available employment opportunities.

<sup>112</sup> At the beginning of agricultural season, all other non-agricultural wage labour comes to an end. Even those who have migrated to cities come back to their villages. Only when the agricultural operations are almost over, the brick factory would start functioning, the village roads and canals would be repaired, the agricultural labourers would be free to migrate!

<sup>113</sup> Fragmentation of labour market is nothing but reducing labourers' freedom with respect to their choice of employment. Greater the freedom of labourers to choose their employment and employers, the less fragmented the labour market is. Each incidence of curtailing the freedom of labourers results in fragmentation of the labour market.

to the labourers, results in fragmentation of the rural labour force. The second most important mechanism of fragmentation of the labour market is the control on the geographical mobility of the labourers. The rural labourers in Bihar are fragmented into a number of non-competing subgroups of labourers by being limited their mobility within the four walls of a village. The labour market in every village is, by and large, a closed market in the sense that labour exchange takes place only within the village boundaries. The labourers of any village are duty bound to hire out their labour for the agricultural works in the same village. This is to say that there are as many rural labour markets as the number of villages. In a majority of the cases, labourers cannot freely hire out their labour to the 'highest bidder'. Any attempt to disregard this convention would be tantamount to risking their survival.

#### ***4.1.3 Restriction Imposed by Custom and Personalized Relationship***

Even within a village, the labourers do not form a single labour market. They are further subdivided into number of non-competing subgroups of labourers. There are different ways the labour market in a village is fragmented into a number of subgroups. Where there is more than one caste in a village, which hires out labour, then each caste caters to certain number of landowners on the basis of geographical proximity. Khangaon in Madhubani is a good example of this. The labour force in this village is drawn mainly from two SC communities. They are divided into two non-competing groups of labourers on the basis of their geographical location. The labourers from the *Saday* community in Khangaon are geographically closer to the Rajput *tola* on the western side of the village. They are supposed to hire out their labour service primarily to this tola. The labourers from the *Ravidas* community are geographically closer to the Rajput *tola* on eastern side of the village and they are supposed to render their labour primarily to the Rajput *tola* on the eastern side.

“Personalized” and “multiplex” relationships between the labourers and the employers is another important factor that fragments the labour force in a village. Literature on agrarian relations has discussed, quite extensively, how the personalized and multiplex relationships fragment of the labour market. The labour market in a village is thus subdivided into as many small groups as there are big

cultivators in a village. It is a common practice that labourers hire out their labour primarily for their own *Maliks*. The labourers who come to be associated with certain *Maliks* would not hire out their labour to other cultivators, even if other cultivators would be ready to pay a higher wage. This would jeopardize the labourers assured employment in the agricultural land of his *Malik*. Even the cultivators would not contemplate hiring in a labourer who has come to be associated with certain *Maliks*, for fear of those more powerful *Maliks*. “Since my grand father’s time, I have been working for this landowner. Nobody gives me work. Can I break my ties with him, when I don’t get work elsewhere?”<sup>114</sup>”

There is yet another important way that the labour market in any village is subdivided into many non-competing groups. Prior to the beginning of agricultural season, the labourers, a majority of whom are poor, are in dire need of consumption loan. It is a common practice, in all the villages except Kurmava, for the employers to lend consumption loans to labourers on the condition that they would work for them during the peak agricultural season. As one employer informed the researcher, “the employers induce the labourers to take consumption loan to ensure that they are not hired by others”. The employers effectively check the possibility of competition for labourers during the peak season. As agricultural operations begin, the labour market is already fragmented into a number of non-competing groups.

Some of the important ways the rural labour market is fragmented into any number of non-competing subgroups have been highlighted so far. In a sense, there is no labour market as such. Labourers are divided into small groups of labourers, which hire out their labour to one or two cultivators in a village. In fact, the wage rate does not, generally speaking, enter the scene in determining the demand and supply of labour in the sample villages. First of all, the freedom of labourers is fundamentally negated by the forceful reservation of the entire labour force for agricultural operations alone. Secondly, different forms of compulsion on them to hire out their labour only within the village negate their freedom. And thirdly, even within a village, the labourers are not free to hire out their labour to any employer, but only

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<sup>114</sup> This is what was told to us by a labourer in Ilra village, during my conversations with him.

to those with whom the labourers have come to be associated through personalized relationships or through other ways such as geographical proximity.

## **4.2 Interlinkages**

Interlinking transactions of same market and of different markets is another powerful mechanism of labour control. Without going into theoretical models of market interlinkages<sup>115</sup> this section surveys some important incidence of interlinked transactions that come to control the labour process.

### **4.2.1 Interlinking Markets**

The interlinking of labour market transactions with transactions in other markets such as land, credit and product markets has received much attention in the literature on agrarian relations. This section would highlight the interlinking of labour market transactions with transactions in another, hitherto unnoticed rural market, namely, “transfer” market. The interlinking of labour relations with “transfer” relations has not been discussed in the literature on market interlinkages. In fact, in the sample villages, the incidence of labour market transactions being interlinked with the “transfer” market transactions is far greater than incidence of other types of interlinked transactions. It is often the case that the accessibility of the labourers, most of whom are poor, to the benefits of various transfer schemes of the government is contingent upon their willingness to hire out their labour<sup>116</sup> for

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<sup>115</sup> One of the often-noted features of less-developed agrarian economies is the existence of interlinkages among land, labour, credit and product markets. For a survey of such phenomena, see Pranab Bardhan (1980). The interlinked transactions qualitatively differ from the interdependence of economic action in competitive general equilibrium theory. The interdependence of economic actions, in the case of interlinked markets, is in the form package deals with the terms of one transaction contingent upon the terms in another. Interlinked markets are often viewed as a form of exploitation of less-powerful agents by more powerful agents (for example, Amit Bhaduri, 1973, 1977). The interlinked market transactions are also modelled as utility maximizing arrangements in the absence of well-developed markets. In other words, given the imperfections in the markets, the interlinked transactions enable the economic agents to maximize their utility by entering into interlinked transactions (for example; Braverman and Stiglitz, 1982).

<sup>116</sup> We consider it a very important observation not only to understand the labour relations but also to assess the success or failure of the transfer schemes of the government. In fact, our field experience shows that very often the transfer schemes of the government is monopolized by the powerful people and thus they become instruments in their hands to exploit the poor labourers. The negative



agricultural operations. The poor have no direct access to any of the transfer schemes introduced by the government. All such schemes come to be controlled by the locally powerful people<sup>117</sup>. The possibility of benefits of the transfer schemes is contingent upon their willingness to hire out their labour for agricultural works.

#### **4.2.2 Interlinking Employments**

The interlinking of transactions between two or more economic agents takes place in at least two different ways. In the first incidence, a transaction in one market is interlinked with a transaction in another market. The literature on such interlinked transactions is extensive. In the second incidence, two or more transactions in the same market are interlinked. That is: a transaction in one market, say the labour market, which may be beneficial to the labourers, is made contingent upon another transaction in the same market, which may not be beneficial to the labourer. The second type of interlinked transactions has not been highlighted in the literature on agrarian relations. Here, a few such cases are mentioned to show that interlinking of different transactions in the rural labour market is pervasive.

We have seen that the rural exploiting class in a village or a locality controls the employment opportunities open to the labourers. They sequence the employment opportunities one after the other, such that the entire labour force comes to be reserved for the *one employment* that is made available. Not only that the employments are sequenced one after the other, but also one employment opportunity is contingent upon the willingness of labourers to be available for another employment. This needs to be explained a little further. For example, consider this: There are three major sources of employment available in Khangaon village, namely, agricultural works, making bricks and infrastructure development works under the government scheme for generating rural employment. They are sequenced one after the other. During the peak agricultural season, as it has already been noted, all other types of work are terminated. The entire labour force is

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externalities of the transfer schemes on the poor require a close examination. Since we have taken up this theme in a subsequent chapter on "transfer" relations, we shall not elaborate on it here.

<sup>117</sup> They consist of bank officials, block officials, Mukhiya and others who are in a nexus with them.

mobilized for carrying out agricultural operations. Secondly, these employments are mutually interlinked. That is: If a labourer wants to seek employment at a brick factory, he has to necessarily make his labour available for the agricultural works. Being employed in the brick factory on a future date – lean agricultural season – is contingent upon being available for agricultural works in the current agricultural season. If a labourer decides not to hire out his labour for agricultural operations and wait till the end of the season to hire out his labour for making bricks, in all likelihood, he would remain unemployed all through. Getting employment in the brick factory or the public works is contingent upon the willingness of labourers to work in the field during the agricultural season. In order to ensure a place in the labour market during the lean season, labourers would have to necessarily make their labour available for agricultural operations<sup>118</sup>.

#### ***4.2.3 Interlinking Labour Market with Livestock Raising among the Poor***

Another important and quite prevalent method of interlinking different transactions in the labour market is interlinking livestock-raising with agricultural operations. According to the data, 25 per cent of labourers lease-in<sup>119</sup> one or the other livestock from those who own land. There are two important reasons, according to the labourers, that explain why they try to raise, either leased-in or owned, one or the other livestock. The most important reason for the labourers to lease-in livestock is to create employment, especially during the lean agricultural season. Creating employment to generate some additional income has been suggested by 53.6 per cent of the labourers as the reason for raising livestock. Insuring themselves against unexpected expenses, say for medical treatment, is another reason for raising livestock. In 35.5 per cent of cases this has been the most important reason.

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<sup>118</sup> The opposite is also true. The opportunity to hire out one's labour for agricultural works can be contingent upon labourer's readiness to work in the brick factory.

<sup>119</sup> Among those who lease in livestock, 78.8 per cent are labourers. In terms of landholdings, 57.7 per cent are the landless, 30.8 per cent are those with marginal landholdings and 11.5 per cent are those with small landholdings. That is: those who are landless and with either marginal or small landholdings account for 100 per cent of all such cases. In terms of caste, 69.2 per cent are SCs and 19.2 per cent are OBCs, both together accounting for 90.4 per cent of such cases.

On the above counts, the labourers would like to raise one or the other livestock. As most of them are not in a position to own them, they try to lease-in some animal from others, primarily from the employers. However, they can avail of this opportunity only if they agree to work for the one from whom they lease-in the animal. Thus the possibility of finding some self-employment through leasing-in livestock is contingent on their willingness to mortgage their future labour.

#### **4.2.4 Interlinking Different Agricultural Operations**

Consider another situation. There are different types of agricultural operations, to wit, field preparation, transplantation, weeding/intercultural operations and harvesting. Many of the labourers would like to engage in agriculture only during the harvest season. It was pointed out in the previous chapter that the poor in order to maximize their survival capacity, minimizes their dependence on product market. This is possible only if they are able to gather as much grain as possible during the harvest season. Therefore, this is an operation<sup>120</sup> which they would have preferred to engage themselves in. The opportunity of engaging themselves during the harvest is, however, contingent upon their willingness to be available for other agricultural operations. If they do not hire out their labour for agricultural operations from the beginning of the season, they would not be permitted to harvest the crop. Their need to engage themselves in harvesting and because harvesting is always tied to other agricultural operations, some of them are led involuntarily to hire out their labour for all other agricultural operations. Thus by making harvesting a little more remunerative than the other agricultural operations and by interlinking harvesting with other agricultural works, it is assured that almost the entire labour force is available for agricultural operations all through the season.

#### **4.2.5 Interlinking Labour Transactions with the Vulnerability of the Poor**

The following is yet another situation of interlinkage. It was pointed out in the previous chapter that the labourers, a majority of whom are poor, try to reduce the

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<sup>120</sup> Besides harvesting, transplantation is another operation that is more remunerative than the other agricultural operations such as weeding and other inter-cultural operations.

actual expenditure on their consumption by about 20 per cent by engaging themselves with non-wage and land-related income-generating activities. It has been pointed out that a substantial part of household expenditure is met mainly by women and children by engaging themselves in non-wage economic activities such as collecting fallen grains, collecting firewood and cow-dung, plucking green vegetable and so on. As far as the poor labourers are concerned, these non-wage-income-generating activities are important to meet their consumption requirements.

It is not that anybody can engage in this kind of non-wage, income-generating activities in the land owned by another. They are permitted by custom to gather fallen grains, green vegetable leaves, etc., from the agricultural fields of their employers. However, the accessibility to such income-generating activities is contingent upon their willingness to hire out their labour for agricultural operations whenever their labour is required. Thus by interlinking the poor labourers' need to engage themselves in non-wage-income-generating activities related to land with their willingness, though involuntarily, to engage in all agricultural operations whenever it is demanded effectively ties the labourers not only to agricultural operations but also to particular employers.

There are manifold of ways how the labour market is fragmented, isolated and interlinked to the advantage of those who have the power to control the labour process. This leaves the labourers without much bargaining power vis-à-vis the employers. By controlling the labour process, labour is effectively reduced to a non-critical resource in agriculture. Thus a network of institutions of fragmentation, isolation and interlinking of labour market is put in place, which effectively controls the labour process to the advantage of the exploiting class. These institutions of labour control are put in place either by custom, or by convention, or by force. In such situation of a completely isolated and fragmented labour market, it is not the wage rate that determines the supply of labour, but the sheer necessity of survival.

### 4.3 Extent of Fragmentation and Interlinkages in The Labour Market

The data given in Table 4.3 support the fact that the labour market, particularly the agricultural labour market in the sample villages, is highly fragmented and interlinked. During the field study, the agricultural labourers were asked the following: “How many employers of your village or of the neighbouring villages did you work for during the ‘last three years’?” As a matter of fact, the more fragmented and interlinked the labour market, the less would be the freedom of the labourers to choose both their employment and their employers. Therefore, the information in Table 4.3 suggest the extent of fragmentation and interlinkages in the labour market, curtailing the freedom of the agricultural labourers.

Table 4.3: Number of Employers for Whom Agricultural Labourers Worked for During the ‘Last Three Years’

Number of employers for whom agricultural labourers had worked in the ‘last 3 Years’	Percentage of Agricultural Labourers				
	1	2	3	4	All
One	43.9	45.2	00.0	18.4	28.3
Two	07.3	35.7	10.2	31.6	20.5
Three to Five	34.1	19.0	68.3	50.0	42.0
Anybody in the village	14.6	00.0	11.1	00.0	06.2
Anybody in any nearby villages	00.0	00.0	10.4	00.0	03.0
Total	99.9	99.9	100	100	100

*Source:* Field Study

*Notes:* 1: Khangaon; 2: Bargoria; 3: Kurmava; 4: Ilra

For the whole sample population, 28.3 per cent of the agricultural labourers reported that they had worked only for one employer during ‘last three years’. Another 20.5 per cent of them reported that they had worked only for two employers. A majority of them (42 per cent) reported that they had worked for three to five employers. Only a small percentage (6.2 per cent) of the agricultural labourers had worked for ‘any employer’ of their respective villages in the ‘last three years’. Those who had worked for ‘any employer’ either of their own village or of the neighboring villages constituted only three per cent of the total population of the agricultural labourers.

The Table also gives the inter-village variations with regard to the freedom of the agricultural labourers to choose their employers. It suggests that the labour market in the Madhubani villages was far more fragmented and isolated than that in Gaya villages. In Madhubani villages, all the labourers had hired out their labour within their respective villages. In fact, the labourer-cultivator proportion was larger in the Madhubani villages than in the Gaya villages. One would have then expected that a greater percentage of agricultural labourers in the Madhubani villages to hire out their labour to employers of other villages. However, that was not the case. Nobody in Madhubani villages had hired out their labour outside their own villages.

Bargoria in Madhubani and Kurmava in Gaya present the contrast vividly. In Bargoria, more than 80 per cent of the labourers had hired out their labour either to one or two employers of the same village. The best scenario in Bargoria was that a minority of the agricultural labourers (19 per cent) had hired out their labour to three to five employers of their own village. None of them have hired out their labour either for 'any employer' in the village or 'any employer' of the neighbouring villages. On the other hand, in Kurmava most of the labourers – 68.3 per cent – had hired out their labour to three or five employers of the same village. There was nobody among the agricultural labourers in Kurmava who had worked only for one employer. The labourers who had worked for two employers of the village constituted only 10.2 per cent. Remarkably, 11.1 per cent of the labourers in Kurmava village had hired out their labour to 'any employer' of the same village and 10.4 per cent to 'any employer' of neighbouring villages. In fact, they informed us that they were free to hire out their labour to anyone who gives higher wages.

## **5 Consequences of Labour Control**

The most important consequence of labour control is seen in the criticalness of rural labour. The rural labour, in general, gets reduced to a non-critical rural resource. The labourers as a class are deprived of their bargaining power. The labourers, therefore, inevitably enter into 'unequal exchange' of their labour with those who have monopolized ownership of the most critical rural resource – land.

This section discusses three important consequences of labour control. They are: (1) Existence of high unemployment among the rural labourers, (2) Non-diversification of human capital of rural labourers, and (3) Variability in the wage rates.

### 5.1 Un - (under - ) employed Rural Labour Force

To understand the extent of unemployment in the sample, the pattern of labour use given in Table 4.4 is worth examining. The mean number of labour days that an agricultural labourer was able to employ his labour for agricultural works, during the survey year, was 170. Of this total number of labour days that he was able to employ his labour for agricultural works, 152.34 mean labour days of labour were hired-out and 17.85 mean labour days of labour were employed in one's own farm.

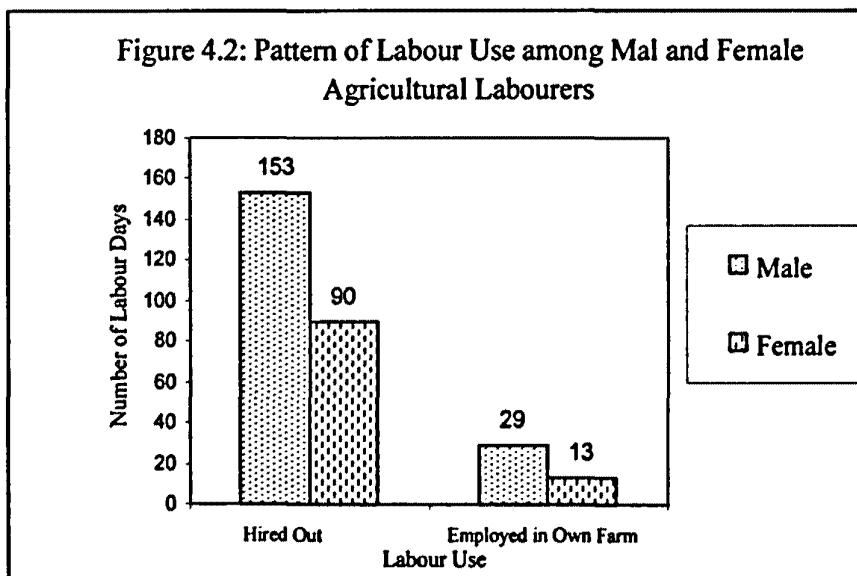
Table 4.4: Pattern of Labour Use for Agricultural Operations

Primary Occupation	Village	Number of Labour Days		
		Hired in (Hi)	Hired out (Ho)	Own Farm
Self-cultivation	Khangaon	79.30	7.52	146.97
	Bargoria	141.41	1.87	145.00
	Ilra	93.97	8.89	157.64
	Kurmava	43.72	24.00	133.59
	All	89.65	10.51	146.17
Agricultural labour	Khangaon	2.16	176.45	13.33
	Bargoria	6.03	126.28	20.00
	Ilra	0.37	169.07	5.56
	Kurmava	2.79	139.29	10.07
	All	3.16	152.34	17.85
Non-agricultural labour	Khangaon	5.00	30.00	13.33
	Bargoria	3.33	31.00	20.00
	Ilra	1.25	53.89	5.56
	Kurmava	0.33	48.00	10.07
	All	1.40	45.90	11.04
Total	Khangaon	86.19	214.03	168.04
	Bargoria	150.77	159.82	185.00
	Ilra	95.59	231.85	184.13
	Kurmava	46.84	211.87	171.87
	All	122.58	208.75	175.06

Source: Field Study

The number of labour days that agricultural labourers have been able to employ their labour in agriculture is less in Kurmava and Bargaroria than in Ilra and Khangaon. In the case of non-agricultural labourers, of the total 56.94 mean labour days that they employed their labour for agricultural operations, 45.90 mean labour days were hired out and 11.04 mean labour days were employed in one's own farm.

Before discussing the situation of unemployment, a look at gender-specific information<sup>121</sup> on the mean number of labour days that an agricultural labourer is able to employ his/her labour in agriculture would be revealing. According to Figure 4.2, male agricultural labourers were able to hire out their labour for 153 labour days during the survey year. But the female agricultural labourers<sup>122</sup> were able to hire out their labour for agricultural operations only for 90 labour days.



Similarly, the mean number of labour days that female agricultural labourers were able to employ their labour on own farm was 13 and the corresponding figure for the males was 29. Hence, the mean number of labour days that female agricultural

<sup>121</sup> This information is based on the entire working population of the sample households; where as the other tables and diagrams are based on the heads of the households.

<sup>122</sup> Transplanting and harvesting are the two most important agricultural works women engage in.



labourers could employ their labour for agricultural operations was 103 and that for the males 182 labour days.

The data in Table 4.4 and the Figure 4.2 reveal the extent of unemployment faced by rural labourers, particularly the agricultural labourers. It is quite permissible to presume, given the employment scenario in the sample villages, that the mean number of labour days hired out and employed in one's own farm by an agricultural labourer is in fact a rough estimate of the total mean number of labour days of most likely employment available to him/her during the survey year. According to the data, the maximum mean number of labour days that a male agricultural labourer was able to employ his labour for agricultural operations were 191, which was in Ilra village. In the other villages of our sample, he was able to employ his labour only for a lesser number of labour days. On the whole, in any agriculturally normal year, a male agricultural labourer could expect to get employment in agriculture for nearly six months and a female agricultural labourer for about three months. The rest of the year, which is nearly six months for men labourers and nine months for women labourers, there is no surety of finding secure and gainful employment. He/she may or may not be able to find employment in non-agricultural sector during the lean agricultural year. Though they may find employment<sup>123</sup> in non-agricultural sector for some days, there is no guarantee that they find employment.

Our extensive discussion with the agricultural labourers suggests that, by liberal estimate, male agricultural labourers were able to get employment in the non-farm sector for about 45 labour days during the survey year. Female labourers, on the other hand, got non-agricultural work for about 20 to 25 labour days. This implies that most of the agricultural labourers remained unemployed for a substantial part of the survey year. A male agricultural labourer remained unemployed for four and

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<sup>123</sup> In Khangaon, quite many of them find employment in the two brick factories and others who are healthier and younger migrate to big cities such as Mumbai, Delhi, Calcutta, and so on. In Bargarua, almost all the male members of the agricultural labour households migrate to cities in search of work till the next agricultural season. In Ilra, some of them find employment in Gaya town as construction workers and some others in Bodh Gaya. In Kurmava, they employ themselves primarily in stone-cutting, brick-making, etc. Besides the above mentioned non-agricultural employments, they also may get employment for some days under government sponsored public work programs.

half months of the year. A female labourer remained unemployed for about eight months. These findings in conjunction with the data given in Figure 4.3, makes it clear how alarming is the unemployment among the agricultural labourers.

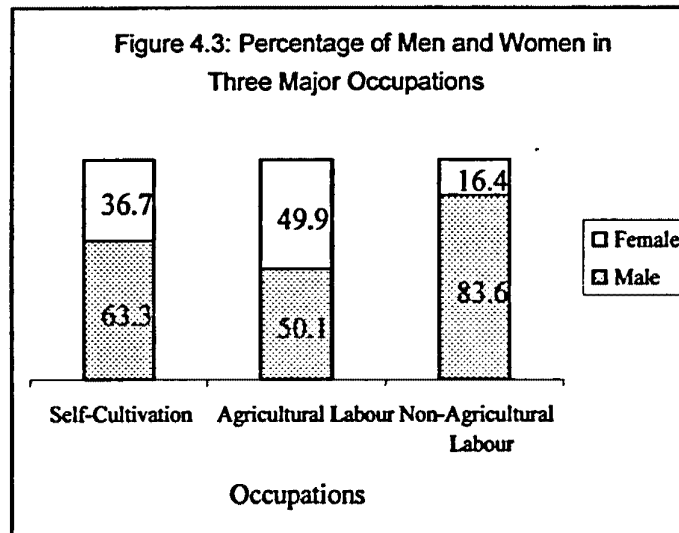


Figure 4.3 depicts the percentage of male and female workforce in the three major occupations. More men are engaged in cultivation than women. The agricultural labour force is constituted of both men and women in equal proportion<sup>124</sup>. Only a small percentage of female labourers is engaged in non-agricultural labour. This implies that about 50 per cent of the agricultural labour force in the study villages remained essentially unemployed for about eight months during the survey year. And the male labourers remained unemployed for about four months and a half. Two points regarding the unemployment scenario faced by the agricultural labourers become evident: (1) unemployment among the agricultural labourers in Bihar is very severe and (2) it is far more severe for female agricultural labourers, whose income has greater poverty-reducing impact on labour households<sup>125</sup>.

<sup>124</sup> The 'feminization' of agricultural labour has been highlighted by many studies. For example see Lucia Da Corta and Davuluri Venkateshwarlu (1997).

<sup>125</sup> This finding has many implications for designing public policies addressed to help the agricultural labourers to deal with their situation of poverty. For example, the public policy aimed at generating employment for rural households needs to be gender specific.

## 5.2 Non-Diversification of Rural Labour

Non-diversified labour force, unformed and undeveloped human capital among the labourers – these characteristics of rural labour in Bihar cannot escape even a casual observer of Bihar villages. It cannot be otherwise, given the enslaving dependence of labour on land, which we have suggested as the most fundamental character of rural labour in Bihar. Illiterate parents, children engaged in gathering firewood or grazing animals or catching fish from nearby ponds during the school hours are familiar scenes in Bihar villages. “If the labourers get educated and skilled, who will plough our land?” Some landowners<sup>126</sup> while the researcher was conversing with them posed this question. This question brings home to us the point that maintaining the homogeneity of rural labour is integral to the maintenance of the prevailing agrarian structure. The agrarian structure founded on land would not permit rural labour becoming heterogeneous, lest there be a possibility of erosion in the dependence of labour on land and consequently in the power to control the labour process. Hence, the underdeveloped human capital of rural labourers is not an accident, but integral to the agrarian structure of Bihar.

The labourers themselves do not see, and rightly so, the need to develop their human capital and diversify their skills. The formation and diversification of human capital takes place in tandem with the evolving requirements of an economy. If the economic activities do not get diversified and agricultural work remains the only option, they rightly conclude that education and diversification of skills are not all that important. What Madan Mandal in Khangaon told us is quite instructive:

We educated our son. It was not an easy task at all. But we were determined, though it involved many hardships, to educate our son. He passed his matriculation exam. Till today he cannot find a job. All our efforts have gone to the wind. He can now neither plough the land nor

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<sup>126</sup> Labourers themselves seem to have internalized this perception concerning their being educated. They ask: “Why should we learn?” It is often heard them say, “*Musahar ka bacha kya padhega?* (What will a Musahar’s son learn)”. This perception apart, another compelling reason for them not to take interest in the formation and diversification of their human resources is the fact the economic opportunities facing them now and for a foreseeable future do not demand either formation or diversification of human capital.

find another job. He has nowhere to go. Those who are educated among the labour class are poorer than the labourers who are not educated and still work in the field. Those educated are not able to find any other gainful employment other than hiring out their labour for agricultural operations, which they now consider is below their status as educated members of society.

About 80 per cent of the labourers and about 85 per cent of agricultural labourers in the sample are illiterate (Table 4.5). Among the agricultural labourers, only about 10 per cent of them have received either upper primary (5.4%) or high school (4.5 %) education. No one among them has received higher secondary education. Those who have received some kind of training in various skills are negligible. Only 0.9 per cent of them have received any such training.

Table 4.5: Education/Skill Formation among Rural Labourers

Education/Skill Formation	For All Labourers (Per cent)	For Agricultural Labourers (Per cent)
Illiterate	79.6	84.7
Lower Primary	6.2	5.4
Upper Primary	8.0	5.4
High School	4.9	4.5
Sr. Secondary and Above	1.2	0.0
Vocational Training	3.1	0.9

Source: Field Study

Non-functional village schools, social discrimination, lack of awareness among the people concerning the importance of education and a host of other factors are often cited as reasons for the high level of illiteracy among the poor, a majority of whom are labourers. Even though we do not intend to dispute this position, we would, of course, want to come to the fundamentals. Illiteracy, lack of education, lack of skill formation – underdevelopment of human capital of rural labourers, to use a general term – is a necessary consequence of the prevailing agrarian structure and an important instrument of maintaining this very structure.

### 5.3 Variability in Wages

There exist many theories attempting to explain how agricultural wages are determined. At the one extreme of the theoretical spectrum, we have subsistence-wage theory. According to this theory, thanks to the works of Ricardo and Malthus, the real wages at which the labourers are willing to supply labour is not determined by labour market-conditions<sup>127</sup>, but by biological subsistence requirements and/or by socio-cultural beliefs. At the other extreme<sup>128</sup>, we have marginal productivity theories, which treat the rural labour market as perfectly competitive wherein wages are determined by the demand for and supply of labourers. Many features of rural wage, such as wage differentials, existence of involuntary unemployment even when there is a downward-wage rigidity, etc., cannot be explained by these theories. Efficiency-wage theories<sup>129</sup> attempt to explain these features of rural wages.

Having acknowledged the existence of many models of determination of rural wage and their usefulness in explaining certain dimensions of wage determination, it is not intended here to straightjacket the field observation into any one of the existing theories or to propose a well-developed new theory. What is intended here is to interpret a few empirically observed features of agricultural wages within the analytical framework of this study. The prevalence of low and differential wage rates is, first and foremost, a consequence of the unequal agrarian structure.

#### 5.3.1 Systems of Payment

As observed in many Indian village studies<sup>130</sup>, the coexistence of daily-wage and piece-rate<sup>131</sup> labour contracts has been observed in all the four sample villages. It

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<sup>127</sup> This has been questioned by many empirical studies. There are evidences that agricultural wages do respond to market forces such as labour demand. See for example: Bardhan (1984), Binswanger and Rosenzweig (1984).

<sup>128</sup> Proponents of this theory include Hopper (1965), Schultz, (1964), Paglin (1965) among others.

<sup>129</sup> For an introduction to literature on efficiency wage theories of the labour market, see Yellen (1984), also Alkerlof and Yellen (1986).

<sup>130</sup> For example, see Muthaih, (1970), Bailey (1957), Rogers (1975), Gough (1981), Rao (1984) and Pal (1994) among others. For a theoretical analysis of the coexistence of daily-wage and piece-rate contracts, see Baland, Dreze and Leruth (1996).

has been noted that the labourers prefer piece-rate contracts than daily-wage contracts. According to them piece-rate contracts are more beneficial to them than daily-wage contracts. It enables them to better utilize their household labour. As the earlier discussion in this chapter shows, there is considerable amount of underemployment and unemployment in these villages. The total labour available to a household often remains under-used. Very often only a part of the total labour available to a labour household gets employed in the agriculture. The rest of the labour remains essentially unemployed<sup>132</sup>, especially when non-agricultural employment is infrequent. When agricultural work is given out on a daily-wage basis, some adult members of labour households may not get employment and they remain unemployed. The piece-rate labour contracts enable a labour household to invest the entire household labour on the piece of work available to them and thus to maximize the exchange value of the total labour available to the household on any given day<sup>133</sup>. This in effect increases the marginal productivity of the total labour available to a labour household.

The extent of piece-rate labour contracts considerably differs from village to village. For example, Kurmava<sup>134</sup> has more piece-rate labour contracts than daily-wage

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<sup>131</sup> A clarification on "Piece-Rate Labour Contract" is called for to avoid possible misconception on this. The situation in the sample villages does not refer to those kind of labour contracts in which different agricultural operations are given out to a group of labourers on a contract basis. This kind of group-labour-contracts has been noticed in some states in India. In the sample villages of the present study, such labour contracts were not found. What is referred here by piece-rate wage contract is that a particular agricultural operation is carried out by individual labourers for which they are paid on the basis of work done.

<sup>132</sup> This is an important dimension concerning the rural labourers. The total labour of a household is, in majority of cases, the only resource available to the household. A labour household is not able to convert their entire resource – labour – into a bundle that would maximize household welfare. Given the employment opportunity, only a part of their resource is being used; the rest of it not only remains unused, but also gets wasted, as the labour cannot be preserved like other physical capital.

<sup>133</sup> This point is not difficult to understand. There is voluminous literature on why the productivity of small farms - wherein the family labour is employed - is more than the large farms. A labour household would try to maximize the productivity of the total labour available to it. They do it by employing their labour on their own small plot of land. They would try to do so even in the labour market. Given the employment scenario of rural Bihar, piece-rate wage contract is a way of maximizing the productivity of the household labour.

<sup>134</sup> One reason that can be suggested why Kurmava has more incidence of piece-rate labour contracts than other villages is that labourers in Kurmava are less committed to work in their own village. The number of labour days they seem to have hired out is far less than that in other villages, suggesting

labour contracts. Most of the agricultural operations are done on the basis of piece-rate labour contracts, except in the case of ploughing and other works related to field preparation. In Ilra, the second village from Gaya, both daily-wage and piece-rate contracts are more or less equally prevalent. In both the villages in Madhubani, daily-wage labour contracts were more prevalent than piece-rate contracts. In Bargoria – one of the villages from Madhubani – the piece-rate labour contracts are very rare. In this village most of the agricultural works were done on daily wage basis. Piece-rate labour contract was found only in the case of harvesting.

Some of our earlier findings can throw more light on the observed variation in the type of labour contracts in the sample villages. It was seen that the two villages from Gaya, particularly Kurmava, have more equitable distribution of land than the Madhubani villages. In this chapter it was seen that labourers in Gaya villages have greater freedom in their choice of both the employment and employers than the Madhubani villages. In terms of fragmentation and interlinkages prevalent in the labour market, the Gaya villages are far better off than the Madhubani villages. Labourers do have some bargaining power vis-à-vis the employers.

These findings shed light on why the type of labour contracts found in villages display noticeable variation. The variation in the type of labour contracts is the most vivid in the case of Bargoria and Kurmava. In Kurmava, say, where there is more equitable distribution of land and greater freedom of labourers, the piece-rate wage contracts are more. On the other hand, in Bargoria, where land distribution is highly inequitable and labourer's freedom is the least, daily-wage labour contracts are the most prevalent form of labour contracts. Hence, it is quite reasonable to presume that the greater the freedom of agricultural labourers, the greater the incidence of piece-rate labour contracts as piece-rate labour contracts are more beneficial to the labourers. In other words, given the situation of unemployment, etc., greater the bargaining power of the labourers, which of course is function of the prevailing agrarian structure, the greater is the prevalence of piece-rate labour contracts.

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that they seek work elsewhere. Therefore, the employers may have found it easier to get their work done when the work is given out under piece-rate labour contracts.

### 5.3.2 *Variation in Wages*

As the labour market is fragmented and interlinked, it is quite natural for the wage rates to vary considerably from village to village. Before proceeding to discuss inter-village variation in the agricultural wages, two other kinds of variation in wages – other than inter-village variation – which we have observed in the sample villages, namely *inter-temporal variation* and *inter-labourer variation* are pointed out. Inter-temporal variation in wage rate refers to difference in the going wage rate between the peak and slack agricultural season. During a peak agricultural season, to wit, during the field preparation, transplantation and harvesting, the wage rate is about 30 to 40 per cent higher than the wage rate during a lean agricultural season. The extent of inter-temporal variation in the wage rate is more pronounced in the Madhubani villages than in the Gaya villages. Inter-labourer variation<sup>135</sup> refers to differences in wages paid to labourers in the same village. Those who are bonded to some employers (there are quite a number of such cases in the study area) are paid about 20 per cent less than the other agricultural labourers, though they put in more hours of work than the casual labourers. Those labourers who have taken credit from an employer and those labourers who have pledged their labour permanently to an employer in return for a piece of land are often paid less than the others<sup>136</sup>.

### 5.3.3 *Inter-Village Variation in Wages*

There is considerable variation in wages between districts and between villages. It is not easy at all to convert wages prevalent in different villages into mutually comparable terms. The difficulty arises primarily from two counts. Firstly, the mode of payment differs considerably from village to village. In all the villages, wage payment is done both in cash or in kind or in both. In the Gaya villages, cash payment is found to be more prevalent than payment in kind. Even when payment is

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<sup>135</sup> For examples of wage discrimination, see: Breman (1974), Bell (1991) and others.

<sup>136</sup> The two different kinds of bondage – based on credit and land -, though on the decline, are prevalent in our sample villages. Different kinds of labour bondage have been discussed quite extensively in the literature on agrarian relations. At the beginning of this chapter, we pointed out that the fundamental character of rural labour in Bihar is their bondage to land and in that sense we argued that they are not free labourers. The concept of labourers' bondage to land is quite different from their bondage to particular employers, which has been discussed in the literature on the subject.



made in kind, in some place the payment is made in rice or wheat, while in another it is in paddy or wheat. Part of the payment is made in the form of meals. The quantity and quality of meals given as part of wage payment also differ. Secondly, in the case of piece-rate labour contracts, the types of agricultural works packaged into one contract differ from village to village. For example, the entire process of harvesting consists of four different kinds of work, to wit, cutting the paddy from the field (*katni*), tying them into small and big bundles (*attiyana*), carrying the bundles to employers' house (*bojha dhona*) and beating the paddy bundles to remove the grains (*peetni*). In Kurmava all these works are separated into different set of contracts. In Ilra a couple of these works are put together into one contact and in Bargoria and Khangaon, all the four works are integrated into one.

Table 4.6<sup>137</sup> gives daily wages for agricultural operations in the four villages. A large variation can be observed in the wages across the villages. The maximum variation is observed between Bargoria and Kurmava. The average wage rate in Kurmava is two and half times higher than that in Bargoria. The wages in Ilra is 1.9 times higher than the wages in Bargoria and 1.4 times higher than the wages in Khangaon. The wages are higher in the Gaya villages than in the Madhubani villages. The average wages in Kurmava and Ilra are 60 and 45.62 respectively and in Ilra and Bargoria are 33.75 and 23.75 respectively. The wage received by a labourer is more in the case of piece-rate labour contract than in daily-wage labour contract. In Both Kurmava and Ilra most of the works involved in transplantation and harvesting are done through piece-rate labour contracts. The wages received for these works are much higher than the wages received for other works.

Having highlighted the inter-village variation in the agricultural wages prevalent in the four villages, the question is how can one account for this variation in wages within the analytical framework of this study. Does the nature of agrarian structure and the labourers' bondage to land influence variation in agricultural wages?

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<sup>137</sup> In preparing the total wages in comparable terms, we converted (1) units of paddy into equivalent units of rice, (2) converted rice into rupees, taking the price of rice to be Rs. 10 per one kilogram of rice, and (3) converting every meal into Rs. 5 (this is most likely an overestimation of the cost of a meal served to the labourers).

Table 4.6: Inter-Village Variation in Agricultural Wages

Type of Farm Work	Village	Average Wage per Day		
		Kind (Rice/Wheat)	Cash (Rs.)	Total (Rs.)
Field Preparation (men) Poughing Speared-work	Khangaon	3 kg + 1 meal	00	35
	Bargoria	1.5 kg. + 1 meal	00	20
	Kurmava	3 kg + 2 meals	10	50
	Ilra	2.5 kg + 1 meal	10	40
Transplantation (women) Mori Kabarna, Ropni	Khangaon	3 kg + 1 meal	00	35
	Bargoria	1.5 kg + 1 meal	00	20
	Kurmava	15 kg per 1 'khata'	00	75
	Ilra	8-10 kg per 1 'khata'	15	47.5-57.5
Intercultural Operations Weeding Fertilizer Application	Khangaon		30	30
	Bargoria		20	20
	Kurmava		50	50
	Ilra		35	35
<i>Harvesting (Both)</i> Katni Attiyana Bojha Dhona Peetni	Khangaon	3.5 kg	00	35
	Bargoria	3.5 kg	00	35
	Kurmava	-----	65	65
	Ilra	5 kg + 1 meal	00	55
Average Agricultural Wage (in rupees)	Khangaon		33.75	
	Bargoria		23.75	
	Kurmava		60.00	
	Ilra		45.62	

Source: Field Study

It is not possible to test the above hypothesis statistically as the number of observations is only four. The statistical evidences apart, the over-all agrarian scenario in rural Bihar is so compelling that the answer to the above question cannot but be in the affirmative. The observed inter-village variation in agrarian power structure, labourers freedom to choose their employers and agricultural wages support this possibility. For example, in Kurmava, where agrarian structure is more equitable and where the labourers are comparatively free receive higher wages. In Bargoria and in Khangaon, where the agrarian structure is more inequitable and labourers are less free, the agricultural wages are lower.

## 6 Poverty: An Institution of Labour Exploitation

The discussion thus far on labour exploitation and the resulting vulnerability of labourers to poverty focused on the process of agricultural production. The labourers and employers are related to one another in the process of agricultural production and within this process, the labourers are exploited. Are the labourers exploited even when they are not related to the employers in a production process? If so what is the instrument in and through which the labourers are exploited?

We examine how poverty becomes the instrument to exploitate the labourers even when they are not related to the exploiters in a production process. To elaborate this point, we shall examine two most important economic activities, other than agriculture, that the labourers engage in, namely (1) livestock raising and (2) migration. In these two productive activities, the labourers are not directly related to the rural exploiting class as they are in the case of agriculture. An examination of these economic activities would show how the exploiting class extracts fruit of their labour even when they are not related to the exploiting class directly in production.

### 6.1 Livestock-Raising

Livestock-raising is one of the most important ways that the rural labourers supplement the meagre income they receive from their engagement in agricultural production. This enables them to use their otherwise unused labour productively. The labourers, therefore, try to graze a cow, a buffalo, a few goats or a few pigs.

Table 4.7: Livestock-Raising among the Labourers

Particulars	Percentage of Labour Households
Labourers who had Livestock	71.1
Labourers who had (1) Cows/Bufaloes	62.0
(2) Goats	32.5
(3) Other Animals	9.9
Labourers who owned the animals	61.3
Labourers who leased-in the animals	38.7
Labourers who leased-out the animals	0.0

Source: Field Study

In our sample, 71.1 per cent of labourers had one or the other type animal either owned or taken on lease (Table 4.7). About 62 per cent of them had at least a cow or a buffalo; 32.5 per cent of them had at least a goat and 9.9 per cent of them had other animals such as pigs. That is, 71 per cent of the labourers had one or the other animal as a source of additional employment and income. Out of the 71 per cent of the agricultural labourers who had animals, only 61.3 per cent of them owned the animals. In the rest of the cases, they, mostly from their employers, leased-in<sup>138</sup> the animals. There were no reported cases of leasing-out animals among the labourers.

The main purpose for which they raise one or the other livestock, besides being a source of additional employment and income, is to insure them against many emergencies that they face in the course of a year. Situations of emergency may come (1) in the form of sickness or death of somebody in the household; (2) in the form of moneylender from whom they have incurred a loan for consumption or other purposes, suddenly turning hostile, demanding immediate repayment of the loan; (3) in the form of being implicated in false cases and the harassment by the police thereafter; (4) in the form of one or the other court cases pending against them, and (5) in the form of hunger, particularly in the month of *Karthik* and *Aswin*. They face such situations of emergencies on a regular basis.

Two important ways by which that they tide over such situations of emergencies are (1) sale of the livestock that they have been raising as their prized asset and (2) incurring informal credit from moneylenders at usurious interest rates. As the sale of the livestock is often done in 'distress', they sell their livestock<sup>139</sup> under priced. The under-priced sale of livestock out of distress arising from their condition of being poor, thus becomes a tool for extracting the fruit of their labour by the exploiting

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<sup>138</sup> A landowner lends a calf to the poor households to graze. When the cow gives birth, the income from the sale of milk is shared equally by the lesser and the lessee. The lessee is allowed to graze the animal on the fields of the lesser and also allowed to cut grass. The lease arrangement varies from case to case. In some cases, both the lesser and the lessee share the income equally. In some other cases, the lesser gets two-thirds of the total income and the lessee gets the remaining one-third.

<sup>139</sup> What we have noticed is that in almost all the cases, the labourers are not able to keep their livestock for a long period of time. It is not possible for them to keep the livestock even for two consecutive years. They are faced with situations of emergencies in some form or the other and in all likelihood they would be compelled to sell their livestock to tide over the emergency.

class. The vulnerabilities that the poor face on a regular basis become an institution in itself, which relates the poor with the exploiting class such that they remain assetless<sup>140</sup> in the long run and the fruit of their labour is continuously extracted.

Two case studies in this regard are given below. They would make the above discussion on how the poor get exploited – not only within the production process but also outside production process – more intelligent and easy to grasp.

### **6.1.1 Case Study 1: Vijay Manjhi and His Goat**

Vijay Manjhi is from Ilra, Gaya. He had one goat and that was his only asset, besides his own labour. He had bought it about a year ago with the money he had saved. He was intending to sell it after it gave birth. “I will keep the siblings and sell the mother goat”, he thought. However, that did not happen. He had borrowed Rs. 200 from a moneylender when his son had taken ill. By now the amount had doubled. The moneylender wanted him to pay back the loan immediately. “You better sell your goat and pay the loan back”, said the moneylender. When the harassment became too much to bear, Vijay sold the goat for Rs. 500. He paid Rs. 400 to the lender. He spent the rest of the money for purchasing some medicine for his son who was sick again and to buy some rice. Well, the one who bought the goat was none other than the moneylender himself!

### **6.1.2 Case Study 2: Ranjit Manjhi's Fever and His Land**

This is the story of Ranjit Manjhi. He was one of the fortunate ones at the time of our survey. He had received some land – close to a *bigha* – under the land reform.

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<sup>140</sup> The draining out of any asset that the poor households may possess is true not only in the case of livestock. It is true also in the case of land. If the poor come to possess some land through land reforms or through land struggles, the landed gentry gets ‘restless’ (the description by a labourer in Kurmava) and through various ways, such as debt they ensure that the labour households loose their land for ever. In Kurmava, the Manjhi households who were bonded labourers of Bodh Gaya Matt had come to possess some land after a long land struggle. Since then, there was concerted effort from the powerful rich landowners to dispossess them of their land. According to the law, the land cannot be alienated from them by sale. However, many of them have lost their land to the moneylenders as collaterals, which they are not in a position to claim back. Only a few in Kurmava village has so far succeeded to withstand such pressures. Such cases have also been reported from three other sample villages. Though some landless households have come to possess marginal to smallholdings of land, in a majority of the cases, they have lost their control over their land to the power elite in the villages.

He had also a cow. His son was studying in the fourth standard. When we visited him the day before we returned after our field-study, he was suffering from fever. We visited him again a year after in 2006. It was different!

He had gone to the village physician who gave him an injection. It had become infectious and in a few days time the abscess had become huge and deep, covering all his right buttock. Flesh had to be culled out from his buttock. Even after a year, he is still not healed. The medical expenditure was in thousands. He kept his land as collateral against a loan. He sold his cow. His son has stopped going to school. The family survives on the earnings of his wife and his 13-year-old son. It would be unthinkable for him to retrieve the land which he has kept as collateral!

## 6.2 Migration among Agricultural labourers

There is large-scale out-migration<sup>141</sup> among the agricultural labourers<sup>142</sup> in Bihar. As they do not get regular employment during the lean agricultural season, they migrate to other places such as Punjab, Haryana, Mumbai, Calcutta, Delhi and Gujarat in search of employment opportunities. In our sample population, 37.3 per cent of agricultural labourers have migrated to any one of the above-mentioned places. Incidence of migration among the agricultural labourers from Madhubani is much higher than that from Gaya<sup>143</sup>. According to our data, 49.3 per cent of

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<sup>141</sup> In terms of size of the landholdings, it is clear that the highest number of incidents of migration is found among the landless households. About 37 per cent of the landless migrate. This is about 46 per cent of the total incidents of migration among the households with varying size of landholdings. The landless households and households with marginal and small landholdings together contribute about 84 per cent of the total incidents of migration. In terms of castes, labour migration is highly concentrated among the SC households. About 30 per cent of SC households migrate, which account for about 72 per cent of total incidents of migration. About 15.5 per cent from upper castes, about 10 per cent from upper backward castes and about 14 per cent from OBCs have migrated. In brief, labour migration is found mostly among the SCs, among the agricultural labourers and among the landless.

<sup>142</sup> For a detailed analysis of migration among the rural labourers in Bihar, see Manjit Singh and Anup K. Karan (2001), "Rural Labour Migration from Bihar", Institute for Human Development, M.G. Road, New Delhi.

<sup>143</sup> At the outset, it may seem quite surprising that Madhubani where there is much greater bondage of labourers to land than in Gaya has, pronouncedly, a larger percentage of agricultural labourers migrating than Gaya. The phenomenon of out-migration among the agricultural labourers can be interpreted as an incidence of increasing degree of labour freedom and decreasing degree of labour bondage. This interpretation does not capture the rural reality faced by the labourers. There is no special gain that accrues to the employer in tying the labour during the lean agricultural season

agricultural labourers from Madhubani had migrated during our survey year. In Gaya, only 17.1 per cent of them had migrated. About 85.4 percent of out-migration among the agricultural labourers is seasonal.<sup>144</sup> Among the many reasons, there are four major reasons that account for large-scale out-migration among the agricultural labourers. They are: (1) lack of employment opportunity during the lean agricultural season, (2) the prevalence of a low wage rate, (3) the indebtedness of households, and (4) the need for cash.<sup>145</sup> Improving the living standard and earning more in a relatively shorter time have also been suggested as reasons for out-migration.

Remittance income received from the out-migration accounts for nearly one-third of the total income of agricultural labourers (see chapter 3 for more details). This income is not generated from their engagement in production within their village. It is generated from the sale of their labour outside the village. In the generation of this income, they are not related to the local exploiting class at all. Yet, because of their

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through the instrument of informal credit, which was quite extensively prevalent in rural Bihar. The extent of labour tying is definitely on the decline. However, the decline in yearly or long-term labour tying need not always be interpreted as an improvement in the labour relations. It is much more profitable for the employer to let labourers migrate during the lean agricultural season as the income received by labourers from migration can be, in some way or the other, appropriated by the money-lender-cum-employer. Even the employer himself advances credit to the labourers to migrate as it enables the money-lender-employer to have a share in the income of the labourers from migration, through usurious interest rates.

<sup>144</sup> In terms of the size of landholdings, the landless households migrate only seasonally when the agricultural work in the villages is almost over and they return to the villages at the beginning of the agricultural season. About 71 per cent of labour migration among the landless households is seasonal. That is: about 57 per cent of all incidence of seasonal migration come from among the landless households. One may wonder why landless households who have migrated to other cities should return to the village during the peak agricultural season. This is the crux of our analytical point. They are bonded to land, not by its possession but by its dispossession. It is not, in fact, 'landedness', rather landlessness that forces the labourers who migrated to return during the peak agricultural season. Landlessness alone, even when there is no extra-economic coercion acting on the labourer, does not free a labourer to sell his labour power where the return to their labour is highest. Though free in the sense of having no land, they are bound to come back to the village during the peak agricultural season to make their labour available for agricultural operations.

In terms of castes, about 70 per cent of migration among the SCs and 50 per cent of incidence among the OBCs are seasonal. Nearly, 85 per cent of seasonal migration is reported from among the SCs. The overwhelming majority of cases of seasonal labour migration (about 92 per cent of all the incidence of seasonal migration) come from the SCs and OBCs.

<sup>145</sup> As a result of increasing monetization of the rural economy, most of the transactions in the commodity market are done through cash. Wage-payment for agricultural operations is often done in kind. In a village like Bargoria where non-agricultural work is only very scarcely available, they need to migrate to meet the cash requirements of the household.

vulnerability, the local exploiting class is able to extract a part of this income. Poverty acts as an instrument that relates the poor with the exploiting class and enables them to extract part of the fruit of their labour. How?

In their study of out-migration of rural labourers in Bihar, Manjit Singh and Anup K. Karan (2001) report that 79.55 per cent of those who migrated took some amount of advance debt before departing for their destination. More than 90 per cent of those who migrate from Madhubani district had incurred informal credit to meet the travel expenses. The average debt incurred for the purpose of travel was found to be Rs. 615. They also found that the agricultural labourers who had migrated from Madhubani spent 17.92 per cent of their remittance income to repay the debts, 22.31 per cent for medical treatment and 46.34 per cent for daily consumption (p.131).

The reference made to the study of Manjit Singh and Anup K. Karan (2001) here was to show that a large percentage of the remittance income flows out from the agricultural labourers to the local exploiting class, especially in the form of repayment of old debts. It has also been reported in course of our interview that all the migrant labourers do not remit money on a regular basis. This can compel the household to incur further debts from the village moneylender for its consumption needs, which would be repaid with interest once the household receives remittance income. Though we ourselves have not gathered data to establish this point, it is quite certain, from our preliminary enquiry and the findings of the study that we have referred to, that the local exploiting class is capable of extracting a large percentage of the remittance income from the agricultural labourers.

The above discussion shows that the poor are exploited both within and outside the process of production. This process renders the labour households to be in perpetual bondage to land for their very survival<sup>146</sup>. Thus the poor become the instruments

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<sup>146</sup> In spite of strong structural forces acting against their upward mobility, they have, to reflect their own views, made progress in their over-all well-being. They said, "We used to manage the two months (September and October) of wide-spread hunger just by eating some roots. But now we do not eat them; we can have rice more often." They also informed that, unlike earlier times, with the help of migration and slight increase in non-farm employment in the town, they are able to borrow from among themselves and thereby decrease their dependence on employers for consumption loans.



through which the rural rich extract surplus from different sources. The rural rich extract the agricultural surplus, the transfer income that the government makes available for the poor through different schemes and the non-agricultural income that the poor earn from whatever employment opportunities are available to them. Even the fruit of the labour they pour out in the cities in the face of unspeakable hardships, is being extracted by the local rural rich in very many subtle ways<sup>147</sup>.

## 7 Conclusion

The basic insight that has been developed in this chapter is that rural labour in Bihar is a captive of land. The enslaving dependence of labour on land has reduced labour into a non-critical resource in production. Labour, fundamentally dependent on land, is necessitated to enter into situations of 'unequal exchange', without bargaining power. Herein lies the labourers' vulnerability to poverty. Their poverty, in turn, accentuates their powerlessness and strengthens their enslaving dependence on land.

Involuntary unemployment among the labourers, presence of surplus labour in agriculture, non-diversification and non-development of human capital of labourers, manifold ways of labour control, depressed and variable wage rates, etc., that characterize the labour relations in the sample villages are only reflections of the highly unequal agrarian power structure prevalent in these villages. The labourers, powerless as they are, become vulnerable to poverty within the production process. In fact, it is not only within the process of production, but even outside the process of production, the labourers become victims of exploitation.

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<sup>147</sup> The labourer is already exploited in the production process in the cities. When they come back to their villages, part of the income they earned in the cities is drained out from them through a network of different ways of exploitation. Thus they become victims of double exploitation.

# **CHAPTER V**

## **RURAL POVERTY AND BURDEN OF DEBT**

### **1 Introduction**

This chapter examines the credit market relations in the sample villages. Although this chapter deals with both formal and informal credit relations in the sample villages, the primary focus of this chapter is on the informal credit. The poor take credit more often from informal sources than from formal sources as it enables them smooth their present consumption.

Literature on informal credit market has examined the phenomenon of informal credit in backward agriculture in great detail. Many observed features of the informal credit market, to wit, informational constraints, segmentation, interlinkage, interest-rate variation across borrower types, loan purpose, or spatial dimensions, credit rationing and exclusivity have been analyzed by economists belonging to different theoretical positions.

This chapter probes deep into questions such as: Why does the informal credit market continue to be an enduring phenomenon vis – a – vis the poor? Why hasn't the public action to increase the accessibility of the poor to formal credit reduced their dependence on informal credit market? Where can the vulnerability of the poor to incur informal credit be located? How does monopoly power in the informal credit market accrues to lenders? How does the informal credit affect the poor?

### **2 From Lender's Risk to Borrower's Risk**

The bewildering characteristics of rural credit markets in less developed agriculture have attracted a good deal of attention among the scholars. One can discern one major theme that runs through the majority of the existing literature on rural credit markets: the phenomenon of usurious and multiplicity of interest rates. Bottomley's (1963, 1975) theory of 'lender's risk hypothesis' was an attempt to explain this

phenomenon, hitherto not attended to, within the neat framework of neo-classical economic theory. As he says in his introductory remarks “there has been relatively little analysis of this (interest) rate in the predominantly rural, unorganized money markets of the third world where most people live” (1975: 279). He identified four components<sup>148</sup> of rural interest rates, which make the analysis of the phenomenon of high interest rates in agrarian societies “simple enough” to explain. He argued that it is the lender’s risk of default by the borrowers that primarily accounts for the high interest rates in rural credit markets in Less Developed Countries (LDCs).

The phenomenon of high and multiplicity of rural interest rates was not that “simple enough” to be explained by lender’s risk hypothesis. Further attempts by economists to explain this phenomenon brought to light many peculiar features of rural reality which does not fit into the mainstream economic theory. Bhaduri’s (1977) model was a critique of the conventional default rate hypothesis (e.g., see Bottomley, 1963, 1975) where high interest rates are charged to cover the risk of default. In Bhaduri’s (1977) model, a moneylender could make capital gains by taking over the asset (or the collateral) of borrowers at a price much below market price. A number of scholars (Bhaduri, 1973, 1977, 1983; Basu, 1983, 1984b; and others) have examined the various kinds of control exercised by the moneylender over landless borrowers, which strengthen the segmented and personalized character of these markets giving monopoly power to moneylender-employer.

Bhaduri’s model has been modified by Borooah (1980). Interest rate is not the only instrument of control to reap capital gains in the credit markets. Borooah proposes that the size of the loan is an additional control variable available to lenders, in conjunction with rate of interest. Similarly, economic power relations in backward rural areas where lender generally enjoys an economic and social status superior to that of borrowers has been analyzed by Rao (1980) as another instrument of control that the lenders possess over the borrowers. In his study of the Sambalpur district of

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<sup>148</sup> He identified (a) opportunity cost of the money involved, (b) premium for administering loan, (c) premium for risk and (d) monopoly profit as the four components of rural interests rates (1975, p. 279).

Orissa, Sarap (1990a, b) has shown that 'controls' that moneylender exercise over borrowers take 'myriad of forms', such as loan duration as an instrument for encouraging default and use of triadic relations to compel and coerce (p. 94).

Even while the analysis contained in this literature better reflects the agrarian reality, the mainstream literature on the subject has not, quite astonishingly, given sufficient and explicit attention to two important aspects of the institution of informal credit: (1) the relationship of informal credit to both poverty and the agrarian structure and (2) the specific roles institution of informal credit play in an agrarian economy with respect to the poor. The vulnerability of the poor to become victims of exploitation in the informal credit markets need not necessarily lie in their lack of access to formal credit markets per se. More fundamentally, their vulnerability lies in their position in the agrarian power structure. This chapter attempts to dwell on these points that are important, but insufficiently attended to.

### **3 Features of Credit Relations**

This section examines some important features of rural credit in general and that of informal credit, in particular. Specifically, this section examines (1) the incidence and volume of rural credit, (2) the purpose of informal credit, (3) the interest rate variability (4) the types of collateral used, and (5) the sources of informal credit. These aspects of credit relations are taken up for discussion one by one.

#### **3.1 Rural Indebtedness**

Table 5.1 gives the percentage of households taking credit from formal and informal credit markets. The households are categorized into different socio-economic groups on the basis of their poverty status, the primary occupation, the size of landholdings and the caste status. The data in Table 5.1 pertains to the entire sample households.

Among those households with semi-medium, medium and large landholdings, formal credit is more common than informal credit. Among those with large landholdings, 66.7 per cent have taken credit from the formal credit market. None of them have taken credit from the informal credit market. Similarly, 35.3 per cent of

those with medium landholdings have taken formal credit, while only 8.8 per cent of them have taken informal credit. Among those with semi-medium landholdings, 17.5 per cent and 15 per cent have taken credit respectively from formal and informal sources. On the other hand, 51.1 per cent of the poor, 55.5 per cent of households headed by agricultural labourers, 60.7 per cent of the landless households, 45.5 per cent of households with marginal landholdings, 41.7 per cent of SC households and 52.4 per cent of OBC households have taken credit from informal sources in the survey year. Taking credit from informal market is very common among those who are socio-economically more vulnerable than others.

Table 5.1: Household Taking Credit form Formal and Informal Sources  
Per cent

SL. No.	Socio-Economic Category	Households Credit Taken	
		Formal	Informal
1	Poor	20.9	51.1
2	Non-Poor	20.6	25.6
3	Cultivators	18.8	30.1
4	Agricultural Labourers	20.7	55.5
5	Non-Agri. Labourers	13.7	29.5
6	Landless	18.5	60.7
7	Marginal	17.4	45.5
8	Small	21.7	25.0
9	Semi-medium	17.5	14.0
10	Medium	35.3	8.8
11	Large	66.7	0.0
12	Scheduled Castes	21.0	41.7
13	Other Backward Castes	23.8	52.4
14	Upper Backward Castes	25.0	36.3
15	Upper Castes	12.1	15.5

Source: Field Study

The pattern of incurring formal and informal credits by agrarian classes is particularly illuminating. The percentage of households taking formal credit increases as one climbs up the agrarian class structure. There is only one exception to this general trend. A larger percentage of households with small landholdings have taken formal credit than the households with semi-medium landholdings. On the other hand, the percentage of households taking credit from informal sources decreases as one climbs up the agrarian class structure. Whereas 60.7 per cent of

landless households have taken informal credit, none of those with large landholdings have taken informal credit.

Table 5.2 gives the percentage of households in the sample villages, belonging to different socio-economic categories, taking formal and informal credit. The trend observed in the case of the entire sample is found to be generally true of the individual villages. One important exception is the case of Kurmava. In Kurmava, the percentage of households taking informal credit is low for all the socio-economic categories considered in the table. In the case of agricultural labourers in Kurmava, it is as low as 7.1 per cent. The percentage of households taking informal credit in Kurmava is the highest among the landless households. Even among them, only 28.6 per cent of the households have taken credit from the informal market.

Table 5.2: Formal and Informal Credits and Socio-Economic Groups

Socio-Economic Category	Percentage of Households Taking Formal and Informal Credit							
	Madhubani Villages				Gaya Villages			
	Khangaon		Bargoria		Kurmava		Ilra	
	FC	IFC	FC	IFC	FC	IFC	FC	IFC
All HH	17.2	36.0	20.0	45.5	20.6	14.7	24.7	51.5
Poor	17.4	40.4	29.3	90.2	13.5	17.3	23.9	56.5
Agri. Labourer HH	9.7	43.3	30.8	69.2	14.3	7.1	22.2	55.6
Non-agri. Labourer HH	16.7	50.0	16.7	50.0	10.0	13.3	22.2	55.6
Landless HH	7.9	37.8	28.1	96.9	0.0	28.6	23.8	47.8
Marginal Farmer HH	16.0	56.0	19.2	50.0	11.9	16.7	26.3	63.2
Scheduled Castes HH	22.2	34.3	26.3	68.4	12.3	19.3	25.9	50.0

Source: Field Study

Notes: FC: Formal Credit; IFC: Informal Credit; HH: Households.

The case of Bargoria requires some close examination. In this village, 90.2 per cent of the poor households, 96.9 per cent of the landless households, 69.2 per cent of households headed by agricultural labourers and 68.4 of the SC households have taken credit from the informal market. These figures are much higher compared to that of other villages. It was observed that non-farm employment opportunities were the least in this village. The highest number of out-migration among the landless labourers was also found in this village. During the lean agricultural season, they do

not earn much from the village. The poor, the landless and scheduled castes in this village incur loans from informal credit market to smooth their consumption.

Table 5.3 gives two kinds of information: (1) the percentage share of certain categories of households in the total number of households which had taken credit from formal and informal markets and (2) the percentage share of certain categories of households in the total volume of formal and informal credit.

Table 5.3: Share of Different Socio-Economic Groups in the Total Credit

Basis of Classification	Categories	Share in total number of HHs taking Credit		Share in total volume of credit	
		F	IF	F	IF
Capability poverty	1. Poor	48.8	65.1	17.6	51.7
	2. Non-Poor	41.2	34.9	82.4	48.3
	Total (1 & 2)	100.0	100.0	100.0	100.0
Primary Occupation of Heads of HH	1. Cultivators	31.3	27.6	22.0	31.9
	2. Agricultural Labourers	28.8	42.1	43.4	35.5
	3. Non-Agri. Labourers	08.8	10.3	03.7	08.9
	Total (1, 2 & 3)	68.9	80.0	79.3	76.3
Agrarian Classes	1. Landless	25.0	44.5	35.1	27.1
	2. Marginal	26.3	37.7	15.8	43.7
	Total (1 & 2)	51.3	82.2	50.9	70.8
Castes	1. Scheduled Castes	53.8	58.6	59.5	56.5
	2. Other Backward Castes	12.5	15.2	06.1	11.2
	Total (1 & 2)	66.3	73.8	65.6	67.6

Source: Field Study

Note: The totals in each column need not add up to 100. This is because all categories of households under each classification are not mentioned in the respective columns. F: Formal; IF: Informal.

The data in the Table speaks loud and clear that informal credit is highly concentrated among the most vulnerable groups in the agrarian population such as the poor, the landless labourers, the marginal farmers and the scheduled castes. Out of the total number of households, which had taken credit from informal market 65.1 per cent are poor households. In terms of primary occupation of the heads of households, 80 per cent of those households, which had taken the informal credit,

are cultivators<sup>149</sup>, agricultural labourers and non-agricultural labourers. In terms of the size of landholdings, 82.2 per cent of those households which had taken informal credit are landless and marginal farmers. In terms of castes, 73.8 per cent are SCs and OBCs. In brief, credit from the informal market is mostly incurred by those who are economically and socially the most vulnerable<sup>150</sup>.

The observed concentration of informal credit among the economically and socially most vulnerable sections of agrarian population is true not only in terms of incidence of informal credit but also in terms of the volume of informal credit. Those who are poor account for nearly 52 per cent of the total volume of informal credit. Similarly, in terms of primary occupation, the agricultural labourers alone account for 35.5 per cent of the volume of informal credit; in terms of the size of landholdings, the landless and those with only marginal landholdings account for nearly 72 per cent of the total volume of informal credit and in terms of castes, the SCs and OBCs account for nearly 68 per cent of the total volume of informal credit.

The data offers also a few pleasant surprises. The data suggest that the accessibility of the socially and economically vulnerable sections of agrarian population to the formal credit is not as biased against them as it used to be. For example, 28.8 per cent of incidence and 43.4 per cent of the volume of formal credit are reported from among the agricultural labourers alone. Similarly, nearly 51 per cent of both the incidence and volume of formal credit are reported from among the landless and the marginal farmers. The same trend is noticed in terms of the caste status of agrarian population. The SCs and OBCs account for nearly 66 per cent of both the incidence and volume of formal credit. The Self Help Groups (SHG) among the women of these sections of the population has increased their accessibility to formal credit.

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<sup>149</sup> The term, 'cultivators' includes households with different sizes of landholdings – marginal to large. To know who among the group of cultivators contract loan from the informal market, one has to examine the data related to the agrarian classes.

<sup>150</sup> By "socially vulnerable" groups, the study refers to (i) agricultural labourers and non-agricultural labourers in terms of occupation; (ii) landless, marginal and small landholders in terms of agrarian structure and (iii) SCs and OBCs in terms of castes. These are not mutually-exclusive groups.



The Table (5.4) once again brings to light that informal credit is a deep-rooted agrarian institution in the sample villages. In terms of the primary occupation of the heads of households, 72.6 per cent of the total credit contracts incurred by those households headed by agricultural labourers have been informal credit contracts. The percentage share of informal credit contracts in the total credit contracts is the highest for the agricultural labourers. In terms of the size of landholdings, the share of informal credit contracts in the total credit contracts has been the highest for the landless households (76.5) followed closely by the marginal farmers (72.4). In terms of castes, the share of informal credit contracts in the credit contracts has been the highest among the OBCs (68.75) followed closely by the SCs (66.4). For the poor, the informal credit contracts accounted for 70.9 per cent of the total credit contracts.

Table 5.4: Percentage Share of Formal and Informal Credit in Total Credit  
Per cent

Basis of Classification	Socio-Economic Groups	Percentage Share of Incidence and Volume of Formal and Informal Credit in Total Credit			
		Incidence		Volume	
		Formal	Informal	Formal	Informal
For All Households		35.6	64.4	58.4	41.6
Capability Poverty	Poor	29.1	70.9	32.3	67.7
	Non-Poor	44.6	55.4	70.5	29.5
Primary Occupation	Cultivators	38.5	61.5	48.4	51.6
	Agricultural Labourers	21.4	72.6	63.4	36.6
	Non-Agri. Labourers	31.8	68.2	37.0	63.0
Size of Landholdings	Landless	23.5	76.5	64.5	35.5
	Marginal	27.6	72.4	33.7	66.3
	Small	46.4	53.6	56.2	43.8
	Semi-medium	55.6	44.4	63.6	36.4
	Medium	80.0	20.0	84.4	15.6
Castes	Large	100.0	0.0	100.00	0.0
	Scheduled Castes	33.6	66.4	60.0	40.0
	Other Backward Castes	31.2	68.8	44.0	56.0
	Upper Backward Castes	40.8	59.2	55.0	45.0
	Upper Castes	43.7	56.3	80.0	20.0

Source: Field Study

In terms of the size of landholdings, a clear trend can be easily discerned with regard to the percentage share of both the incidence and volume of informal credit

in the total credit. The contribution of informal credit in the total credit decreases as one move up the pyramid of land ownership. While the share of informal credit contracts in the total credit contracts has been as high as 76.5 per cent for the landless, for households with large landholdings it has been as low as 0 per cent.

The volume of informal credit far exceeds that of the formal credit in the total volume of credit for certain socio-economic categories such as the poor, the non-agricultural labourers, the marginal farmers and the scheduled castes. On the other hand, for the non-poor, the households with semi-medium, medium and large landholdings and for the upper castes households, the volume of formal credit far exceeds that of the informal credit in the total volume of credits.

The notable exceptions are households headed by agricultural labourers, the landless households and the scheduled castes households. In all these cases, the percentage contribution of informal credit to total volume of credit is less than the percentage contribution of formal credit<sup>151</sup>. In the case of agricultural labourers, the percentage contribution of informal credit to the total volume of credit is only 36.6 per cent. In the case of the landless, it is only 35.5 per cent and in the case of scheduled castes, it is only 40 per cent. These households require smaller amounts of credit more often. Hence, the incidence of informal credit contracts would be high among these households, although the volume of informal credit need not be high.

Table 5.5 gives yet another set of data on the extent of rural indebtedness, particularly among the socially and economically the most vulnerable sections of the agrarian population. The Table gives the total outstanding formal and informal credit as a percentage of the total income of households. The total indebtedness, excluding the interest, of the sample agrarian population during the survey year has been nearly one quarter of their annual income, with informal credit amounting to 9.9 per cent and formal credit to 14 per cent of the total annual income.

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<sup>151</sup> The share of informal credit in the total volume of loans incurred being low in the case of agricultural labourers, landless households and scheduled castes is not surprising. Usually, the poor households need less volume of credit, but they need this more frequently.

Table 5.5: Volume of Formal and Informal Credit as Percentage of Total Income

Basis of Classification	Socio-Economic Groups	Volume of Credit: As Percentage of Mean Income of different Socio-Economic Categories		
		Formal	Informal	Total
Capability Poverty	Poor	10.3	21.5	31.8
	Non-Poor	15.1	06.3	21.4
Primary Occupation	Cultivators	07.4	07.6	15.0
	Agricultural Labourers	31.2	18.5	49.7
	Non-Agri. Labourers	06.2	10.5	16.7
Size of Landholdings	Landless	32.0	17.6	49.6
	Marginal	10.8	21.3	32.1
	Small	14.3	11.7	26.0
	Semi-medium	08.4	04.8	13.2
	Medium	07.7	01.4	09.1
	Large	21.1	00.0	21.1
Castes	Scheduled Castes	19.9	13.4	23.3
	Other Backward Castes	10.3	13.3	23.6
	Upper Backward Castes	14.6	12.4	27.0
	Upper Castes	05.1	01.3	06.4
For All Households		14.0	9.9	23.9

Source: Field Study

In the case of the poor, the total indebtedness, which does not include interest payments, amounted to nearly 32 per cent of their total income. The informal credit alone amounted to 21.5 per cent of their total income. The indebtedness of agricultural labourers and the landless is particularly worrisome. Their indebtedness amounted to nearly 50 per cent of their total income. The informal credit amounted to 18.5 per cent of the total income for the agricultural labourers and it amounted to 17.6 per cent for the landless. In the case of the marginal farmers, the informal credit amounted to 21.3 per cent of their total income.

The indebtedness of the agrarian population as a percentage of the total income does not show much variation across different castes, except in the case of the upper castes. For the upper castes, the total indebtedness amounted only to 6.4 per cent of their total income. The informal credit amounted only to 1.3 per cent of the total income. For the other caste groups the total outstanding credit amounted to nearly a quarter of their respective annual incomes.

### **3.2 Informal Credit: an Enduring Agrarian Institution**

On the positive side, the accessibility of poor to institutional credit has improved. The affirmative action in making institutional credit accessible to the poor has contributed to this change. Is the increased accessibility of the poor to institutional credit indicative of their decreased dependence on the informal credit market?

Having taken note of the fact the accessibility of the poor to the institutional credit has, to some extent, improved over the years, it should also be emphasized, at the same time, that formal credit has in no way replaced informal credit. In fact, the percentage households taking credit from the informal market far exceeds those taking credit from formal sources. According to the field data examined earlier, 55.5 per cent of agricultural labourers, 60.7 per cent of the landless and 41.7 per cent of the SC have incurred credit from the informal market while the corresponding figure for formal credit are only 20.7 per cent, 18.5 per cent and 21 per cent.

Official data also confirm the pervasiveness of informal credit. According to the official data given in Appendix 4, the share of informal credit in the total credit was 70.70 per cent for all agricultural labourers and 63.25 per cent for SC agricultural labourers in Bihar (1993-1994). It can be concluded that informal credit continues to be an enduring agrarian institution, particularly among the agrarian poor. It is for this reason that the focus of this chapter is more on the informal credit than on the formal credit. The rest of this chapter deals with only informal credit.

### **3.3 Informal Credit and the Poor**

The data from the field survey suggest, overwhelmingly, that borrowings from informal credit markets are predominantly a phenomenon among the poor households. The different sets of data presented in Tables 7.1 to 7.4 speak loud and clear that the incidence and volume of informal credit is concentrated among the landless, the marginal farmers, agricultural labourers, the SCs and among the OBCs. A majority of the poor, at some time or the other during any year, has to take

informal credit<sup>152</sup> to meet their consumption requirements or to meet the expenses imposed on them by certain emergencies. "It is a well-known fact that the (poor) are always in need of credit for consumption purposes due to their inadequate wage earnings" (Narayanamurthy, 2001: 177).

In the previous chapters, particularly in the last chapter, "Poverty in Rural Bihar and Struggle for Labour", it was highlighted that the poor, given their position in the agrarian structure and their dependence on land, are unable to convert their resources into a minimum consumption bundle. Their income falling short of the required minimum income is not caused merely by occasional fluctuations in the external factors such as weather, but caused by the very nature of the agrarian structure. As their income is not enough to meet their basic consumption needs, borrowing from the informal credit market becomes a real, and most often the only, alternative open to them to meet their consumption needs<sup>153</sup>. This makes informal credit market a deep-rooted economic institution among the poor.

## 4 The Purpose of Informal Credit

Households borrow from the informal credit market for various purposes. The purposes for which they borrow from the informal credit market have been classified into two broad categories, namely (1) Productive Purposes and (2) Non-Productive Purposes. In the category of Productive Purposes, all those occasions where loans were taken for some kind of income-generating economic activities

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<sup>152</sup> In general, the poor do have to take credit to meet the consumption requirements in any year. They take credit usually from the informal market. Even when they take a loan from the formal credit market for income-generating activities such as rising draught animals, they end up selling them in a year or so to meet consumption needs or to meet emergencies. Cases of selling of the animals bought with the formal credit, to repay debt incurred from informal market are also abounding.

<sup>153</sup> As we have pointed out in our discussion on labour relations, the labour households remain essentially unemployed for a long period in any year. Hence, their income falls far short of what is required to meet their consumption needs for a long period in any year. They try to reduce their expenditure as far as possible by reducing what is even necessary for their consumption. They remain hungry. But, for how long? They start taking help from their own people first. They take loan from within the community as much as possible. However, this possibility is also limited, as all of them, in general share the same fate. Added to this, some emergency situation may arise, such as sickness, or death of some one in the household. They, then, enter into informal credit relations at usurious interest rates, even to the extent of mortgaging their future labour.

such as cultivation and investment in self-employment are included. Non-Productive Loan includes all those incidents of loan contracted which do not directly contribute to the household income. Loans contracted for the purposes of marriage, sickness or death-related expenses and daily consumption are included in the Non-Productive Loan. Table 5.6 gives purposewise incidence of informal loan.

Table 5.6: Percentage of Incidence of Informal Credit for Different Purposes

Socio-Economic Categories	Percentage Incidence of Informal Credit for Different Purposes				
	1 Marriage	2 Sickness/ Death	3 Consumption	4 NPP (1+2+3)	5 NP
All HH.	31.8	34.5	27.0	93.9	06.1
Khangaon	28.1	46.9	9.4	84.4	15.6
Bargoria	27.1	18.8	52.1	97.9	2.1
Kurmava	25.0	68.7	0.0	93.7	6.3
Ilra	40.4	30.8	23.1	96.2	3.8
Poor	25.0	39.6	32.3	97.9	2.1
Non-Poor	43.1	25.5	17.6	86.3	13.7
Cultivators	45.0	35.0	12.5	92.5	7.5
Agri. Labourers	24.2	32.3	37.1	93.5	6.5
Non-Agri. Lab.	26.7	53.3	13.3	93.2	6.7
Landless	25.0	31.7	38.3	95.0	0.0
Marginal	34.4	41.0	19.7	95.1	4.9
Small	40.0	26.7	17.0	86.7	13.3
SC	30.5	35.4	29.2	95.1	4.9
OBC	38.1	38.1	19.0	95.2	4.8
UBC	34.5	34.5	18.7	87.7	12.3

Source: Field Study

Notes: NPP: Non-Productive Purposes; PP: Productive Purposes.

It can be observed from the table that the informal loan has been contracted by households primarily for non-productive purposes. This observation is true of all categories of households irrespective of their socio-economic background. In the case of the entire sample of households, about 94 per cent of informal loans was contracted for non-productive purposes, such as marriage, sickness/death of someone in the household and daily consumption. Only about six per cent of the informal loans was contracted for any 'productive' purposes. The loans taken for non-productive purposes do not, in a direct way, generate income and thereby

enhance the repaying capacity of the borrower. As a result, at the end of a cycle of taking and repaying loan, many households end up losing some assets they might have had, say draught animals, land, future labour and so on<sup>154</sup>.

There are some important inter-village variations in the non-productive purposes for which informal credit had been contracted. Out of the total number of households taking informal credit in Bargoria, 52.1 per cent did so for consumption. This is about 71 percent of the consumption loans taken by households in all the four villages. On the other hand, in Kurmava, nobody has taken informal credit for consumption. In Khangaon too incidence of consumption loans is remarkably low.

About 98 per cent of the informal loans contracted by the poor was for non-productive purposes of which 32.3 per cent was for the purpose of consumption alone. The purpose of meeting unexpected medical<sup>155</sup> or death related expenses constitute 39.8 per cent of informal loans contracted by the poor. And, 25 per cent of informal loans was contracted for the purpose of marriage. In the case of the non-poor, the highest number of informal loan contracts was for marriage (43.1 per cent) and the least was for consumption (17.6 per cent). In comparison with the poor the incidence of consumption loan among the non-poor is expectedly low.

The incidence of consumption loans is higher among the agricultural labourers in comparison with cultivators or non-agricultural labourers. The incidences of consumption loans contracted by agricultural labourers were 37.1 per cent of the total incidence of loans contracted by them from the informal market. The

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<sup>154</sup> In fact, this is very often the case. We discussed at the beginning of this chapter various instruments of control that a money-lender, given his superior socio-political and economic position in the village, can exercise over the borrowers, such as high interest rates, duration of loan payment, amount of loan, etc. It is commonly said by the poor households that: "the moneylenders get hold of our throat' (*Mahajan hamare gale par sanvar ho jathe hain*) when they know that we have an animal or that we have got some money from migration or from the government. They force us to part with the animal or the income gained from migration, etc., and to pay back the debt". In this way the informal credit acts as a powerful rural institution, which enables the locally powerful to control the lives of the poor by rendering them assetless and vulnerable.

<sup>155</sup> Medical expense had been one of the major burdens of the households in all the four villages during the survey year. According to the survey data, medical expenses constitute more than 7 per cent of the total per capita yearly expenditure of the households.

corresponding figures for cultivators and non-agricultural labourers are 12.5 and 13.3, respectively. It is more difficult for the agricultural labourers to earn a living during the lean agricultural season than others. For most of them, grain-stock would have run out as early as the beginning of the lean season. They end up incurring informal credit to smooth their consumption.

The informal loans taken for the daily consumption seems to decrease as one climbs up the agrarian classes. The loans taken for the purpose of consumption are high among the landless households. About 38.3 per cent of landless households who have taken loans from informal market have taken them for the purpose consumption. Also, about 68 per cent of the informal loans contracted for the purpose of consumption by all the households were reported from among the landless. Even for households with marginal landholdings, informal loans contracts for consumption are much lower. Only 19.7 per cent of them have taken consumption loan. Consumption loan decreases as size of landholding increases.

The scheduled castes alone account for about 54.5 per cent of loans contracted for marriage, 65.9 per cent of loans contracted for medical purposes and 61.3 per cent of loans contacted for consumption (not given in the Table). Out of the total number of instances of loan contracted by the scheduled castes households, 29.3 per cent was for the purpose of consumption, 35.4 for the purpose of medical treatment and 30.4 per cent for the purpose of marriage. Consumption loans seem to decrease as one moves up in the hierarchy of castes.

## **5 Interest Rates Variability**

Here, the focus would be on those aspects of variation in interest rates that throw light on the institution of informal credit in its relation to the poverty process.

Table 5.7 gives the most commonly found interest rates in the sample villages. Across all sections of the agrarian population, the most prevalent interest rate varies between Rs. 4 and Rs. 6 for Rs. 100 for a period of one month. This works out to be 48 per cent to 72 per cent per annum. For the entire sample population, 57.8 per cent



of informal loan contracts were at this interest rate. The poor contracted 60.4 per cent of informal loans at this interest rate and the corresponding figures for the agricultural labourers and the landless are 62.9 per cent 75.4 per cent respectively. There are three notable exceptions: in Ilra, only 19.2 per cent of informal loans were contracted at this interest rate, whereas in Bargoria, nearly all informal loan contracts were at this rate of interest. In the case of OBCs too, percentage incidence of loan contracted at this interest rate is as high as 81.8.

Table 5.7: Variable Interest Rates in the Informal Credit Market

SL. No.	Socio-Economic Categories	Percentage of Households Taking Informal Credit at different Interest Rates for Rs.100 for 30 days			
		No Interest	Rs. 3	Rs. 4-6	Rs. 7-10
1	All HH	18.9	10.8	57.8	12.5
2	Khangaon	21.9	15.6	59.4	3.1
3	Bargoria	0.0	2.1	97.9	0.0
4	Kurmava	5.2	12.5	52.0	31.3
5	Ilra	40.4	17.3	19.2	23.1
6	Poor	18.8	6.3	60.4	14.5
7	Non-Poor	17.6	19.6	53.0	9.8
8	Cultivators	25.0	10.0	55.0	10.0
9	Agricultural Labourers	16.0	23.0	52.9	8.1
10	Non-Agricultural Labourers	0.0	12.5	60.8	26.7
11	Landless	12.3	4.6	75.4	7.7
12	Marginal	22.4	16.1	44.6	16.9
13	Small	26.7	13.3	40.0	20.0
14	Scheduled Castes	23.3	10.4	55.8	10.5
15	Other Backward Castes	0.0	9.1	81.8	9.1

Source: Field Study

Some households had contracted informal loans without any interest. This observation is important for our discussion. For the entire sample population, 19 per cent of those who have taken loans from the informal market have done so without any interest. Such cases of taking informal loan without any interest constitute 19 per cent for the poor, 16 per cent for the agricultural labourers, 12.3 per cent the landless and 23.3 per cent for scheduled castes. The seasonal migration of the labourers and a marginal diversification of employment opportunities have

marginally increased the ability of the poor households to lend and borrow among themselves. It has been reported by the households that there is an increased possibility of taking loans either from relatives, friends or from the neighbours, without the need for paying interest. A perceivable change in their ability to borrow and lend among themselves<sup>156</sup> is considered by the poor a remarkable progress they have made in the last ten years.

There is much variation across the four villages with regard to the percentage of households taking informal loans without interest. Ilra village from Gaya has the highest percentage of households taking informal loans without interest, followed by Khangaon village from Madhubani. Incidentally, these two villages have, comparatively, greater diversification<sup>157</sup> of income sources of the poor households than the other two villages. The proximity of Ilra village to Gaya town and to the temple town of Bodh Gaya has contributed to a greater diversification of income sources of the poor households. In the case of Khangaon, at the end of the agricultural peak season, some of the labourers get employment in the nearby brick factory while some others migrate to the cities. Some labourers in this village had also got employment under the government scheme of creating employments for rural labourers. Contrary to the situation encountered in these two villages, in Bargoria where employment opportunities are the least developed and diversified, the poor are unable to lend and borrow from among themselves.

Only two villages – Ilra and Khangaon – have reported loan contracts at Rs. 3 for Rs. 100 for one month. The loan contracted at the interest rate of Rs. 3 is an

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<sup>156</sup> This is an indication that enhancing the social capital of the poor would have a poverty-reducing impact. In our casual conversation with the poor households, we were told that one of the definite ways they tide over the crisis of food shortage during certain seasons is through community sharing. Their enhanced ability to borrow from their neighbours in kind and cash not only help them smoothen their consumption but also reduce their dependence on employers and moneylenders.

<sup>157</sup> The greater the diversification of the sources of household income, the greater is the possibility of borrowing from one another in times of need. In Bargoria, for example, there is no possibility of borrowing from among themselves, as all the poor households, in general, are engaged in the same economic activity at any given time. In Khangaon and Ilra, it is found that there is some degree of differentiation in the kind of employment households are engaged in at any given time. This is more pronounced in Ilra than in Khangaon. Therefore, diversification of employment opportunity is a way of reducing the dependence of poor households on their employers and moneylenders.

indication of labour-tying arrangements. These two villages have a more developed and intense cultivation requiring availability of labour at the proper time.

In some cases, the rate of interest is very high. It varies within a range of Rs. 7 to Rs. 10 for Rs. 100 for one month. This works out to be 84 to 120 per cent per annum. Informal loans taken at this interest rate is mainly reported from the villages in Gaya. It is more pronounced in Kurmava than in Ilra. In Kurmava, the high interest rate is reported in 31.3 per cent of all the cases of informal loan contracts.

## 6 Collateral against Informal Credit

The type of collaterals offered by households to take informal credit plays a significant role in shaping the informal credit relations. The type of collaterals offered/demanded by the households in the sample is briefly discussed in Table 5.8.

Table 5.8: Types of Collateral against Informal Credit

Category	Percent HH taking Informal Credit against:			
	No Collateral	Land	Labour	Other Items
All HH	44.9	44.2	6.1	04.7
Khangaon	56.3	18.8	9.4	15.5
Bargoria	00.0	97.9	0.0	2.1
Kurmava	93.8	00.0	0.0	6.2
Ilra	67.3	23.1	9.6	0.0
Poor	33.3	53.1	9.4	4.2
Non-Poor	66.9	27.5	0.0	5.6
Cultivators	65.0	30.0	2.5	2.5
Agricultural Labourers	27.4	58.1	12.9	1.6
Non-Agri. Labourers	46.7	26.7	0.0	26.6
Landless	28.3	56.7	10.0	5.0
Marginal	49.2	42.6	4.9	3.3
Small	80.0	13.3	0.0	6.7
SC	40.2	46.3	8.5	4.9
OBC	33.3	57.1	4.8	4.8

Source: Field Study

The data presented in Table 5.8 indicates that 44.9 per cent of the households, which have taken informal loans, have done so without any collateral. There are some notable variations across the villages in the percentage of households which have

taken informal loans without any collateral. In Bargoria, no household has taken informal loan without any collateral. On the other hand, in 93.8 per cent of the cases in Kurmava, the informal loans were taken without any collateral. The percentage of households taking informal loans without any collateral is also quite high in Ilra. The percentage of households taking informal loans without any collateral is higher in both the villages from Gaya than in the villages from Madhubani.

It is also observed from the Table that there is a noticeable variation across the socio-economic categories in the percentage of households taking informal loans without any collateral. The great majority of households among the poor, agricultural labourers and the landless have taken informal credit against one or the other types of collaterals. Only a small percentage among them has taken informal credit without any collateral. On the other hand, among the upper strata, informal loans taken without any collateral constitute the majority of the cases. For example, informal loans without any collateral constitute the majority of the cases among the non-poor, the cultivators and so on. In general, the Table suggests that greater the vulnerability of the households, the lesser is the possibility of getting informal credit without any collateral. That is, the possibility of contracting informal loans without collateral seems to be influenced by individuals' economic and social positions.

In a large number of cases, informal loan has been contracted against land as collateral. For the entire sample population, 44.2 per cent of loan contracts were made against land as collateral. There is noticeable inter-village variation in the percentage incidence of informal loans taken against land. Again, it is in the case of Bargoria and Kurmava that the variation points to two extreme situations. In the case of Bargoria, almost all (97.9 % of the total informal loan contracts reported from the village) the informal credit was taken against land. On the other hand, in Kurmava, there is not a single incidence<sup>158</sup> of informal loan taken against land.

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<sup>158</sup> In one sense it is not quite correct to say that there is no incidence of informal credit contracted against land. In fact many of them have lost their land to those from whom they had borrowed. However, none of the present incidences of informal credit were contracted against land as collateral.

The percentage incidence of informal loans taken against land is very high among the poor, the agricultural labourers, the landless, the marginal farmers, the OBCs and SCs. Remarkably, though on the expected lines, the percentage of informal credit contracts against land as collateral decreases as the size of landholding increases. The informal loan contracts against land are the highest among the landless<sup>159</sup>, the second highest among the marginal farmers and the third among the small farmers. Among the others, no loan was contracted against land.

Percentage incidences of labour being kept as collateral against informal loan is positively low. Only in 6.1 per cent of the cases, informal loans were contracted against explicit labour-tying arrangements. Such cases were reported from Ilra and Khangaon where cultivation is comparatively progressive and intensive. Such cases of explicit labour-credit linkage are mainly reported from among the landless, agricultural labourers, the poor and the scheduled castes.

## 7 The Sources of Informal Credit

The different sources<sup>160</sup> of informal credit have been discussed in the literature. For the purpose here, the sources of informal credit have been broadly classified into three: (1) friends and relatives who lend credit to one another in time of need, (2) employers who lend credit for making profit and for linking credit transactions with transactions in land and labour markets, and (3) professional moneylenders (*mahajan*) who lend to anyone who is credit-worthy with the intention of making a profit and without any explicit purpose of interlinking with other markets.

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<sup>159</sup> Is this a contradiction? How can a landless household contract a loan against land as collateral? The researcher cross-checked this seeming contradictions with the concerned landless households. This seeming anomaly is because the small plots of land (marginal) which they had once possessed was eventually lost to the lenders as they failed to pay back the loan fully.

<sup>160</sup> In Sarap's study (1986, 1991), agricultural moneylenders and *Lal Bangla* lenders are identified as two major sources of informal credits in the Sambalpur district in Orissa. Swaminathan (1991) discusses four major sources of informal credit in his study of two villages in Tamil Nadu. He identified the four sources as (1) Landlord moneylenders, (2) Professional moneylenders, (3) Trader moneylenders and (4) Friends/Kinsfolk moneylenders.

Table 5.9 gives the percentage of households which have taken informal credit from the three sources mentioned above. The most important source of informal credit is the professional money-lenders – *mahajans*<sup>161</sup>. For the entire sample population, 58.9 per cent of the households which have taken informal credit, have done so from the professional moneylenders. *Mahajans* are the principal source of informal credit for all the villages except for Bargoria. In Kurmava, on the other hand, for 93.3 per cent of the households, *mahajans* have been the principal source.

Table 5.9: Sources of Informal Credit

Categories	Percentage of Households Taking Informal Credit from Different Sources		
	Friends/Relatives	'Mahajans'	Employers
All Households	12.8	58.9	28.4
Khangaon	15.2	72.7	12.1
Bargoria	0.0	35.4	64.6
Kurmava	0.0	93.3	6.7
Ilra	28.9	62.2	8.9
Poor	11.1	46.7	42.2
Non-Poor	16.0	80.0	4.0
Cultivators	17.1	65.9	17.1
Agricultural Labourers	12.1	39.7	48.3
Non-Agricultural Lab.	0.0	85.7	14.3
Landless	11.7	45.0	43.3
Marginal	11.1	63.0	25.9
Small	26.7	73.3	0.0
Scheduled Castes	15.6	46.8	37.7
Lower Middle Castes	0.0	76.2	23.8

Source: Field Study

*Mahajans* are the principal source of informal credit for all the socio-economic categories of households mentioned in the table, except for agricultural labourers. For the agricultural labourers, the employers are the principal source of informal

<sup>161</sup> They may or may not be residents of the borrowers' village. In many cases, informal loan is contracted from a moneylender who is a resident of the villages of relatives of those who borrow. The relatives may be in a better position to strike a better deal with the moneylenders than the borrower himself. In the case of some, the village moneylender does not lend money to some borrowers for various reasons. In some cases, the village moneylender knows too well the degree of borrowers' vulnerability and would be in a position to take advantage of their vulnerability. In such cases also the borrowers consider it more secure to borrow from other villages. Some borrowers borrow from moneylenders in the nearby town where they may be going for non-agricultural works.

credit. About 48 per cent of the agricultural labourers who had taken informal credit did so from their employers. *Mahajans* are also important sources of informal credit for them. Although *mahajans* are the principal source of informal credit among the poor and the landless, the employers are also a very important source of informal credit. In 46.7 per cent of the cases, the poor had taken credit from the *mahajans* and in 42.2 per cent of the cases, from the employers. While *mahajans* had been the principal source of informal credit in 45 per cent of the cases of informal credit taken by the landless, in 43.3 per cent of the cases, the employers had been the principal source. The percentage of households taking informal credit from *mahajans* is comparatively smaller among the poor, the agricultural labourers and the SCs than among the non-poor, cultivators and non-agricultural labourers.

*Mahajans* are, in general, the principal source of informal credit. This finding suggests that informal credit market has gained a certain independence of its own. On its own, without its interlinkage with other markets such as land and labour markets, lending in the informal market has become a profitable business. As it was mentioned earlier in the discussion, the increased cash-flow into the villages because of the out-migration of the labourers, the credit-worthiness of even the labourers has increased. On the one hand, the labourers' need for taking informal credit continues to be very high and on the other hand, their increased ability to pay back the loan in cash has altered the character of the informal credit market considerably. Lending in the informal market has, thus, become a profitable business on its own right. Even though the *mahajans* charge a higher rate of interest, the poor like to borrow from the moneylenders, if their situation so permits, as it does not link credit transactions with transactions in the other markets.

The employers are the second most important source of informal credit. For the entire sample population, 28.4 per cent of the households which have taken informal credit, have done so from the employers. According to the Table, employers have been the principal lenders of informal credit for 64.6 per cent of the households in Bargoira. Similarly, employers have been the principal lenders for 42.2 per cent of the poor, 48.3 per cent of the agricultural labourers, 43.3 per cent of the landless and

37.3 per cent of the scheduled castes in the entire sample. This finding needs to be seen in the light of the opinion expressed by the poor. They prefer to take credit from *mahajans* than from the employers as credit relations entered with the employers have, very often, interlinkages with labour and land-market relations. In this light, the finding may suggest that greater the vulnerability of the households, the greater is the possibility of them taking credit from the employers.

## **8 Types of Informal Credit**

In the background of the preceding discussion on different aspects of the informal credit market, it is now possible to examine the institution of informal credit as a unified whole. As it was found that variations in the interest rates, the types of collaterals offered and in the sources of informal credit are mutually correlated, the incidence of informal credit was classified into different groups depending on how these aspects of informal credit have been combined. Four different types of informal credit relations have been identified, taking into account, simultaneously, variation in the interest rates, the collaterals and the sources of informal credit.

Only 110 households out of the 148 households, which had taken informal credit, could be grouped into the four different categories on the basis of the three variables considered simultaneously. The rest of the households could not be classified as they did not fall under any of the four broad categories of informal credit relations that have been identified. In effect, only 74.3 per cent of the households taking informal credit have been classified into the four types of informal credit relations. Characteristics of the four types of informal credit relations are summarized below:

### **8.1 Type One: Friendship-Based Informal Credit (FBIC)**

The following are the major characteristics of FBIC:

- The borrower and lender are related to each other by friendship or kinship.
- No collateral is required as a measure of security against the credit.
- No interest is charged.



- This is the most preferred type of informal credit.
- FBIC is considered by the poor as a measure of their improved well-being.
- Strengthening the 'social capital' among the poor and diversifying the employment opportunities of the poor would increase FBIC and, thus, reduce the dependence of the poor on employers and moneylenders.

## **8.2 Type Two: Profit-Oriented Informal Credit (POIC)**

The main features of POIC are the following:

- Lending is considered a profitable business. This is a reflection of increased monetization of the poor.
- No collateral is required as security.
- *Mahajans* are the principal lenders of POIC.
- High and multiple interest rates are charged depending on various factors such as amount and duration of loan, relationship between the lender and the borrower, degree of vulnerability and the credit worthiness of the borrower.
- Interest rates may vary from Rs. 3 to Rs. 10 for Rs. 100 for one month.
- Interest rate is the highest when vulnerability of the borrower is the highest.
- POIC is more frequent than other types of informal credit. *Mahajans* exploit (1) the poor households' need to take informal credit and (2) the flow of cash into the hands of the poor from the out-migration.
- Though POIC is usurious and exploitative, this is the second most preferred type of informal credit even among the poor.
- Credit worthiness of the borrower is an important prerequisite for POIC. Hence, it is found more often among the non-poor than among the poor.

## **8.3 Type Three: Land-Alienating Informal Credit (LAIC)**

The main features of LAIC are the following:

- It is almost exclusively found among the most vulnerable.
- Land is demanded as collateral against credit.

- This is the most preferred type of informal credit.
- FBIC is considered by the poor as a measure of their improved well-being.
- Strengthening the 'social capital' among the poor and diversifying the employment opportunities of the poor would increase FBIC and, thus, reduce the dependence of the poor on employers and moneylenders.

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- Though POIC is usurious and exploitative, this is the second most preferred type of informal credit even among the poor.
- Credit worthiness of the borrower is an important prerequisite for POIC. Hence, it is found more often among the non-poor than among the poor.

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The main features of LAIC are the following:

- It is almost exclusively found among the most vulnerable.
- Land is demanded as collateral against credit.

- High and multiple rates of interest are charged.
- The interest rates vary between Rs. 4 to Rs. 10 for Rs. 100 for one month.
- The employers are the principal lenders of LAIC.
- LAIC is a manifestation of the *vulnerability of the poor in its severe form*.

#### **8.4 Type Four: Labour-Tying Informal Credit (LTIC)**

The main features of LTIC are the following:

- LTIC is as exploitative as LAIC. Hence, the victims are always the poor.
- Under this type, credit relations are linked with labour relations.
- Incidence of informal credit with long-term labour-tying arrangements has been found to be less than frequent. However, incidence of short-term, say, for one crop-season, labour-tying is quite frequent.
- LTIC is found mostly in Ilra where cultivation is more intense.
- The employers are the principal lenders of LTIC.
- Variability in the rates of interest is the highest in LTIC. The interest rates vary from zero to Rs. 10 for Rs. 100 for one month. The employer may charge a higher interest rate when the labourer takes credit a second time.

### **9 Types of Informal Credit Relations in the Sample**

The different combinations of interest rates, collaterals and sources of credit have been grouped into four types of informal credit relations<sup>162</sup>. The main features of these four major types of informal credit relations have been highlighted above. Each of these groups may contain within them many different possible combinations and to explore all such combinations is neither possible nor required for our purpose here. One may remember that only 110 households (there have been

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<sup>162</sup> At different time periods, a household may enter into credit contracts of any one of these groups depending on many factors, such as the degree of emergency and vulnerability of the household, the amount of loan required, the duration of the loan contract, the nature of the collateral, household's relationship with the potential lender, and so on. It is also possible that a household may enter into different credit relations at the same time. For example a labourer who has taken credit on the basis of keeping his labour as collateral may contract another loan with another lender.

148 households in the sample taking informal credit) could be classified into any one of the four types of informal credit relations. All the data related to types of informal credit relations apply only to these 110 households. Table 5.10 gives the percentage of households under each of the four types of informal credit relations.

Table 5.10: Incidence of Different Types of Informal Credit

Types of Informal Credit	Percent Incidence of Different Types of Informal Credit			
	Among Poor		Among Non-Poor	
	Number	Per cent	Number	Per cent
Friendship Based (FBIC)	6	7.9	6	17.6
Profit Oriented (POIC)	21	27.6	21	61.8
Land Alienating (LAIC)	40	52.6	7	20.6
Labour Tying (LTIC)	9	11.9	0	00.0
Total	76	100	34	100

*Source:* Computed from primary data

The two most prominent types of informal credit are Profit-Oriented Informal Credit (POIC) and Land-Alienating Informal Credit (LAIC). Out of the total incidence of informal credit contracts, more than 80 per cent have been either POIC or LAIC. However, the percentage incidence of these two types of informal credit differed greatly in the cases of the poor and the non-poor. In the case of poor, 52.6 per cent of the total incidence of the informal credit has been LAIC<sup>163</sup> and in the case of the non-poor it has only been 17.6 per cent. That is, 85.1 per cent of total incidence of LAIC has been reported from among the poor. On the other hand, the percentage incidence of POIC is higher among the non-poor than among the poor. For the non-poor, 61.8 per cent of the total incidence of informal credit has been POIC. Labour-Tying Informal Credit (LTIC)<sup>164</sup> is found only among the poor.

<sup>163</sup> In spite of the ever-increasing land hunger among the poor and their determined efforts – both covert and overt – to resist alienation of land from them it is quite surprising that there is a relatively high incidence of Land-Alienating Informal Loan. This points out the extent of vulnerability of the poor to resist the process of alienation of land and other assets from them because of their poverty.

<sup>164</sup> As already indicated the incidence of Labour-Tying Credit Relations is on the decline. There are many factors that can be suggested as contributing to this decline. First of all the nature of agrarian structure is such that it has already ensured continued dependence of landless labourers on land and hence there is no dearth of labour. There is unemployed, surplus labour present in agriculture,

## 10 Informal Credit and Rural Poverty

The chapter thus far examined rural credit in general and the informal credit in particular. It was found that the informal credit is far more deep-rooted an agrarian institution than the formal credit. Informal credit is a phenomenon primarily among the most vulnerable sections of the agrarian population – the poor, the labourers, the landless, the marginal farmers and the scheduled castes. Hence, the discussion focused on informal credit. The detailed examination of informal credit and the findings therein covered a number of important aspects of the institution of informal credit, to wit, (1) purposes of informal credit, (2) variability in interest rates, (3) types of collaterals, and (4) sources of informal credit. The major findings concerning these aspects of informal credit threw considerable light on the institution of informal credit. The discussion that follows synthesizes the findings and highlights two important functions of informal credit in the process of poverty.

### 10.1 Informal Credit Manifests the Vulnerability of the Poor

In most literature on informal credit, the genesis of informal credit has been located in the rural market for credit. The institution of informal credit has been seen as a response to multiple imperfections or failures in the credit market (Bhaduri, 1977, 1982; Bardhan and Rudra, 1978; Bardhan, 1980; Sarap, 1991 among many others). In many situations, *failure in the credit market* can bring about the institution of informal credit. However, the findings in this chapter suggest that the institution of informal credit is a manifestation of the vulnerability of the poor. It is important to recognize this fact for a meaningful examination into the institution of informal credit and its role in the process of poverty.

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making arrangements of labour tying redundant. (However, in Ilra, where agriculture is more advanced and intense among all the four villages, the tendency to enter into labour-tying arrangements was noticed.) The labourers are bonded to land and agriculture by the very nature of agrarian structure. Secondly, the labourers have become more self-conscious of their dignity and try with all their might not to enter into such arrangements as far as possible. Thirdly, moneylenders have found lending on its right, without any linkages to other factor or product markets profitable in the context of increasingly monetized agrarian economy, flow of remittance income from migration and inelastic demand for credit among the poor. And fourthly, the highly exploitative labour bondage has become unsustainable given the penetration of social activists and ideals of human rights, etc. However, we haste to add that credit-labour interlinkage, though declining, are still prevalent.

The earlier chapters had emphasized that the majority of certain socio-economic categories inevitably fail to convert their resources into a bundle of goods and services, necessary to achieve a minimum set of valuable 'functionings'. It has also been pointed out that their failure to convert their resources into that minimum basket is not merely accidental, but integral to their position in the agrarian power structure. Being at the bottom-most position in the hierarchical agrarian power structure, the landless labourers and the marginal farmers become incapable of converting their resources into a minimum bundle of 'functionings'.

To substantiate the above point consider the availability of foodgrains, which is the single-most important item in the consumption-basket of the poor. According to the field data, 91.8 per cent of the landless, 84 per cent of the marginal farmers and 61.7 per cent of the small farmers in the whole sample are food-grain deficit households. They, through their engagement in the network of social relations controlled by the power structure, fail to convert their resources into a consumption basket, which contains sufficient foodgrains. The mean shortfall of foodgrains among the landless is 61.3 per cent of the mean requirement of foodgrains per year. It is 48 per cent for the marginal farmers and 21 per cent for the small farmers.

Going further, the vast majority of the grain-deficit households among the landless and marginal farmers are poor. According to the HCR of capability-poverty, 84.4 per cent of the grain-deficit households among the landless, 62 per cent of the grain-deficit households among the marginal farmers and 48.6 per cent of the grain-deficit households among the small farmers are poor. In fact, the food-grain deficit households constitute 88.6 per cent of the poor in the whole sample. The bottom three agrarian classes constitute the grain-deficit-poor in the sample. According to the data, the landless constitute 47.1 per cent of the grain-deficit-poor. The marginal farmers constitute 40.9 per cent and the small farmers constitute 11 per cent of the grain-deficit-poor. The landless-grain-deficit-poor households experience shortage of foodgrains to the tune of 67.1 per cent of the total yearly food-grain requirement. The shortage of foodgrains among the marginal farmer-grain-deficit-poor is 62.7 per cent and that among the small-farmer-grain-deficit-poor is 51.1 per cent.

Taking recourse to consumption loan from the informal credit market is one of the most feasible ways the grain-deficit-poor tide over the crisis of survival arising out of shortfall in the most important component of their consumption bundle – food grains. It is not suggested here that all those who are grain deficit take recourse to consumption loans. However, it cannot be denied that a good majority of those who are grain deficit and poor enter into different forms of informal credit relations in order to keep them going. According to the field data, 68 per cent of those who are food-grain-deficit and poor take recourse to consumption loans. This 68 per cent of food-grain-deficit-poor who take consumption loan constitute 90.7 per cent of all those who incur consumption loans.

It is not that the ‘consumption bundle’ of the landless and the marginal farmers falls short of foodgrains only, but also minimum medical care, minimum capacity to withstand emergencies, etc. As was shown in the earlier discussion in this chapter, besides consumption purpose, they take informal credit to meet emergency medical expenses and to meet marriage – or death – related expenses. The landless and the marginal farmers alone constitute 82.2 per cent (Table 5.3) of the households, which take informal credit for various purposes – purposes all of which indicate to shortfall in some of the most important items in a consumption bundle necessary to achieve the minimum set of valuable functionings.

The above discussion based on some relevant field data goes to show that a majority of those at the bottom of the agrarian power structure would be in acute want of minimum requirements. This is not anything accidental, but integral to the very structure itself. The institution of informal credit is an expression of this vulnerability of the landless, the labourers, and the marginal farmers.

The poor whom the researcher interviewed were unanimous and emphatic in their view that their need to take loans from informal sources is a manifestation of their vulnerability. One of the yardsticks used by them to assess their well-being was the extent to which they have been able to reduce their dependence on their employer, traders and money-lenders for credit. Only when they are faced with no other

alternative but to contract a loan from the informal market do they go for it. The pervasiveness of the informal credit among the poor, therefore, indicates to the extreme vulnerability that the poor are faced with.

## **10.2 Role of Informal Credit in Reinforcing the Agrarian Structure**

The institution of informal credit is found to be instrumental in the perpetuation of that very structure, which renders those at the bottom of the agrarian structure highly vulnerable to poverty. It is instrumental in scuttling the efforts of the poor to free them from enslaving dependence on land. Three processes can be identified, facilitated by informal credit, which result in strengthening of the agrarian structure and the vulnerability of the poor. These processes are briefly discussed.

### ***10.2.1 The Process of Alienation of Land from the Poor***

It was noted that Land-Alienating Informal Credit (LAIC) is one of the most prominent types of informal credit among the poor. Out of the total incidence of informal credit contracted by the poor, 52.6 per cent were LAIC. The incidence of LAIC of this magnitude points to an underlying process in agrarian Bihar to alienate the land from the poor. Through the instrumentality of informal credit, the poor are increasingly dispossessed of land, accentuating their enslaving dependence on land. The institution of informal credit, which necessarily comes into existence because of the extreme vulnerability of the poor, effectively nullifies the impact of those forces – for example, legislative measures such as land reforms – which have the potential of liberalizing land relations and thereby reducing the enslaving dependence of the poor on land. The story of Ranjit Manjhi mentioned in chapter IV is a case in point

The field data substantiates the process of land alienation. Out of the total land owned by the sample population, 6.8 per cent is given out as collateral against informal credit. The land given out as collateral by the poor is as high as 26.8 per cent of the total land owned by the poor. Given that (1) the poor households take informal credit primarily for non-productive purposes, which does not increase their repaying capacity and (2) the poor are highly vulnerable to taking informal credit



for their survival because of the deficit nature of their income, it becomes nearly impossible for the poor to regain possession of their land given out as collateral.

### ***10.2.2 The Process of Alienation of any Asset such as Livestock***

Informal credit is instrumental in dispossessing the poor not only from the ownership of land, but from the ownership of any asset as well. For example some of the poor may own one or more animals. They may have either purchased it with part of their income saved or received it under certain income-transfer schemes introduced by the government. The possession of assets such as animals is often found to be a short-run phenomenon among the poor. In the long run, through various mechanisms of informal credit, they become dispossessed of that monetary asset. The story of Vijay Manjhi mentioned in Chapter IV illustrates this. The institution of informal credit is instrumental in dispossessing the poor of any asset they may own in the short run. The process of dispossession of economic assets accentuates their dependence on land.

### ***10.2.3 Extraction of Part of Remittance and Transfer Income from Poor***

Remittance income is a major component of the total income of a majority of rural households in the sample. In fact, remittance income constitutes one-third of the total income of certain groups such as the agricultural labourers in the Madhubani villages. Similarly, there is also huge amount of cash flowing into rural areas supposedly for the benefit of the poor under various public schemes. Informal credit becomes an effective instrument in the hands of the exploiting class to reap the benefit of the cash-flow into the village economy. As the previous chapter discussed in brief how the exploiting class comes to benefit from the remittance income received by the poor and the next chapter on "Transfer Relations and Poverty in Rural Bihar" would discuss how income transferred to the poor under different public schemes gets transferred to the rich, it is only highlighted here that the institution of informal credit facilitates the process of the flow of cash from the poor to the exploiting class. The finding in this chapter that Profit-Oriented Informal Credit (POIC) is a major type of informal credit is suggestive of this process. Out of

the total incidence of informal credit, 38.2 per cent has been POIC. Among the poor households taking informal credit, nearly 28 per cent has been of this type.

The above discussion highlight that there are many forces and processes in rural Bihar which do not let the poor break out of their enslaving dependence on land. For the perpetuation of the prevailing agrarian structure, it is important that the poor remain assetless and enslavingly dependent on land. Ownership of land through various legislative and non-legislative measures, possession of alternate income-generating assets, out-migration and income-transfer schemes – all these factors can contribute to free the poor from their enslaving dependence on land. However, the institution of informal credit nullifies the positive impact of these factors on the poor. On the contrary, it facilitates the perpetuation of the agrarian structure.

## **11 Conclusion**

The main objective of this chapter was to examine the role of informal credit in the poverty process. It has been found that the informal credit is a deep-rooted and enduring agrarian institution among the poor. The analysis showed that informal credit is a necessary manifestation of the extreme vulnerability of the poor. The poor fail in converting their resources into a minimum-consumption bundle that contains sufficient foodgrains, minimum medical care, etc. Thus, the compulsions of survival have the poor taking credit from the informal credit market.

This chapter highlighted that (1) the vulnerability of the agrarian poor is severe as the different features of informal credit indicate, (2) the informal-credit market facilitates a process of dispossessing the poor of their land and of their other assets, (3) the institution of informal credit arrests the processes and factors that can enable the poor move out of poverty, (4) the exploitative character of informal credit is located not in the credit market per se, but in the nature of the agrarian structure, and (5) enhancement of social capital and diversification of employments would increase the incidence of FBIC and thereby decrease other types of informal credit.

## CHAPTER VI

### PUBLIC ACTION: WHY DO THE POOR FAIL?

#### 1 Introduction

This chapter examines what role the “transfer relations” play in the process of poverty. Income transfer to the poor through various developmental programmes has been a major component of the poverty-alleviation strategy in India. Though there are a plethora of such schemes of income transfer to the poor, the stark reality is that only a tiny minority of them has been able to avail of any benefit from these schemes. The poor were emphatic, during the group discussions the researcher had with them, in their opinion that they manage their life not because of the government, but in spite of the government<sup>165</sup>. This chapter examines why the majority of the poor fail to avail of the benefit of these pro-poor schemes.

The examination of the failure of the poor to avail of the benefit of these schemes is neither an evaluation of different poverty alleviation programmes<sup>166</sup> – the inherent merits or demerits of various transfer schemes – nor an assessment of the impact of these schemes on the poor. The inherent merits and demerits of government schemes are one thing and the failure of the poor to appropriate the benefit of these schemes, no matter however well-designed the schemes be, is entirely a different matter. The scope of this chapter is limited and it examines only the nature of the failure of the poor to benefit from the transfer schemes. This chapter depends heavily on the information gathered from the open-ended group discussions and individual interviews with the respondents.

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<sup>165</sup> The opinion of the poor is not only concerning the transfer schemes of the government but also concerning other functions of the state. The various apparatus of governance come across to the poor primarily as exploiters or hand in glove with those who exploit them. This is true of their experience of the police, the government officials and of the judiciary. It is not only that they have no faith in them but also they perceive them as allies of the powerful people in the village.

<sup>166</sup> There is a good amount of literature that dwells on evaluating the various schemes introduced by the government ever since the independence of the country. See for example, Raghav, Gaiha (2000) among many others. We, for our discussion, shall not concern ourselves with the evaluation of the transfer schemes per se.

## 2 Income Transfer: Preliminary Observations

One may have come across many reasons to explain why the majority of the poor have not benefited from the government schemes of income transfer to the poor. These reasons include ignorance and laziness of the poor and corruption at all levels. This section examines some such reasons that are commonly attributed to the failure of the poor to benefit from public schemes of income transfer.

### 2.1 The Ignorance of the Poor: Myth or Reality

One common perception is that the poor do not benefit from public schemes because they are ignorant of these very schemes. How far is this perception correct? Is this perception only a myth or reflection of reality? The sample population was asked during the field survey if they know about various government schemes<sup>167</sup>. Their response was astonishingly surprising as the Table 6.1 shows.

Table 6.1: Dissemination of Information Concerning Schemes of Income Transfer to the Poor

Villages/Categories	Per cent
	Population which knows about Govt. Schemes
Khangaon	98.5
Bargoria	100.0
Kurmava	100.0
Ira	99.0
Agricultural Labourers	100.0
Landless	100.0
Scheduled Castes	100.0
Poor	100.0

*Source:* Field Study

According to the opinion expressed by the sample population there is nearly 100 per cent dissemination of information<sup>168</sup> among the poor with regard to various income

<sup>167</sup> When getting the opinion of the respondents about their information on various government schemes, the following government schemes were considered: Distribution of grains, sugar and kerosene under Public Distribution System, Sampoorna Grammeen Saddak Yojana and Sampoorna Grammeen Rojgar Yojana,

<sup>168</sup> The statement, "there is nearly 100 per cent dissemination of information among the rural population about the transfer schemes" needs to be qualified. This opinion points only to the fact that

transfer programmes, irrespective of their socio-economic background. This radically questions the general perception that the poor do not benefit from various transfer schemes because they are not aware of these schemes. The dissemination of information is indeed very fast in villages. It is enough to have one transistor/radio in a village; the news reaches everybody in the village. It is enough for one person in a neighbouring village come to know about a government scheme; the information gets disseminated to all households in the neighbourhood.

Before proceeding further, another related comment is called for. It is the common belief that the poor do not benefit from the schemes because they either do not attempt or do not know how to go about to appropriate the benefits of the schemes. However, as in the case of dissemination of information among the poor, this perception too is far from the reality. In fact, the poor would go one extra mile if they perceive the possibility of benefiting from these schemes. People wait hours together for kerosene oil; go many times to the village Mukhiya with a request; walk many miles to reach the Block Office; wait hours together for many days, often without food, in front of government offices to meet the concerned officials. Therefore, Their failure to avail the benefits of the income transfer schemes can be located neither in their “ignorance” nor in their “laziness”.

## **2.2 Have the Poor Benefited: A Subjective Evaluation:**

The poor in the sample were asked if they had benefited from the income-transfer schemes. A prior discussion with the poor on some of the transfer schemes formed the background to the question of whether they had benefited from the schemes. Distribution of food grains under different government programmes, *Indira Awas Yojana*, *Sampoorna Rojgaar Yojana* were a few of the government programs of income transfer that were discussed and that formed the background Table 6.2 gives the summary of the subjective opinion expressed by the poor

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there is a general awareness among them concerning most of the schemes that the governments (central and state) have introduced in their respective Community Development Blocks. They are also informed about the programmes that government plans to introduce in the future. This statement does not suggest that they have *detailed* information on various aspects of all the schemes.

**Table 6.2: Have the Poor Benefited from the Schemes of Income Transfer?**

Villages/Categories	Percentage Population who Opined	
	Did not Benefit	Benefited
All HH	89.4	10.6
Khangaon	77.0	23.0
Bargoria	83.0	17.0
Kurmava	100.0	0.0
Ilra	95.8	4.2
Poor	81.6	18.4
Cultivators	96.2	3.8
Agri. Labourers	77.5	22.5
Non-agri. Labourers	96.1	3.9
Landless	75.9	24.1
Marginal	90.9	19.1
Small	100.0	0.0
Scheduled Castes	84.9	15.1
Other Backward Castes	85.7	14.3

*Source: Field Study*

The table is self-explanatory. According to the assessment of the vulnerable sections of the agrarian population, only a tiny minority of them have been able to benefit from the various schemes of income transfer to the poor. Only 18.4 per cent of the poor have received some benefits and 81.6 per cent of the poor have not received any benefit. About 24 per cent of the landless, 23 per cent of the agricultural labourers and 15 per cent of the scheduled castes in the entire sample have benefited from some of the transfer schemes. On the whole, in their subjective evaluation, the vast majority of the poor who belong to the most vulnerable socio-economic groups has not benefited from the schemes of income transfer.

What are those factors which contribute to the failure of the poor to benefit from these schemes? Their 'ignorance' and 'lack of effort' is certainly NOT one of factors. What else then explains their failure? In a short while, these questions are to be taken up for discussion. Before that a few examples of how far the poor have benefited from income-transfer schemes are examined.

### 2.3 Income Transfer Schemes: A Few Examples

A few popular income-transfer schemes are examined to have a rough idea concerning the extent to which the poor have benefited from the schemes. Table 6.3 gives the percentage of the population – both the poor and the non-poor – which has benefited from the income-transfer schemes considered here, either over a period of time or during the survey year.

The Table 6.3 suggests that all the households, both the poor and the non-poor, have benefited from the supply of fuel<sup>169</sup> through the Public Distribution System. It is very shocking to note that only a few of the poor have received food grains under Public Distribution System and other schemes of making food grains available to the poor. Only 4.8 per cent of the poor received food grains during the survey year.

Table 6.3: Percentage of Population Which Has Benefited from ...

Category	Over a period of Time		During the Survey Year	
	Housing Scheme	Institutional Credit	Food Grains	Fuel
Non-Poor	4.5	20.9	1.5	100
Poor	39.5	20.6	4.8	100

*Source:* Field Study

Over a period of time, 39.5 per cent of the poor have benefited<sup>170</sup> from the housing scheme. And the last example of transfer scheme considered here is rural credit made available to the poor under special schemes for income-generating economic activities. Both the poor and the non-poor have more or less equally benefited from this. At the time of survey, 20.6 per cent of the poor had received credit from institutional sources over a period of time.

<sup>169</sup> In terms of the mean litres of fuel received, the households with semi-medium, medium and large landholdings have received more fuel annually from the fair-price shops than the landless, or marginal and small farmers. Similarly, the non-poor have received 58.8 per cent of the total fuel made available through the Fair Price Shops. Thus, though all households have benefited from the scheme, it is the non-poor – those with more than small landholdings – who have benefited from the scheme more than the poor – those who are landless or with marginal or small landholdings.

<sup>170</sup> At the time of our survey, many of those houses were very old. The one-room house with very low roof, which was built a couple of decades ago, can collapse at any time. In many cases, these houses are used by them to house their livestock!

The general and subjective evaluation of the transfer schemes made by the poor – given in Table 6.2 – is consistent with the data given in Table 6.3. What stands out so vividly is the fact that only a minority of the poor<sup>171</sup> have benefited from the schemes that have been considered here. The fact that only less than 5 per cent of the poor have received any food grain from the PDS during the survey year itself is an indication of the extent of failure of the poor to benefit from any of the schemes. The irregular supply of food grains through PDS, inability of the poor to purchase due to lack of cash, corruption at various levels are among a host of proximate reasons why the poor have not benefited from the PDS.

### 3 Why Did the Poor Fail?

One of the questions that had been put to the poor<sup>172</sup>, who opined that they did not benefit from the transfer schemes, was the following: Why did you fail to benefit from schemes of income transfer? They had suggested a number of reasons<sup>173</sup> for their failure, which are summarized in Table 6.4.

The information given in Table 6.4 is of great importance to the enquiry in this chapter. The reasons suggested by the poor for their failure to benefit from the income transfer schemes enable one to examine the nature of their failure from a new perspective. While concentrating on the reasons suggested by them for the

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<sup>171</sup> Most often the poor fail to avail the benefit of Public Distribution System. One of the reasons that largely contribute to their failure is that grains or kerosene oil is not made available all through the month. When it is made available, the poor may not have enough cash to buy them. Since they cannot buy them as and when they get cash depending on the availability of employment, most often they are not able to buy them.

<sup>172</sup> This question was put only to those households which had opined that they did not benefit from the government schemes of income transfer. In terms of their primary occupation, about 80 per cent of them were either cultivators, or agricultural labourers or non-agricultural labourers. In terms of the size of their landholdings, 94 per cent were either landless or marginal and small farmers. And finally, in terms of their caste status, 80 per cent of them were either SCs or OBCs. As the majority of the households concerned in our present discussion come from the above-mentioned groups and because we are primarily attempting to understand the failure of these categories of households, we present the data applicable only to these categories of households.

<sup>173</sup> A word on the methodology that we employed is called for here. The reasons for the failure given in this section were not suggested, not even hinted at by us. Rather they were suggested by the poor themselves in a number of group discussions that we had with them. The many reasons of failure emerged from the group discussion were organized under six reasons through mutual consensus.



enquiry in this chapter, the focus is on the subject who have failed<sup>174</sup> to benefit from the schemes rather than on the apparent merit or demerit of the schemes themselves. This hermeneutical shift in understanding why the poor has failed to benefit from the schemes has much to offer in broadening the understanding of the problematic.

Table 6.4: Reasons for Failure of Poor to Benefit from Income Transfer Schemes

Village/Category	Per cent Poor Who Suggested					
	1	2	3	4	5	6
All the Poor	12.3	9.8	48.4	16.4	12.7	0.8
Khangaon	26.3	21.1	42.1	5.3	0.0	5.3
Bargoria	21.1	18.4	36.8	7.5	10.7	5.5
Kurmava	2.1	0.0	62.5	29.2	4.2	2.1
Ilra	2.4	2.4	38.1	21.4	33.3	2.4
Cultivators	3.6	10.7	42.9	17.8	10.7	14.3
Agricultural Labourers	19.0	11.1	39.7	12.7	15.9	1.6
Non-Agri. Labourers	3.8	0.0	57.7	34.6	3.8	0.0
Landless	16.4	13.1	44.3	9.8	16.4	0.0
Marginal	7.1	7.1	46.4	28.2	8.9	7.1
Small	4.8	0.0	61.9	14.3	9.5	9.5
SC	12.7	6.9	46.1	19.6	14.7	0.0
OBC	13.3	13.3	53.3	13.4	13.4	0.0

*Notes:* Reason 1: Lack of Political Influence

Reason 2: No Money to Bribe

Reason 3: "We Are Poor"

Reason 4: Fear of Harassment

Reason 5: Official-Police-Leader Nexus

Reason 6: "We Belong to High Castes"

As can be seen from Table 6.4, there are many reasons, which make them incapable of availing of the benefits from the various schemes of the government. Among the reasons suggested, a few of them are almost equally important for all the poor irrespective of their socio-economic positions and villages. Some other reasons are reflective of concrete experiences of the poor in their respective villages. "Lack of political influence" and "lack of money to pay as bribe" are considered by a good number of households in both the villages in Madhubani as the cause of their failure

<sup>174</sup> Most literature that deals with assessing the impact of the manifold programs of poverty alleviation concentrates, primarily, on the inherent merit and demerit of the programs. The focus here is more on the subject who failed to benefit.

to avail of the benefit, whereas these are not reported as major reasons in both the Gaya villages. In the Gaya villages “Officials-Police-Local Leaders Nexus” has been reported as the major reason for the failure to benefit from the schemes; but the same reason is not reported in the Madhubani villages as a major reason which contributes to their failure. Similarly, “Fear of Harassment” is reported in Kurmava village as a major reason for their failure, but, in other villages, this has not been reported as a major reason.

The single most important reason because of which the poor, irrespective of their socio-economic positions and villages, fail to benefit from the income-transfer schemes is that “they are poor”. “The cause of our failure to obtain the benefits of government schemes is that we are poor” – this is the opinion of 48.4 per cent of the poor. According to the data, 42 per cent of the poor in Khangaon, 36.8 per cent of the poor in Bargoria, 62.5 per cent of the poor in Kurmava and 38 per cent of the poor in Ilra have failed to benefit from the schemes because “we are poor”. About 43 per cent of the self-cultivating households, 40 per cent of the agricultural labour households and about 58 per cent of the non-agricultural labour households have suggested that by the very fact of being poor, they fail to avail the benefits of government schemes, which are supposedly for the poor. A majority of the SCs and OBCs too have suggested the same reason for their failure.

### **3.1 “...Because We Are Poor”: Implications**

In a sense this is a paradoxical situation! Consider these two situations: (1) a ‘welfarist’ government transfers income to the poor with the intention of enabling them, first of all, to cope with the current experience of poverty and, secondly, to move them out of poverty in the long run, and (2) the poor fail, and miserably so, to appropriate the income that has been transferred to them through different schemes. Apparently, this is a contradiction. It is in understanding this contradiction that one would be able to comprehend, the nature of the failure of the poor.

### ***3.1.1 The Concept of Poverty Revisited***

First of all, this contradiction leads one to the question of ‘what it means to be poor’ - a point that has already been developed in chapter one. Poverty is not merely an individual’s income falling short of a threshold level of income; it is the inability of an individual to have a threshold-level of income. The inability of the individual is as much integral to poverty as not having the threshold-level of income. The income concept of poverty considers hunger and malnutrition, etc. which is merely the end product of a process, and this is poverty. It was found that this definition of poverty is quite misleading and a suggestion was made that poverty should be located in the space of ‘capability’. In the space of capability, poverty includes both the process and the product; the inability of the individual and his/her hunger, malnutrition, etc.

In the light of the above, it is clear that the failure of the poor to avail of the government assistance is integral to the poverty experience itself. If they were able to avail of the facilities, they would not have been poor! The insight is that the poor remain poor not necessarily because the income transferred by the government to the poor is inadequate. It is also because they are incapable of appropriating the income transferred to them. The process within which an individual fails to benefit from the income-transfer schemes is very much part of the experience of poverty. Hence, there is no contradiction in the suggestion of the poor that they fail to benefit from the income-transfer schemes because they were poor. The failure is as much integral to poverty as the short fall in income.

### ***3.1.2 Wrong Prescription***

When poverty is diagnosed as ‘inadequacy of income’, the policy prescription, quite naturally, is to calculate the shortfall in income and transfer that much income to the poor. It was found earlier in this chapter that the poor, at least in their own subjective evaluation (which has been corroborated by a few examples), does not benefit from the income-transfer schemes to any appreciable measure. If the income of an individual falling short of the threshold-income level is the result of certain factors that make the individual incapable of commanding the threshold-level of

income, the policy should necessarily address itself to those factors accounting for his inability. When poverty is more the inability of individuals to command an adequate income than the inadequate income itself, then the public policies of combating poverty has to be radically reoriented. Therefore, even if a benevolent government increases the income transferred to the poor through various schemes, it need not benefit the poor. This is because these schemes are designed viewing poverty as the end product of a long process, undermining the very process of poverty within which the poor become incapable of benefiting from these schemes.

The two major factors<sup>175</sup> that determine the ability or inability of individuals to command at least a minimum income are (1) individual's relation to land, which determines his position in the agrarian structure and (2) nature of the network of exchange relations, which itself is a product of the agrarian structure. The previous chapters showed that the labourers, the landless and the scheduled castes who constitute the bulk of the poor – often fail, given their relation to land and the set of exchange relations shaped by the agrarian structure, to command the minimum level of income in exchange for whatever resources they may have. This failure is not accidental but integral to the agrarian structure.

In the same way, the failure of the poor to benefit from income transfer-schemes is not accidental or something that can be explained away as “corruption”<sup>176</sup> but integral to the agrarian structure, which determines the ability of the individual to benefit from the schemes. Therefore, unless the agrarian power structure is altered

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<sup>175</sup> Besides these factors, there are many other factors that influence the *ability or inability* of an individual. For example, the personal characteristics of an individual are of great consequence in determining the *ability or inability* of an individual. However, for our purpose here, we are not emphasizing it here. Prof. Sen gives a great deal of emphasis on the personal characteristics of the individual in his discussion on conversion of income to a set of achieved functionings. Our intention here is to emphasise the influence of the agrarian power structure and the resulting institutions of exchange relations on the *ability* of a person either to command a minimum income in exchange for his resources or to benefit from the income-transfer schemes.

<sup>176</sup> Corruption in public life is a major factor that prevents the poor from benefiting from the income-transfer schemes. However, it would be, in our opinion, too simplistic and escapist to locate the failure of the poor to benefit from the schemes in corruption and not to trace the failure, in the final analysis, to the nature of agrarian structure which makes the poor powerless. They fail to benefit from the schemes because the agrarian structure renders them powerless. The greater the inequitable distribution of what constitutes power, greater is the pervasiveness of corruption.

to positively affect the nature of the production-exchange-transfer relations in favour of the poor, they would, quite naturally, fail to command an income level necessary for leading a hunger-free, healthy and dignified life, no matter, how much income is transferred to them by the government. As poverty is both a process and a product, poverty-alleviation policies cannot be reduced merely to budgetary allocation; the forces that influence poverty process have to be addressed as well.

#### **4 Transfer Relations**

Availing of the benefit of income-transfer schemes by an individual involves a set of interactions between economic agents. The income that is transferred to the poor is not packed and dropped on them from above; rather there is a series of interactions between the concerned agents before which the poor come to avail of the benefit of these schemes. The poor have to relate to the village leaders, the Panchayat Mukhiya, the Block Officials and the Bank Officials. They also have to relate to the *dalals* (agents) who are at large in these villages, the employers (for a recommendation!) and, in many cases, the moneylenders (to contract a loan to pay bribe, when the person concerned insist that the bribe should be paid even before the benefit reaches the poor!). It is in and through these relationships between different economic agents that the poor come to get some benefit from the various schemes. It is in reference to this chain of interactions involved in coming to benefit from the schemes that we have referred as Transfer Relations.

Just as a set of relationships governs the labour market or the credit market, so also a set of relationships governs the transfer of income to the poor through different schemes. The nature of these relationships determines the ability or inability of the poor to avail of the benefit of these schemes. Given their position in the agrarian structure, they not only fail to benefit from these schemes, but these very schemes become tools in the hands of the exploiting class to divert the benefit from the poor to the rich and to strengthen the prevailing agrarian structure.

#### **4.1 “Subjective” and “Objective” Reasons**

Before proceeding to discuss how the benefits of the transfer schemes are diverted to the rich and how they become tools in their hands to strengthen the agrarian structure, a last comment on the reasons suggested by the poor for their failure is called for. The reasons of failure suggested by the poor can be categorized into two distinctive groups, namely, subjective reasons and objective reasons. Subjective reasons of failure are those reasons which indicate the capability of the person. They tell us what in a person makes him incapable. The objective reasons, on the other hand, are reasons which point to certain factors that lie outside the person. They do not inform us about the incapability of the person.

This useful distinction between ‘subjective’ and ‘objective’ reasons helps broaden the understanding of the failure of the poor to benefit from the income-transfer schemes. The reasons such as “being poor” and “being in fear of harassment” and “having no political influence” are reasons that are suggestive of the ability of the ‘subject’, to wit, the poor. These reasons reside in the subject rather than in the objective outside reality. On the other hand, the reasons such as “bribery” or the “nexus between officials and local leaders” are objective reasons; these reasons do not directly indicate anything about the capability of the subject. They are about an ‘objective’ condition that lies outside the poor.

It would be rewarding now to reexamine Table 8.4. According to the Table, 77.1 per cent of the poor gave subjective reasons for their failure to benefit from the transfer schemes. This implies that the majority of the poor did not benefit from the schemes of income transfer because of factors that characterize their own inability. They fail to benefit from the schemes because of their powerlessness or inability. Their powerlessness or inability, as has already been pointed out, is fundamentally related to the character of their relation to land. Their relation to land, which determines their position in the agrarian structure, has made them incapable of commanding a minimum income by exchanging their resources in a network of social relations.

Therefore, the poor need to be, first of all empowered, if they are to benefit from the very schemes aimed to assist them. As long as they are dis-empowered within a given agrarian power structure, they are unable to benefit from these schemes. Therefore, as said elsewhere in this chapter, any amount of income transferred to the poor without altering the agrarian power structure, which has effectively dis-empowered the poor would, most likely, flow into the hands of those who wield power, through the instrumentality of the poor.

## **5 Transfer Relations, Agrarian Structure and Poverty**

The chapter so far examined (i) some transfer schemes of the government for the benefit of the poor households; (ii) the extent to which the poor have or have not benefited from this huge transfer of income and (iii) the reasons for their failure to benefit. What follows now is a brief discussion on two important points to highlight how ‘transfer relations’ comes to be an institution, which facilitates (1) exploitation of the poor, and (2) perpetuation of the agrarian structure. The two points of the brief discussion are: (1) how income transferred to the poor gets transferred to the rich through the instrumentality of the poor, and (2) how ‘transfer relations’ gets interlinked with other institutions of social relations, to wit labour and credit relations and thus strengthens the prevailing agrarian structure.

### **5.1 Income Transfer to the Rich**

At the outset, a humble submission is in order. Given the constraints of the study, it was not possible to collect well-documented data to indicate how much income<sup>177</sup>, which has been supposedly transferred to the poor, has got transferred to the rich. This limitation notwithstanding, the case studies presented below show how income gets transferred to the rich, which was supposedly for the poor.

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<sup>177</sup> Appendix 5 gives information on the income that was supposedly transferred to the poor under different central – and state – government schemes.

### **5.1.1 Case Study 1: A Buffalo to Generate Income; for Whom?**

This is the story of Ramesh Manjhi (name changed). He is a landless agricultural labour belonging to one of the scheduled castes in Ilra village. Under a scheme, he is entitled to a loan of Rs. 20,000 to purchase milch animals, with a subsidy of 50 per cent. In his case, his employer himself was the middle man who promised him that he would ensure that he got the loan. Through the recommendation of his employer, Ramesh was sanctioned the amount. According to the rules, the concerned bank and block officials purchase the milch animal instead of handing over the amount directly to the poor, as there is always the fear that “the poor may not spend the amount productively”. The agent buys a buffalo worth only Rs. 10,000 for Rs. 11,000. Bank officials secure a receipt from the seller for Rs. 20,000.

This is not the end of the story. In a couple of month’s time, the same person who sold the buffalo buys it back from Ramesh for Rs. 5,000 with the assurance that he would pay back Rs.10,000 to the Bank, which is due to the Bank from Ramesh (with 50 per cent subsidy, he has to pay back only Rs.10,000). For Ramesh, it appeared to be a good deal. He gets Rs. 5,000 for no reason, which he does not have to repay to anyone! In due course, the bank kept issuing notices to Ramesh for default. Only much later, he learns that the one who had promised to pay back the loan did not pay back the loan and that he would not ever do so!

In the case of Ramesh, he was entitled to receive Rs. 20,000 with a subsidy of 50 per cent. He has to pay back only Rs. 10,000. What has happened in his case is that he owes Rs. 10,000 to the bank, which is 100 per cent more than what he actually received (Rs. 5,000). In this event of transferring income to Ramesh who is poor, Rs. 9,000 (Rs. 20,000 – Rs. 11,000) was shared by the officials and the middle men. The seller of the buffalo who is also the purchaser of the buffalo from Ramesh gained Rs. 6,000 (Rs. 11, 000 - Rs. 5, 000). In this case of income transfer to the poor, except Ramesh – the poor – all others in the story benefited!



### **5.1.2 Case Study 2: Yield Increasing Tractor Has the Poor Jailed**

The government had initiated a programme for those from scheduled castes who have some landholding. If a group of them come together such that the combined landholding is at least 5 acres, they would be entitled to Rs.1, 30,000 to purchase a tractor, in order that they would be able to use modern technology for cultivation and thus, with increased productivity, improve their living standard. A middle man helped five people from a scheduled caste community to come together to form a group. The middle man promised them that he would pay back the debt himself and that each of them would be given Rs. 5,000. They were also promised that they could use the tractor to plough their land. This is a good deal indeed!

The deal was made; the amount was sanctioned; and the tractor was bought. Once the tractor was bought, the agent gave two of them Rs. 1,000 each and to two others Rs. 2,000 each. The fifth person was not given any money; instead he was employed as the driver. After a while, the agent sold the tractor for Rs. 1, 00,000. In due course, they began to receive notice from the bank to pay back the debt. It was too late when they were awakened to the fact that it is not the middle man but they who are liable to the bank. With the help of some others, they were able to file a case against the middle man. As a result, all of them, including the five from the scheduled caste community were jailed<sup>178</sup>. The well-intentioned scheme introduced by the government had them ultimately jailed. The land was not cultivated that year, leave alone increased productivity and improvement in their living standard!

### **5.1.3 Case Study 3: A Roof for the Poor and Mukhiya's Business**

This is a case reported from another village. Five poor households in this village got Rs. 25,000<sup>179</sup> each, sanctioned in the year 2002 to build houses under the housing scheme. It is through the Panchayat Mukhiya that the amount is transferred to the poor in different instalments. This mukhiya, who enthusiastically pursued the matter

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<sup>178</sup> In this case, the middle man was caught. There are others who abide by the promise they make. Even when they abide by the promises, they stand to gain.

<sup>179</sup> There is no incidence in which a poor householder has received the entire 25 thousand to build his house. The minimum amount that a household has to pay to those concerned is Rs. 5,000.00.

on behalf of these five households, transferred the entire amount, which was sanctioned, to his own business. The mukhiya had ensured that he himself had got the contract for constructing these houses. The houses were not built till 2004. The households registered a complaint to the newly-appointed Block Development Officer (BDO), who happened to be from their own community. He took up their case and ordered the houses to be built immediately. The mukhiya assured them that their houses would be soon built. While the researcher was at the completion of his field study, some bricks had already been unloaded, to keep the hope alive!

It is not hard to find such cases. They indicate different ways; through the instrumentality of the poor, income is transferred to the rich rather than to the poor. Though it was not possible to document all such cases and thereby to present an estimate of the amount of income transferred to the rich through the instrumentality of the poor, the state of affairs that these sample stories indicate cannot be undermined. These cases cannot be merely looked upon as caused by corruption. More than corruption is at work here, and, therefore, cannot be done away with by taking action against certain individuals. It is all-pervasive and it is only a manifestation of the grossly unequal distribution of power in the agrarian society in Bihar. With such unequal power structure in existence, the income-transfer schemes are very likely to result in strengthening the existing rural power structure, rather than assisting the poor to make both ends meet.

## **5.2. "Transfer Relations" and Exchange Relations**

It is highlighted here that (1) the different schemes of income transfer to the poor come to be controlled by the locally powerful people, and (2) these schemes enhances their power to control exchange relations by interlinking these schemes with exchange relations in other markets such as the labour market and the credit market. How different schemes of income transfer are used to influence the transactions, particularly, in the labour and credit markets is examined here, in brief.

To begin with, it is good to use the analogy of a market to understand how the income-transfer schemes are used to control the transactions in the labour or credit

market. Consider, for the sake of explanation, that the different schemes of income transfer to the poor are services/commodities that can be sold and bought in a market as in the case of markets for labour, credit, and product. Consider also that there is a market for 'income-transfer schemes' as in the case of markets for labour, land, credit, product, and so on. There are also sellers and buyers of 'income transfer schemes'. There is a market price at which an 'income-transfer scheme' can be bought. Keeping this analogy as the background, the following questions are scrutinised: Who are the sellers and buyers of the transfer schemes? What is the price at which a transfer scheme is bought and sold? What is the relationship of the market for transfer schemes to the other rural markets such as the labour market?

### ***5.2.1 Monopoly in the Transfer Market***

Much effort is not required in showing that all the transfer schemes come to be monopolized by the class which wields economic, political, and social power. All the transfer schemes – from the relief packages offered after a natural calamity such as floods to the distribution of grains through Public Distribution System to rural credit under special packages for promoting income-generating activities – come to be monopolized by them. Those in the upper strata of a highly unequal agrarian structure, in which the local leaders, prominent landowners and officials are allies, come to exercise monopoly control over all income transfer schemes. They control transfer of these schemes and are able to transfer these schemes to the poor, not based on the objective criteria of poverty, but based on monopoly price set by them.

### ***5.2.2 The Price in the 'Transfer Market'***

In the 'transfer market', the price that a poor householder pays to 'purchase' the benefit of a transfer scheme consists of many components. The price may consist of (1) an agreement that he/she would work in the agricultural field of the concerned person during the peak season for a wage lower than the going wage rate, (2) an agreement that he/she would vote for their representative in local body elections, (3) readiness to part with a certain percentage of income to which he/she is entitled (in many cases, the poor are made to part with at least 20 percentage of the total

amount), and (4) submission of the poor to those who were 'benevolent' to let them have the benefit of the schemes. These and other components are combined in different proportions depending on particular schemes and situations. If a poor person refuses to pay the price which contains all or some of these elements, he is excluded<sup>180</sup> from the transfer scheme.

There are many subtle ways through which the powerful alliance controls the lives of the poor through the comprehensive control they have over the various income-transfer schemes. The exploiting class not only pockets a lion's share of the income transferred to the poor but also these schemes are used as instruments to strengthen the prevailing agrarian structure. Herein lies the significance of what the poor had to say: "We fail to benefit from transfer schemes, because we are poor".

## 6 Conclusion

The main concern of this chapter was to understand the nature of the failure of the poor to benefit from the public schemes of income transfer to the poor – one of the major strategies of poverty-alleviation programme in India. To do this, the enquiry concentrated on understanding the reasons suggested by the poor for their failure to benefit from the schemes. The most outstanding reason suggested by them was that they fail to benefit from the schemes because they were poor. This implied that their inability to benefit from these schemes is integral to their poverty-experience.

The policy to transfer income to the poor is indeed very important for the poor. However, that in itself, as the chapter reveals, does not ensure that the benefit reaches the poor. Socio-economic and political empowerment of the poor is vital for ensuring that the poor benefit from the schemes. As suggested elsewhere in this chapter, the highly inegalitarian agrarian structure needs to be altered in favour of the poor as an important step towards their empowerment.

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<sup>180</sup> For example the *Saday* community in Khangaon is entitled to the '*antyodaya*' programme. However, the *Panchayat mukhiya* who hails from the same village refused to forward their names for two reasons: (1) they did not vote for him in the elections (he won the election, however) and (2) some of them did not work in his field in the previous year.

## **CHAPTER VII**

### **AGRARIAN STRUCTURE–RURAL POVERTY NEXUS**

#### **1 Introduction**

The study defined poverty on the basis of the articulations of the poor. The study then analyzed poverty in the sample population with respect to the three evaluative 'spaces' of poverty. In doing so, it examined the characteristics of the poor in the sample and analyzed the relationship of poverty with land relations, labour relations, credit relations, and transfer relations. In brief, the study examined a number of indicators of poverty, spreading across the three evaluative 'spaces' of poverty.

However, we may note that the analysis of poverty carried out in the analytical chapters had employed the conventional methods of identifying and aggregating poverty, even though we had defined poverty in three interrelated 'spaces'. The study so far has neither identified poverty nor estimated poverty in line with the definition of poverty that incorporates the three 'spaces' of poverty. It was thought that conventional methods of identifying and aggregating poverty provide a reasonable starting point to identify certain crucial indicators of poverty manifestations in the three 'spaces' of poverty. Moreover, we had primarily used HCR of capability-poverty in our analysis. That is, the people themselves had identified the poor and the analytical chapters went about identifying the characteristics of those who have been identified as poor by the people. At the end of this analysis, we have a set of indicators of poverty that spread over across the three evaluative 'spaces'. Having identified the indicators of poverty that spread over across the three 'spaces', now it is the task of the study to create a composite index of rural poverty, incorporating the indicators of poverty in the three 'spaces'.

The discussion in this chapter is based on the composite index of poverty. On the basis of the composite index of poverty, the chapter examines the variation in the nature of poverty across the sample villages and certain socio-economic groups. The

chapter also points out that the nature of poverty in the sample villages is shaped by the nature of agrarian power structure in the respective villages.

## **2 Composite Index of Rural Poverty**

The composite index of rural well-being/poverty is a combination of three indices, namely, the index of physical well-being, the index of agrarian power structure and the index of social relations. Each of these three indices is created by using certain indicators of poverty manifestation in the respective 'spaces' and reflects the level of well-being/poverty in the respective 'spaces'.

It is pointed out at the very outset that the indicators and method used in this study to create the composite index of rural well-being/poverty is only exploratory. It suffers from many limitations. First of all, the poverty indicators of each of the three 'spaces' need not be the best of indicators of the respective 'spaces'. Second, there is no benchmark to suggest what are the indicators of poverty in each of the 'spaces' or what is the threshold value of each indicator. Third, the index is created not by using the actual values of the indicators, but by ranking the households for each of the indicators. These limitations notwithstanding, it is an important step towards making the academic exercises to identify and aggregate poverty better capture the experiential content of poverty as found in the articulations of the poor.

The index of physical well-being evaluates the level of well-being that households have achieved in the physical plane. On the basis of their income, housing, access to safe drinking-water, etc., this index evaluates if individual households have achieved a minimum level of physical well-being. The index of agrarian power structure, on the other hand, evaluates the resource-base of individual households. This index partially reflects individual households' capability to achieve different levels of well-being. Finally, the third index – index of social relations – evaluates the character of social relations that the households engage in, for converting their resources into consumption bundles. This index also partially reflects the capability of individual households to achieve different levels of well-being.

Certain selected indicators of each of the three 'spaces' of poverty have been used to create the above mentioned three indices. The classification of households as poor or as non-poor on the basis of the per capita income<sup>181</sup> and the households' access to certain basic amenities, such as housing, safe drinking-water and sanitation facilities have been considered as the indicators of the 'space' of physical well-being and hence these indicators have been used to create the index of physical well-being.

Land and the pattern of its distribution is the single most important indicator of the households' position in the agrarian power structure. However, besides this, a few other indicators have also been selected for the purpose of creating the index of agrarian power structure. They include (1) the caste status of households, (2) the current value of livestock owned by households, (3) the current value of farm machinery owned by households, (4) the education of the heads of households, and (5) whether or not the heads of households are in government service.

And finally, the index of social relations has been created from certain indicators of labour relations and informal credit relations. Labourers' freedom to choose their employers and households' involvement in the informal credit market are the two important indicators used to create the index of social relations. For more about the chosen indicators and the methodology employed in creating the indices, one may refer to the chapter on methodology.

### **3 Variation in the Nature of Poverty**

This section examines the village-level variation in the nature of poverty. For this purpose, households were classified into four different levels of well-being on the basis of the values of the indices corresponding to each individual household. The value of each index ranges from 0 – 0.25 for the first level of well-being; 0.26 – 0.50 for the second level; 0.51 – 0.75 for the third level and 0.76 – 1.0 for the fourth level.

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<sup>181</sup> We consider, for our purpose here, that the HCR of Income poverty is an indicator of this 'space' of poverty. Since income poverty is estimated from the per capita income or consumption, it can be considered as an indicator of the level of physical well-being that a household is capable of achieving. We discount, here, the interpersonal variations in the conversion of income into achieved functionings.

For the purpose in this chapter, the poor are demarcated on the basis of the value of the indices. In the 'space' of physical well-being, the poor are defined as those who are in the first and the second lowest levels of physical well-being. That is, the poor are those for whom the value of physical well-being index is either 0.5 or less than 0.5. Similarly, in the 'spaces' of agrarian power structure and social relations, the poor are those for whom the values of agrarian power structure index and social relations index are either 0.5 or less than 0.5. On the basis of the composite index of poverty which combines all the three 'spaces', the poor are those for whom the index value is either 0.5 or less than 0.5.

What is the rationale for choosing 0.5 as the threshold minimum value to demarcate the poor from non-poor? The respective index value of all the three 'spaces' is the mean value of indices of chosen indicators of the respective 'spaces'. Hence, taking into consideration how households are ranked for the chosen indicators of a 'space', it was thought that an index value of more than 0.5 would suggest that the household has achieved a level of well-being in which the glaring manifestations of poverty such as total resourcelessness, per capita income lower than, say, poverty line income, frequent borrowings for consumption, and so on are absent.

### **3.1 The Number of the Poor**

Table 7.1 gives the percentage of households in the four different levels of well-being. According to the data in the Table, the performance of all the four villages is more or less similar in the 'space' of physical well-being. For example in the 'space' of physical well-being, 36.7 per cent in Khangaon, 36 in Bargoria, 40.2 in Kurmava and 44.3 in Ilra are poor. Although the percentages of the poor in these villages do not vary considerably, one may note that the Madhubani villages have less poor than the Gaya villages in the 'space' of physical well-being.

It can be noted from the Table that among all the three 'spaces', it is in the 'space' of agrarian power structure that the performance of all the four villages the most appalling. The vast majority of households in all the four villages are poor in the 'space' of agrarian power structure. According to the index of agrarian power



structure, 81.5 per cent households in Khangaon, 68 per cent in Bargoria, 79.2 per cent in Kurmava and 73.1 per cent in Ilra are poor. For the whole sample, 75 per cent are poor in the 'space' of agrarian power structure. This suggests that a vast majority of households either do not have access to resources or have only abysmally low access. This is an important dimension of poverty in these villages.

Table 7.1: Percentage of Households in Different Levels of Well-being

The 3 'Spaces'	Levels of Well-being	Percentage of HH in Four Different Levels of Well-being				
		Madhubani Villages		Gaya villages		All HH
		Khangaon	Bargoria	Kurmava	Ilra	
Physical Well-being	0.00 – 0.25	01.1	08.0	12.7	10.3	08.3
	0.26 – 0.50	35.6	26.0	27.5	34.0	30.6
	0.51 – 0.75	26.4	51.0	37.3	33.0	37.3
	0.76 – 1.00	36.8	15.0	22.5	22.7	23.8
Agrarian Power Structure	0.00 – 0.25	52.9	44.0	29.7	44.1	42.1
	0.26 – 0.50	27.6	24.0	49.5	29.0	32.9
	0.51 – 0.75	14.9	25.0	17.8	21.5	20.0
	0.76 – 1.00	04.6	07.0	03.0	05.4	05.0
Social Relations	0.00 – 0.25	26.5	33.0	00.0	10.3	17.1
	0.26 – 0.50	20.7	09.0	00.0	19.6	11.9
	0.51 – 0.75	10.3	09.0	08.8	09.3	09.3
	0.76 – 1.00	42.5	49.0	91.2	60.8	61.7
All 3 'Spaces' Combined	0.00 – 0.25	25.3	27.0	00.0	17.5	17.1
	0.26 – 0.50	26.4	21.0	32.4	23.7	25.9
	0.51 – 0.75	11.5	12.0	34.3	29.9	22.3
	0.76 – 1.00	36.8	40.0	33.3	28.9	34.7

Source: Computed from primary data

The only remarkable variation in the 'space' of agrarian power structure is the case of Kurmava. It has the least percentage of households in the first lowest level of well-being. This can be better appreciated when seen in conjunction with certain other characteristics of this village to which references have already been made. The sample from Kurmava has a high percentage of SC population. Caste status being one of the six chosen indicators for the creation of the index of agrarian power structure, there should have been a greater percentage of households in the lowest level of well-being. However, the impact of caste status of a household on the index of agrarian

power structure has been countered by the influence of another indicator, namely ownership of land. A good number of SC households in Kurmava own land.

Now, consider the third 'space' – the 'space' of social relations. In this 'space', the Madhubani villages differ considerably from the Gaya villages. The percentage of the poor is higher in Madhubani than in Gaya. According to the index of social relations, 47.2 per cent households in Khangaon and 42 per cent of households in Bargoria are poor and a majority of them is in the lowest level of well-being. On the other hand, the poor constitute only 29.9 per cent of the sampled households in Ilra. And, Kurmava has no poor at all. For the whole sample, 29 per cent are poor.

It is good to keep in mind, at this juncture, that the success or the failure of individual households in converting their resources into a set of valuable 'functionings' depends on the character of social relations. It is about the entitlement mapping facing them. The above figures, therefore, imply that the households in Gaya villages, particularly in Kurmava village, have more favourable social relations. In fact, Kurmava does exceptionally well in the 'space' of social relations. It is not only that there is no household, which is poor in the 'space' of social relations, but also that 91.2 per cent of the households are in the highest level of well-being. The more equitable the agrarian power structure, the more favourable would be the social relations to those at the bottom of the agrarian power structure.

Table 7.1 also gives the classification of households based on the composite index of rural well-being/poverty, which is a combination of the indices pertaining to the three evaluative 'spaces' of poverty. Much variation can be noticed between the villages from Madhubani and Gaya. The percentages of households in the first and the second lowest levels of rural well-being are lower in the Gaya villages than in the Madhubani villages. According to the composite index of rural well-being, 25.3 per cent of households in Khangaon and 27 per cent in Bargoria are in the lowest level of rural well-being. In Ilra, there are only 17.5 per cent of the households in the lowest level of rural well-being and in Kurmava; there is no household in the lowest level of rural well-being. The poor constitute 51.7 per cent of the households in Khangaon, 48 per

cent in Bargoria, 32.4 per cent in Kurmava and 41.2 per cent in Ilra. For the whole sample, 43 per cent are poor.

### **3.2 The Poor and Certain Socio-Economic Groups**

Table 7.2 gives the percentages of the poor among SCs and agricultural labourers. It is remarkable that only a small percentage of SC and agricultural-labour households are in the lowest level of physical well-being. In this 'space', the percentage of the poor among the SC and agricultural-labour households is less in the Madhubani villages than in the Gaya villages. According to the index of physical well-being, 36.1 per cent SC and 41.9 per cent of the agricultural-labour households in Khangaon; 29 per cent SC and 30.7 per cent of the agricultural-labour households in Bargoria; 47.3 per cent SC and 35.7 per cent of the agricultural-labour households in Kurmava and 42.6 per cent SC and 48.1 per cent of the agricultural-labour households in Ilra are poor.

The 'space' of the agrarian power structure is the most crucial 'space' among the three 'spaces' in assessing the households' susceptibility to poverty. Therefore, it is important to evaluate how they have fared in this 'space'. The data in the Table presents a very appalling situation. A huge majority of the SC and agricultural-labour households are poor in the 'space' of agrarian power structure. Except for a small percentage of SC and agricultural-labour households, all of them are either in the first or in the second lowest levels of well-being in the 'space' of the agrarian power structure. As the figures in the Table indicate, 97.2 per cent SC and 100 per cent of the agricultural-labour households in Khangaon; 92.1 per cent SC and 93 per cent of the agricultural-labour households in Bargoria; 91.2 per cent SC and 96.3 per cent of the agricultural-labour households in Kurmava and 89 per cent SC and 93.5 per cent of the agricultural-labour households in Ilra are either in the first or the second lowest levels of well-being. That is, according to the definition of poor used in this chapter, nearly one hundred per cent SC and agricultural labourers are poor in this most crucial 'space' of poverty.

Table 7.2: Levels of Well-being

Percent of Households

'Spaces'	Socio-Eco. Groups	Levels of Well-being	HH in Four Different Levels of Well-being				
			Madhubani		Gaya		All HH
			1	2	3	4	
Physical Well-Being	SC	0.00 – 0.25	00.0	05.3	14.0	9.3	8.1
		0.26 – 0.50	36.1	23.7	33.3	33.3	31.9
		0.51 – 0.75	30.6	44.7	36.8	31.5	35.7
		0.76 – 1.00	33.3	26.3	15.8	25.9	24.3
	AL	0.00 – 0.25	00.0	5.1	21.4	11.1	13.9
		0.26 – 0.50	41.9	25.6	14.3	37.0	31.5
		0.51 – 0.75	19.4	41.0	35.7	22.2	29.7
		0.76 – 1.00	38.7	28.2	28.6	29.6	31.5
Agrarian Power Structure	SC	0.00 – 0.25	83.3	76.3	47.3	70.4	67.0
		0.26 – 0.50	13.9	15.8	43.9	16.6	24.4
		0.51 – 0.75	02.8	7.9	8.8	13.0	8.6
		0.76 – 1.00	00.0	0.0	0.0	0.0	0.0
	AL	0.00 – 0.25	100.0	79.5	35.7	92.6	82.9
		0.26 – 0.50	00.0	12.8	57.1	3.7	12.6
		0.51 – 0.75	00.0	7.7	7.1	3.7	4.5
		0.76 – 1.00	00.0	0.0	0.0	0.0	0.0
Social Relations	SC	0.00 – 0.25	44.4	57.8	0.0	18.5	25.9
		0.26 – 0.50	33.3	7.9	0.0	29.6	16.8
		0.51 – 0.75	11.1	13.2	10.5	9.4	10.8
		0.76 – 1.00	11.2	21.1	89.5	42.5	46.5
	AL	0.00 – 0.25	64.5	59.0	0.0	25.9	45.0
		0.26 – 0.50	35.5	7.7	0.0	37.0	21.6
		0.51 – 0.75	00.0	12.8	14.3	11.2	9.0
		0.76 – 1.00	00.0	20.5	85.7	25.9	24.3
All 3 'Spaces' Combined	SC	0.00 – 0.25	52.8	47.4	0.0	31.5	29.2
		0.26 – 0.50	36.1	26.3	56.1	31.5	38.9
		0.51 – 0.75	8.3	18.4	42.1	29.6	27.0
		0.76 – 1.00	2.8	7.9	1.8	7.4	4.9
	AL	0.00 – 0.25	61.3	46.2	0.0	40.7	43.2
		0.26 – 0.50	38.7	28.2	28.6	37.0	33.3
		0.51 – 0.75	0.0	17.9	64.3	18.5	18.9
		0.76 – 1.00	0.0	7.7	7.1	3.8	4.5

Source: Computed from primary data

Notes: SC: Scheduled castes; AL: Agricultural labourers; 1: Khangaon; 2: Bargoria; 3: Kurmava; 4: Ilra.

The condition of the SC and the agricultural-labour households in the 'space' of the agrarian power structure is better in Kurmava than in the other villages. When

Kurmava has only 47.3 per cent of SC and 35.7 per cent of the agricultural-labour households in the lowest level of well-being, Khangaon has 83.3 per cent SC and 100 per cent of agricultural-labour households in the lowest level of well-being. The corresponding percentages for Bargoria are 76.3 and 79.5 and for Ilra 70.4 and 92.6. It can also be observed that the condition of the scheduled castes as a group is slightly better than that of the agricultural labourers as a group, although the vast majority of agricultural labourers come from the scheduled castes.

Moving to the 'space' of social relations, it is noted that there are no poor among the SC and agricultural-labour households in Kurmava. On the other hand, 77.7 per cent SC and cent per cent of agricultural-labour households in Khangaon and 65.7 per cent SC and 66.7 per cent of the agricultural-labour households in Bargoria are poor. Compared to the Madhubani villages, Ilra has a lesser number of them who are poor. The character of social relations facing the SC and the agricultural labour households in the Gaya villages is far better than that in the Madhubani villages.

The composite index of rural well-being, which combines all the three 'spaces' of poverty also suggests that the condition of the SC and the agricultural-labour households is far better in Kurmava than that in the other villages. In Kurmava there are no households in the lowest level of well-being. In the second lowest level of rural well-being, there are 56.1 per cent SC and 28.6 per cent agricultural labour households in Kurmava. That is, according to the composite index of rural well-being/poverty, 56.1 per cent of SC and 28.6 per cent of the agricultural-labour households are poor in Kurmava. On the other hand, 88.9 per cent SC and cent per cent of the agricultural-labour households in Khangaon; 73.7 per cent SC and 74.4 per cent of the agricultural-labour households in Bargoria and 63 per cent SC and 77.7 per cent of the agricultural labourers in Ilra are poor. Moreover, a majority of them are in the lowest level of well-being.

The situation of both the SC and the agricultural-labour households in the sample villages is quite startling. On the positive side, a good majority of them are non-poor in the 'space' of physical well-being. However, when the resource base and the

character of social relations facing them are also included into what constitutes poverty, the vast majority of them become poor. A more equitable agrarian power structure and the better character of social relations in Kurmava enable a larger percentage of the SC and the agricultural-labour households to be non-poor.

### 3.3 The Mean Well-being Achieved by Households

The discussion thus far focused primarily on counting the poor in the sample population. It is equally important to examine the level of well-being the households have been able to achieve in the three different evaluative 'spaces' of poverty and to highlight the village-level variation in this regard.

Table 7.3 gives the mean well-being of all the sample households, the poor and the non-poor, the SC and the agricultural-labour households in the four villages. In the 'space' of physical well-being, one does not observe much variation across the villages and across the socio-economic groups considered. The mean level of well-being achieved by all the sample households and the SC and the agricultural-labour households in each village varies only marginally. Secondly, the mean physical well-being for all the sample households and for the SC and the agricultural-labour households is above 50 per cent. For example the mean physical well-being for all the sample households in Khangaon is 0.64. It is 0.65 for both the SC and the agricultural-labour households in this village<sup>182</sup>. According to the mean index of physical well-being, the Madhubani villages are better than the Gaya villages.

The mean physical well-being of the poor and the non-poor does not vary much across the villages. However, there is much variation in the mean physical well-being of the poor and the non-poor in all the four villages. As the Table suggests, the mean

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<sup>182</sup> A remark may be in order. In some cases, the mean index of physical well-being is greater for the SC and agricultural-labour households than for the village sample as a whole. This discrepancy arises from two factors. In the first place to create the index of physical well-being, only the bare minimum indicators of physical well-being were considered, namely if a household has the official poverty-line income, if a household has access to safe drinking-water and if the residential building is *pucca*, *semi-pucca* or *Katcha*. Secondly, the one room building under the *Indira Awas Yojana* (IAY) was considered as *pucca* house. The SC and the labourer households are the main beneficiaries of this scheme. The non-concrete residential building, though far superior to the one-room building built under IAY, was considered as *Katcha*. This has influenced the values of the physical well-being index.

The severity of deprivation in the 'space' of the agrarian power structure is more pronounced in the case of the SC and the agricultural labour households. The mean well-being for the SC and the agricultural-labour households in the sample villages is less than that for the entire sample in each village. The mean well-being of the poor in the 'space' of agrarian power structure is also abysmally low. It is 0.19 in Khangaon, 0.24 in Bargoria, 0.28 in Kurmava and 0.26 in Ilra. The mean well-being of the non-poor in the 'space' of the agrarian power structure is 3.5 times higher in Khangaon; 2.8 times higher in Bargoria; 2.2 times higher in Kurmava; and 2.5 times higher in Ilra. The poor in Gaya villages have a greater mean well-being in the 'space' of the agrarian power structure than in Madhubani villages.

The Table suggests that the character of the social relations is far better in Kurmava than in the other sample villages. The mean well-being of the sample households in Kurmava in the 'space' of the social relations is 0.89. It is 0.87 for the agricultural labour households and 0.85 for the SC households in this village. The mean well-being of the sample households in Khangaon, Bargoria and Ilra is less than that in Kurmava. This is particularly so in the case of the SC and the agricultural-labour households in these villages. For example, the mean well-being of the agricultural-labour and the SC households in Khangaon is only 0.21 and 0.29 respectively. The mean well-being of the SC and of the agricultural-labour households in Ilra, though less than that in Kurmava, is more than that in Madhubani villages. The mean well-being of the poor in the 'space' of social relations is very low in all the villages, except in Kurmava. In Kurmava, there is nobody who is poor in the 'space' of social relations. The mean well-being in the 'space' of social relations is 0.25 in Khangaon, 0.20 in Bargoria, and 0.45 in Ilra.

According to composite index of rural well-being/poverty given in the Table, the Gaya villages, particularly Kurmava, are far better than the Madhubani villages. The mean index of rural well-being is 0.63 for the whole sample households in Kurmava. It is 0.56 for the agricultural-labour households and 0.52 for the SC households in this village. Although the mean index of rural well-being attained by the whole sample households in Khangaon and Bargoria is not much less than that in Kurmava, the

mean index of rural well-being for the SC and the agricultural-labour households in these villages is much less than that in Kurmava. In Khangaon, it is only 0.21 for the agricultural-labour households and 0.29 for the SC households. It is 0.32 for both the SC and the agricultural-labour households in Bargoria. Except in Kurmava, the over-all mean well-being of the poor is very low. It is 0.26 in Khangaon; 0.23 in Bargoria; 0.44 for Kurmava, and 0.29 for Ilra. On the other hand the over-all well-being of the non-poor is very high in these villages.

Form the above examination a clear picture emerges. First, in the 'space' of physical well-being, Madhubani villages have less poverty than the Gaya villages. On the other hand, in the 'space' of agrarian power structure and in the 'space' of social relations, the Gaya villages have much less poverty than the Madhubani villages. As a result, households – including SC and agricultural-labour households – attain greater overall well-being in the Gaya villages than in the Madhubani villages. Second, it is in the 'space' of the agrarian power structure that the poverty is deeply embedded. Resourceless forms the core of the experience of poverty.

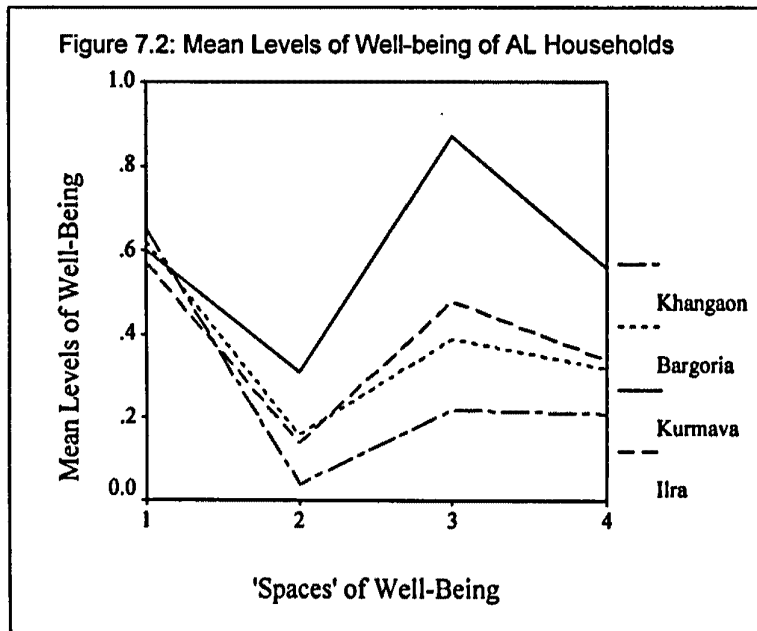
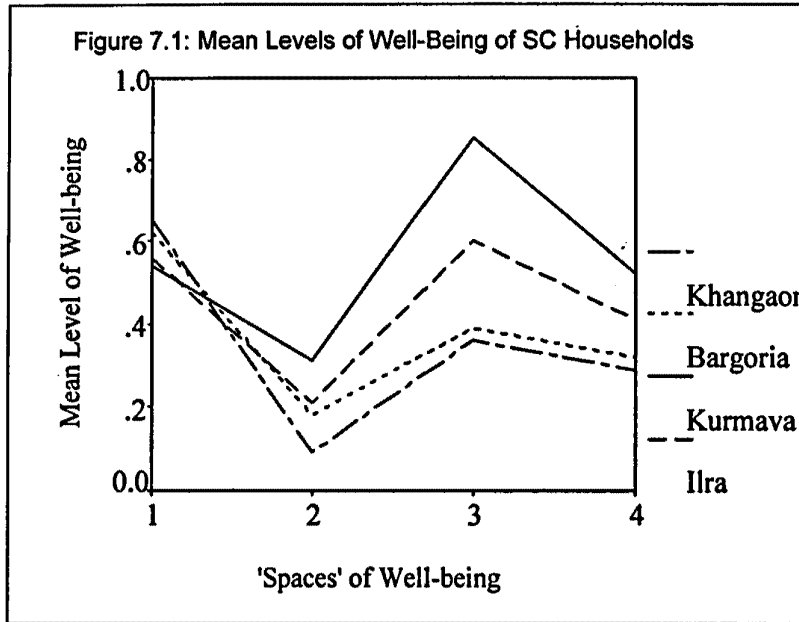
### **3.4 Variation in Poverty: A Diagrammatic Presentation**

The observed variation in the nature of poverty across the sample villages and across the socio-economic groups is better captured diagrammatically. Figure 7.1 depicts how the sample villages vary with respect to poverty among the SC households in the different 'spaces'. Figure 7.2 depicts the same for the agricultural-labour households. Figures 7.3a, 7.3b, 7.3c and 7.3d depict the variation in poverty across the socio-economic groups in each of the four villages.

It can be observed from Figure 7.1 that the shape of the graph pertaining to each village is almost similar. That is, generally, the mean well-being of SCs is the highest in the 'space' of physical well-being and the lowest in the 'space' of the agrarian power structure. The mean well-being of SCs in the 'space' of social relations is generally – Kurmava is an exception – less than that in the 'space' of physical well-being and more than that in the 'space' of the agrarian power structure. In the 'space'



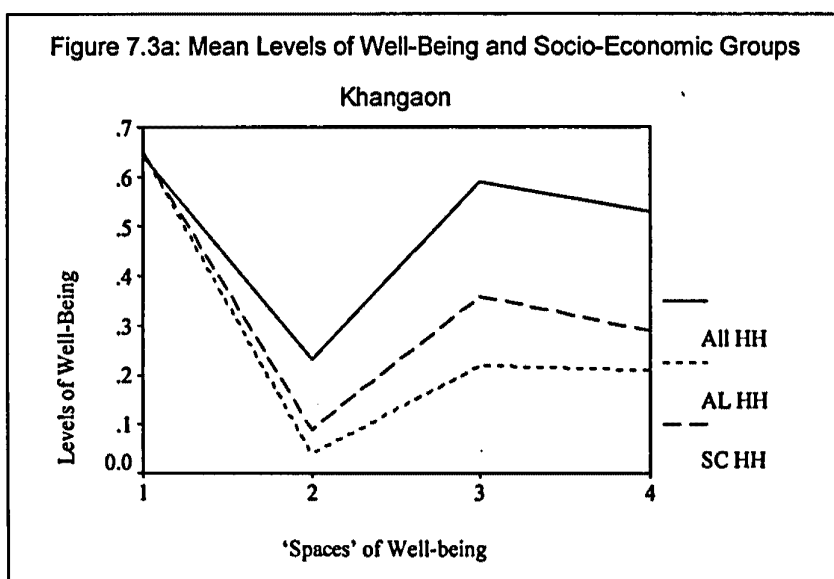
of the agrarian power structure and the 'space' of social relations Kurmava is on the top, followed by Ilra. Khangaon is at the bottom.



*Note (for Figures 7.1 and 7.2):* 'Spaces' of Well-being: 1 – 'space' of physical well-being; 2 – 'space' of agrarian power structure; 3 – 'space' of social relations; 4 – three 'spaces' combined

Figure 7.2 depicts variation in poverty among the agricultural labourers in the villages. It is observed that the pattern of variation in the levels of well-being of agricultural-labour households is similar to that of the SC households.

Figures 7.3a to 7.3d depict the variation in poverty across all the sample households, the SC and the agricultural-labour households, in each of the four sample villages. The Figures show that poverty varies considerably among the three groups considered. They also show that the pattern of variation of poverty among these three groups differs from village to village.



The mean well-being attained by all the sample households, SC households and the agricultural-labour households, vary considerably in the case of Khangaon as shown in Figure 7.3a. The mean well-being of the SC and the agricultural-labour households in the 'spaces' of the agrarian power structure and social relations is much less than that of all the sample households. The overall well-being of these two groups is also much less than that of all the sample households. Similarly, the mean well-being of agricultural-labour households is less than that of the SCs.

As in the case of Khangaon, in Bargoria too, the mean well-being of all the sample households is much higher than that of the SC and of the agricultural labour

households in all the 'spaces' of poverty (Figure 7.3b). However, unlike Khangaon, the mean well-being of the SC and of the agricultural labourers does not vary much as in the case of Bargoria. The graphs showing their well-being are almost similar.

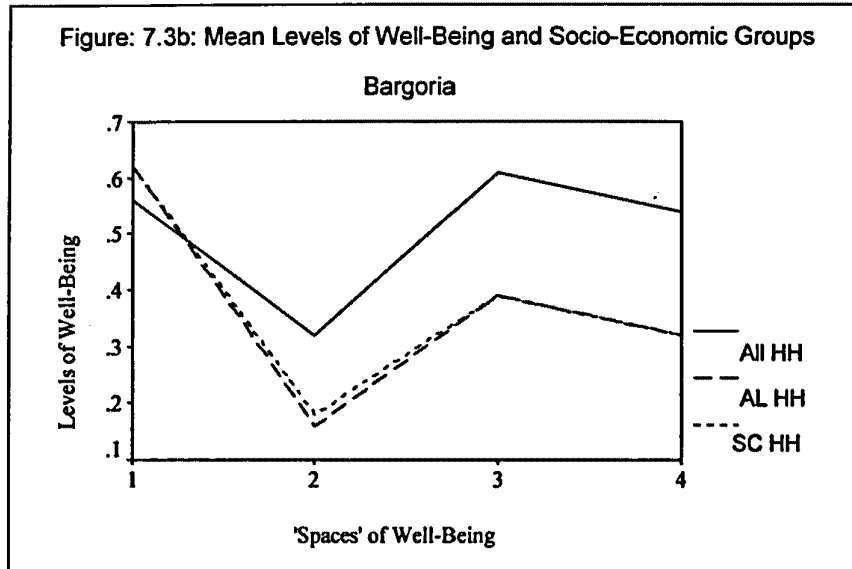
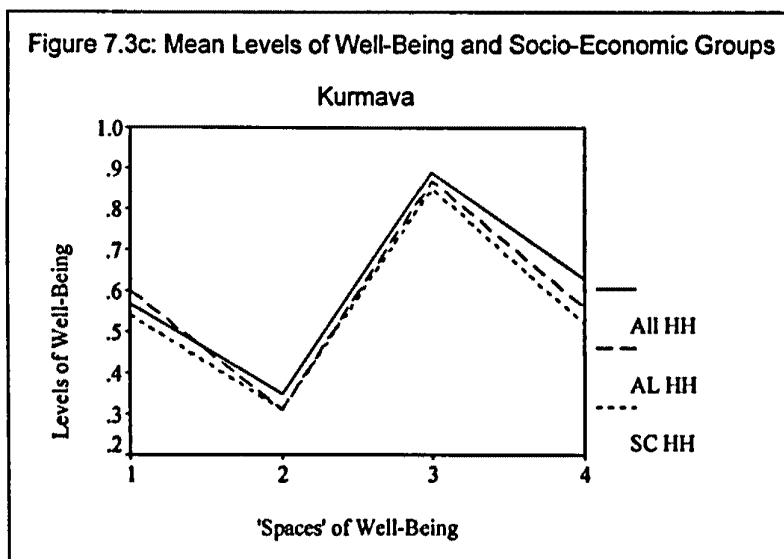
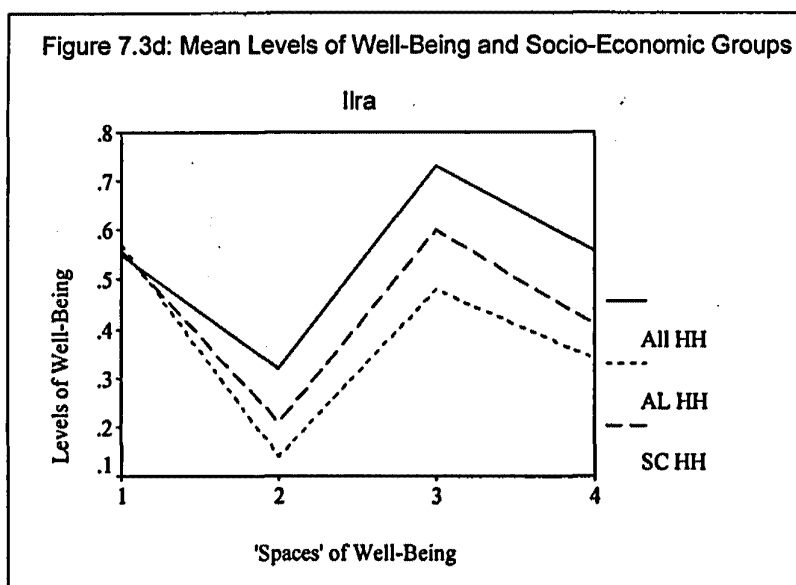


Figure 7.3c depicts a different picture for Kurmava. The graphs showing the well-being of the three groups in the different 'spaces' of poverty are very close to one another. The graphs showing the mean well-being of all the sample households, SC households, and agricultural-labour households are pretty close to one another.



In Ilra, as Figure 7.3d shows, the mean well-being of all the sample households, of the SC households and of the agricultural-labour households, do vary from one another, but not as much as in Khangaon and Bargoria. The graph pertaining to all sample households is on the top, followed by the graph pertaining to the SC households. The graph pertaining to the agricultural-labourers is at the bottom.



A few comments may be in order before the discussion on variation in the nature of poverty is concluded. First, the general trend in all the four villages, particularly in the case of the SC and the agricultural labour households, is that the experience of poverty is the most concentrated in the 'space' of the agrarian power structure among all the three 'spaces' of poverty considered. Following this, it is in the 'space' of social relations that households' experience of poverty is concentrated.

Second, when it is said that poverty in Kurmava is less in terms of the composite Index of Well-being, it does not imply that the situation in Kurmava is better than in the other villages with respect to all the three constitutive 'spaces' of poverty. Kurmava may be worse off than, say, Khangaon or Bargoria with respect to the 'space' of the physical level of living indicated by the corresponding index. Similarly, when it is said that poverty is very high in Khangaon or in Bargoria, it does not imply that they are worse off with respect to all the three 'spaces' of poverty. These villages

are better off than Kurmava with respect to the level of physical living as suggested by the index of physical well-being.

Third, poverty is most severe among the agricultural labourers. Agricultural labourers as a group experience severer poverty than the SC households as a group especially in the 'space' of the agrarian power structure and in the 'space' of social relations. In fact, the scheduled castes swell the ranks of agricultural labourers. All the same, it is instructive to take note of what it indicates. To be an agricultural labourer is more a defining character of rural poverty than to be of a scheduled caste, though both are defining characteristics of poverty in the sample villages.

## 4 Some Important Manifestations of Poverty

This section highlights some important manifestations of rural poverty. Some of these manifestations of poverty have already been discussed in other chapters. However, it is not only important but instructive as well to revisit some of those manifestations of rural poverty, after having classified the households as poor and as non-poor on the basis of the composite index of poverty.

### 4.1 Landlessness and Rural Poverty

To begin with, Table 7.4 gives the percentage of households from each agrarian class at different levels of well-being.

Table 7.4: Agrarian Classes and Levels of Well-being

Agrarian Classes	Percentage of Households From Each Agrarian Class at Different Levels of Well-being			
	1	2	3	4
Landless	45.9	42.9	9.2	2.0
Marginal	16.0	34.4	32.1	17.6
Small	0.0	20.0	30.0	50.0
Semi-Medium	0.0	0.0	28.1	71.9
Medium	0.0	0.0	5.9	94.1
Large	0.0	0.0	0.0	100.0

*Source:* Computed from primary data

*Notes:* 1: Lowest Level; 2: Second Lowest Level; 3: Second Highest Level; 4: Highest Level.

The Table suggests that 45.9 per cent landless households are at the first lowest level of well-being. Another 42.9 per cent of them are at the second lowest level of well-being. This implies that 88.8 per cent of the landless households are poor. The marginal farmers seem to be less vulnerable to poverty than the landless. There are only 16 per cent of them at the lowest level of well-being. However, 34.4 per cent of them are at the second lowest level of well-being. This implies that 50.4 per cent of them are poor. Among the households with small landholdings, 20 per cent are poor, although none of them are at the first lowest level of well-being. According to the Table, 71.9 percentage of the households with semi-medium landholdings, 94.1 per cent of the households with medium landholdings and cent per cent households with large landholdings are at the highest level of well-being.

It is clear from the above data that the households' accessibility to land has an overwhelming influence on their ability to achieve higher levels of overall well-being. In the sample villages, poverty, therefore, is primarily a phenomenon among the landless and to a lesser extent among the marginal farmers. These figures suggest that landlessness or near landlessness is a manifestation of rural poverty.

#### **4.2 Food-Grains Deficiency and Rural Poverty**

As has already been highlighted, having access to sufficient foodgrains within the process of production and thus reducing the dependence on market for foodgrains is important for the poor to maximize their well-being. The information in the second column in Table 7.5 suggested that foodgrains received by 39.4 per cent of the households at the lowest level and 33.3 per cent of the households at the second lowest level of well-being is less than what is required for their consumption by 75 per cent or more. The foodgrains received by another 34.8 per cent and 32.3 per cent of the households at the first and the second lowest level of well-being is less than the requirement by 50 per cent to 74 per cent. That is, 74.2 per cent and 65.6 per cent of the households at the first and the second lowest levels of well-being do not receive, from their engagement in production, even 50 per cent of the foodgrains required for their consumption. This implies that their dependence on the market for food-grains is

severe, which accentuates their vulnerability. Only 01.5 per cent of the households at the first lowest level of well-being and 11.1 per cent at the second lowest level of well-being receive foodgrains sufficient for their consumption.

Table 7.5: Some Indicators of Food-Grain Security  
Percentage of Households

Particulars		Levels of Well-being			
		1	2	3	4
How many days Grain-Stock Do you usually have:	< 5 days	24.2	10.0	1.2	0.0
	5-10 days	40.9	18.0	2.3	0.0
	>10 days	34.9	72.0	96.5	100.0
Food-Grain-Deficiency (Percentage of the total Requirement)	≥ 75 %	39.4	33.3	0.0	0.0
	50 – 74 %	34.8	32.3	10.3	0.0
	49 – 25 %	18.2	18.2	20.9	0.0
	≤ 24 %	6.1	5.1	22.3	5.9
	No Deficit	1.5	11.1	46.5	94.1
If Rs. 100 given to you over and above your income, what would you spend it for:	Food	25.8	18.0	9.3	0.0
	Non-Food	15.2	37.0	66.3	89.6
	Both	59.1	45.0	24.4	10.4

Source: Field Survey

Table 7.5 also reveals that the grain stock of 24.2 per cent of the households at the lowest level of well-being and of 10 per cent of the households at the second lowest level of well-being normally, except during the harvest season, lasts not more than five days. Similarly, for 40.9 per cent of the households at the lowest level of well-being and 18 per cent of the second lowest level of well-being, the grain stock lasts not more than 10 days. This implies that if these households do not find regular employments, they fail to meet their food-grain requirements. The insufficient stock of foodgrains makes these households vulnerable to exploitation in the labour and credit markets. The vulnerability arising from lack of food-grain stock adversely affects the bargaining power of the labourers vis-à-vis the employers. It also affects the bargaining power of the borrower vis-à-vis the lenders.

The households were asked on what they would spend Rs. 100 given to them over and above their yearly income. The third column in Table 7.5 informs that 25.8 per cent of the households at the lowest level of well-being and 18 per cent of the households at the second lowest level of well-being have opined that they would

spend the entire amount on food. Similarly another 59.1 per cent of the households at the lowest level of well-being and 45 per cent of the households at the second lowest level of well-being would spend the amount on both food and non-food items. On the other hand, 66.3 per cent of the households at the second highest level of well-being and 89.6 per cent of the households at the highest level of well-being opined that they would spend the amount on non-food items. This indicates that food is a major concern for the poor.

### 4.3 The Poor and Market Participation

It was shown earlier that 74.2 per cent of the households at the lowest level of well-being and 65.6 per cent of the households at the second lowest level of well-being depend on food-grain market for 50 per cent of their food-grain requirements. Table 7.6 gives the percentage of foodgrains sold in the market by the poor and the non-poor. It also gives information on when they sell foodgrains to the market. All households, both the poor and the non-poor, sell food grains to the market. The households at the lowest level of well-being sell 18.1 per cent of the total food grains received from their engagement in production. The households at the second lowest level sell 15.4 per cent of the total food grains received from production.

Table 7.6: The Poor and 'Distress' Sale of Grains

Time of Sale	Per cent HH in Different Levels of Well-being selling Grains				
	1	2	3	4	All
During and Immediately after Harvest	98.4	91.8	58.1	18.2	61.7
When an Emergency need arises	01.6	08.2	41.9	42.4	25.5
When the Price is Favourable	00.0	00.0	00.0	39.4	12.8
Amount of Food-Grains Sold (as a percentage of total foodgrains received by HH from Production)	18.1	15.4	13.5	25.9	19.2

*Source:* Field Study

*Notes:* 1: Lowest Level; 2: Second Lowest Level; 3: Second Highest Level; 4: Highest Level.

According to Table 7.6, 98.4 per cent of the households at the lowest level of well-being and 91.8 per cent of the households at the second lowest level of well-being sell



food grains to the market during and immediately after the harvest. They do so to purchase other items in their food bundle. About 58 per cent of the households at the second highest level of well-being also sell food grains during and immediately after the harvest. On the other hand, 39.4 per cent of the households at the highest level of well-being sell grains to the market when price is favourable and another 42.4 per cent of them sell when there is an emergency. Only 18.2 per cent of them sell grains immediately after the harvest. These figures show that the poor engage in the food-grain market primarily as distress sellers and distress buyers.

#### 4.4 The Poor and Their Income

Table 7.7 gives the mean agricultural and non-agricultural income of households at the four different levels of well-being. The households at the first and the second lowest levels of well-being receive a larger income from non-agricultural sources than from agriculture and allied activities. The contribution of non-agricultural income to the total income is 67.1 per cent for households at the lowest level of well-being and 69.1 per cent for households at the second lowest level.

Table 7.7: Per Capita Income of Those in the Four Different Levels of Well-being  
Mean Income, in Rupees

Particulars of Income	Levels of Well-being			
	1	2	3	4
Per Capita Yearly Agricultural Income	1076.1	1107.2	2322.0	4623.1
Per Capita Yearly Non-Agricultural Income	2200.3	2476.6	3401.1	4636.8
Per Capita Annual Total Income	3278.4	3583.8	5723.1	9259.9

Source: Computed from primary data

Notes: 1: Lowest Level; 2: Second Lowest Level; 3: Second Highest Level; 4: Highest Level.

It can be observed from the Table that the per capita total annual income (mean) of the households at the first and the second lowest levels of well-being is less than the official poverty-line income for the year 2003-2004. The per capita total annual mean income of the households in the lowest level of well-being is Rs. 3, 278.4. The annual mean income of these households is less than the poverty-line income by Rs. 812.76. Similarly, the per capita annual mean income of the households at the second lowest level of well-being is less than the official poverty-line income by Rs. 507.36. The

per capita annual mean income of the households at the highest and the second highest levels of well-being exceed the official poverty-line income by about Rs. 5,168 and Rs. 1, 632, respectively.

#### 4.5 Migration and Consumption Loan among the Poor

Table 7.8 gives the percentage of the households at the four different levels of well-being, having the head of the household migrating to cities, seasonally or non-seasonally, in search of employments. The Table also gives the percentage of the households taking credit from the informal market for the purpose of consumption.

According to the data given in the Table, 41.5 per cent of the households at the lowest level of well-being have the household head migrating to cities for employments. Further, 85.2 per cent of those who have migrated did so only seasonally. Similarly 20.2 per cent households at the second lowest level of well-being have the household head migrating, 55 per cent of which was seasonal.

Table 7.8: Some Miscellaneous Information Concerning Households at Different Levels of Well-being

SL. No	Particulars	Levels of Well-being			
		1	2	3	4
1	Percentage of the Households whose heads had migrated during the survey year	41.5	20.2	23.3	11.3
2	Nature of Migration: Seasonal	85.2	55.0	50.0	26.7
	Non-Seasonal	14.8	45.0	50.0	73.3
3	Percentage of the Households Taking Consumption Loan	100.0	54.0	09.3	00.0

*Source:* Computed from primary data

*Notes:* 1: Lowest Level; 2: Second Lowest Level; 3: Second Highest Level; 4: Highest Level.

The data concerning informal credit is revealing. Cent per cent of the households at the lowest level of well-being and 54 per cent of the households at the second lowest level of well-being have taken credit from the informal market for consumption purposes. This finding is compatible with the findings concerning household income, grain stock and grain deficiency. It has been shown that the vast majority of the households at the first and the second lowest levels of well-being experiences acute

grain deficiency. Their annual income from various sources does not even add up to the official poverty-line income. It was also highlighted that it is important for the poor to find regular employment especially because they do not, except during the harvest season, have grain stock lasting more than a couple of days. '*Kamana hai aur khana hai*' (work and eat) is the common saying among the poor, describing their vulnerability. Hence, during the agriculturally lean season, it becomes very difficult for the poor to make both ends meet. Taking credit from the informal credit market becomes almost a necessity for many households.

The above discussion highlighted some important characteristics of the households at the first and the second lowest levels of well-being, who have been defined as the poor in this chapter. These characteristics point out how appalling are the deprivations and the vulnerability experienced by the poor in the sample population.

## **5 Agrarian Power Structure–Rural Poverty Nexus**

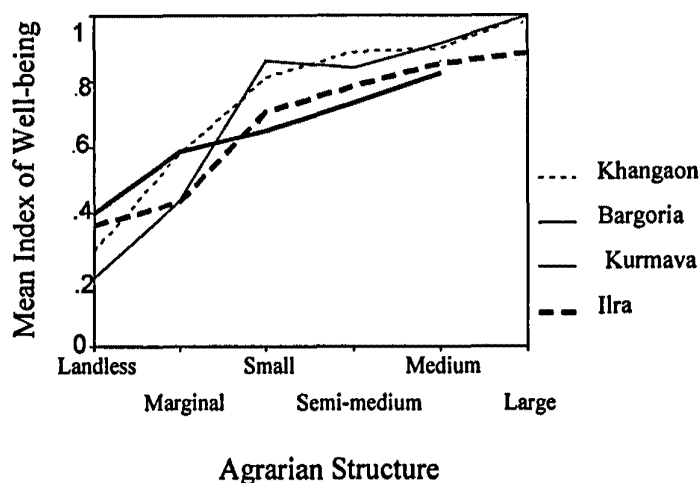
The focus of the discussion thus far has been on the examination of variation in the nature of poverty across the sample villages and across certain socio-economic groups. The examination suggested that among the three different evaluative 'spaces' of poverty, it is in the 'space' of the agrarian power structure that the experience of poverty is the most concentrated. That is, the 'resourcelessness' of the households forms the core experience of poverty. We have already seen that the nature of poverty in Kurmava, where the inequality in the agrarian structure is lesser than in the other villages, is remarkably different in comparison with the other sample villages. The influence of agrarian power structure in influencing the nature of poverty is taken up here for a more elaborate discussion.

### **5.1 The Agrarian Power Structure-Rural Poverty Nexus**

Figure 7.4 depicts the relationship between the value of the Well-being Index for individual households and their respective position in the agrarian power structure. The graphs showing this relationship for each of the four villages suggest that the mean well-being achieved by any agrarian class increases as one climbs up the

agrarian structure. The incremental increase in the well-being as one climbs from the bottom-most class to the top-most class varies from village to village. The increase is quite steep for Khangaon and Bargoria and it is less steep for Kurmava. It can also be noted that the increase in the well-being is quite steep in all the villages till the class of small landholdings; thereafter the increase is less steep.

Figure 7.4: Rural Well-being and Agrarian Power Structure



In Bargoria and Khangaon, the variation in the well-being achieved by those at the bottom and those at the top of the agrarian structure is very high. In Bargoria, the mean well-being of those at the top is 5 times higher than of those at the bottom. Similarly, it is 3.3 times higher in Khangaon. The mean well-being achieved by the landless households in Bargoria is only 0.2, whereas that achieved by those with large landholdings is as high as one. The mean well-being achieved by the landless in Khangaon is 0.3 and by those with large landholdings is as high as one. In Kurmava, on the other hand, the difference is not very high. The mean well-being of those at the top is only about two times higher than the mean well-being of those at the bottom. Those with the marginal landholdings were able to achieve a mean well-being as high as 0.6. In Bargoria, the mean well-being achieved by the marginal farmers is only about 0.4. The situation in Ilra is much similar to that in Kurmava

The minimum and the maximum mean well-being achieved in the Madhubani villages and the Gaya villages also differ considerably. The minimum mean well-being achieved by the landless households in Kurmava is 0.4. This is two times higher than what they have been able to achieve in Bargoria (0.2). The maximum mean well-being achieved by those on the top of the agrarian structure in Kurmava is lower than that in Bargoria. The conclusion that follows is that though some of the households in Bargoria are able to achieve a higher mean well-being (nearly one), many households fail to achieve a minimum mean well-being necessary for a dignified life. Whereas in Kurmava, though the highest mean well-being is lower than that in Bargoria, most of the households are capable of achieving a minimum well-being, which is about two times higher than that in Bargoria.

## **6 Some Lessons**

Before concluding the discussion on the nexus between the agrarian power structure and rural poverty, it is worth one's while to situate the above findings within the general trend that emerges from the recent studies on growth-inequality-poverty nexus. The existing theory, on the one hand confirms that higher agricultural growth greatly reduces rural poverty (Mellor, 2006: 233). Reviewing the recent studies, Mellor (2006) argues that there is "no sign that higher growth rates in India put upward pressure on overall inequality" and that a large number of other studies confirm that growth does not worsen income distribution and, therefore, it does reduce absolute poverty. Ravallion estimated the elasticity of poverty reduction with respect to income for India as -2.2. However, as Mellor shows, the relationship between agricultural growth and poverty "is complex..." (Mellor, 2006: 233).

Ravallion (1997) shows that the high inequality provides a lower growth and even a lower reduction in poverty. The elasticity of poverty reduction with respect to growth declines sharply with increasing inequality. The elasticity of poverty reduction with respect to growth is as high as 3.33 when the Gini Coefficient is as low as 0.25. On the contrary the elasticity is as low as 1.82 when the Gini Coefficient is as high as 0.59. The highly skewed distribution of income from land removes the poverty

reducing effect, and the important wage increasing effect of agricultural growth (Mellor, 2006). Growth per se and for that matter, even the agricultural growth per se, need not enhance the capability of those at the bottom of the pyramidal agrarian structure to achieve a higher level of well-being.

The findings in this chapter reiterate the above points. The mean per capita monthly income in Bargoria is Rs.747.4. It is 2.2 times higher than the poverty-line income (Rs.340.93). In Khangaon, the mean per capita monthly income is Rs. 498.8. This is about one and half times higher than the poverty-line income. On the other hand, the mean per capita income in Kurmava is the lowest. It is only Rs. 326.6, which is less than the poverty-line income by about Rs. 14. Yet, according to the composite index of poverty, the number and the percentages of the poor are much higher in the Madhubani villages than in Kurmava.

The high inequality in the power structure and, consequently, the high inequality in income distribution prevent 'growth' to trickle down to those at the bottom of the agrarian power structure. The majority of the population in the Madhubani villages – those at the bottom of the agrarian power structure – has failed to have access to the general growth or opulence in these villages. When Bargoria has the highest per capita return from cultivation, it has the lowest return for agricultural wage labour. The agricultural labourers and SCs survive at the lowest level of well-being.

## **7 Conclusion**

The incidence and nature of poverty differs from village to village, most fundamentally, in relation to the differences in the prevailing agrarian power structure. The greater the inequality in the agrarian power structure, the lesser the capability of those at the bottom of the structure to achieve a minimum level of living. On the other hand, the lesser the inequality in the agrarian power structure, the greater is the capability of those at the bottom of the structure to benefit from the general opulence in a village and thus to achieve a minimum level of living. The high inequality in Khangaon, Bargoria and even Ilra impaired the capability of those at the

bottom. On the contrary, a relatively low inequality in Kurmava enhanced the capability of those at the bottom to have a higher share in the income in this village.

The study has also pointed out that the agrarian power structure can have direct and indirect influence on rural poverty. The extent of accessibility of the poor to land, on which the agrarian structure in the sample villages rests, directly influences their capability to achieve a minimum level of living. The indirect influence of the agrarian power structure is manifested through its influence on social relations. When the agrarian structure is highly inequitable, the social relations would be highly exploitative. Kurmava is a good example. The less exploitative character of social relations has enabled the poor, the SC, and agricultural-labour households, to attain a higher well-being, although Kurmava has the least per capita income.

The study compared and contrasted the nature of poverty in the four villages with respect to the three 'spaces' of poverty. It was found that one village may be better off with respect to any one of the three 'spaces' and worse off with respect to other two 'spaces' of poverty than another village. Therefore, the strategy to combat poverty would also differ from village to village. In the case of the Madhubani villages and also in the case of Ilra, the focus should primarily be on measures to make the agrarian structure more equitable. On the other hand, in the case of Kurmava, the focus should primarily be on economic development to increase the mean income.

## CHAPTER VIII

### A PARADIGM OF EMPOWERMENT OF THE POOR

#### 1 Introduction

This chapter has two tasks at hand. The first task is to bring together in summary form the detailed analysis in the study that has revealed many dimensions of the nature of poverty in rural Bihar. The second task is to articulate, in broad terms, the programme of action, implied in the study, for combating poverty.

#### 2 The Analytical Foundations

The study, “Dynamics of Agrarian Power Structure and Poverty in Rural Bihar” had been an enquiry into *Why the poor are poor* in rural Bihar. The following assumptions, convictions and hermeneutical perspectives formed the foundation of this enquiry:

- The right of individuals to a life free from poverty is undeniable. Therefore, the primary duty of every social arrangement is that all individuals achieve a life free from poverty.
- Individuals come to be in poverty involuntarily, having failed in all possibilities to prevent it. This implies that the poor are poor because they have been made powerless in a given social arrangement.
- The enquiry into *Why the poor are poor* examines the nature of *powerlessness of the poor* – the *powerlessness* as a result of which they have *failed* to achieve a socially acceptable minimum level of living.
- It is within the existing *network of social relations of production and exchange* that the poor have become powerless. Therefore, the enquiry into *Why the poor are poor* is located within the network of social relations of production and exchange.



In brief, the *powerlessness*, because of which the poor have *failed* to prevent being victims of poverty and the *production-exchange relations* within which they have become powerless formed the focus of the enquiry into *Why the poor are poor*.

### **3 Major Findings of the Study**

The study has brought to focus many important findings. They throw considerable light on many important aspects of rural poverty in the sample villages such as (1) characteristics of rural poverty, (2) land–poverty nexus, (3) character of rural labour and the inherent vulnerability of the labourers to poverty, (4) role of informal credit in accentuating the vulnerability of the poor, (5) the failure of the poor to benefit from the income-transfer schemes, (6) inter-village variation in the nature of poverty on the basis of the composite index of poverty, and (7) the influence of agrarian power structure on the nature of poverty in the sample villages. The major findings are organized under the following thematic headings.

#### **3.1 Meaning of Being Poor**

The study, at its outset, clarified what constitutes the experience of poverty in rural Bihar. In doing so, it let the ‘voices of the poor’ critique the standard definitions of poverty found in the voluminous literature on the subject. The poor identified their experience of poverty in three interrelated ‘spaces’ of their social existence. They identified poverty as: (1) being at the periphery of the agrarian power structure determined by ownership of land; (2) being engaged in social relations of exchange characterized by different degrees of bondage and dependence; and (3) being in want of a minimum bundle of necessities to achieve a socially accepted minimum level of physical living. A little reflection showed that poverty defined as capability failure also locates poverty in the above-mentioned three ‘spaces’. By locating poverty in the above-mentioned three evaluative ‘spaces’ of human well-being, the study has brought the concept of poverty closer to the experiential content of poverty and introduced a uniquely new approach to the study of poverty.

### **3.2 The Major Characteristics of the Poor**

The following are the major characteristics of the poor that the study has found.

- Among the landless, 84 per cent are capability-poor.
- Landless and marginal farmers constitute 85 per cent of the capability-poor.
- The incidence of capability-poverty among the agrarian classes classifies the sample population into three distinct groups: (1) the landless with exceedingly high incidence of poverty, (2) the marginal and small farmers with high incidence of poverty and (3) the semi-medium, medium and large farmers among whom either the incidence of poverty is very low or there is no incidence of poverty.
- Among the agricultural labourers, 76 per cent and among the non-agricultural labourers, 71 per cent are poor. The labourers (agricultural and non-agricultural) constitute 64 % of the total poor in the sample.
- Among the SCs, 66 per cent and among the OBCs 50 per cent are poor. The poor among them constitute 84 per cent of the total poor
- The SC and OBC are distinctly separated from the upper backward castes and the upper castes in terms of incidence, depth, and intensity of poverty.
- Among the illiterates, 68.7 per cent are poor and the illiterate poor constitute 73 per cent of the total poor in the sample. The incidence of poverty classifies the sample population into two distinct groups: (1) the illiterates, with very high incidence of poverty, and (2) the literates, with low incidence of poverty.
- As a matter of fact, diversified, specialized, and different levels of education, as of now does not influence incidence of poverty.
- Among the poor, 51.1 per cent had taken informal credit. Those who have taken informal credit among the poor constitute 65.1 per cent of all those who have taken informal credit. And, 32.3 per cent of the poor who have taken informal credit have taken it for the purpose of daily consumption.
- According to the evaluation of the poor, 81.6 per cent of them have not benefited from the income-transfer schemes. Only 4.8 per cent of the poor have received foodgrains under PDS during the survey year.

- According to the composite index of poverty, 51.7 per cent in Khangaon, 48 per cent in Bargoria, 32.4 per cent in Kurmava, 41.2 per cent in Ilra, and 43 per cent in the entire sample are poor.
- According to the composite index of poverty, poverty is extremely high among the agricultural labourers and scheduled castes. Among the agricultural labourers, per cent in Khangaon, 74.4 per cent in Bargoria, 28.6 per cent in Kurmava, 77.7 per cent in Ilra, and 76.5 per cent in the entire sample are poor. Among the Scheduled Castes, 88.9 per cent in Khangaon, 73.7 per cent in Bargoria, 56.1 per cent in Kurmava, 63 per cent in Ilra, and 68.1 per cent in the entire sample are poor.

The above findings on the socio-economic characteristics of the poor highlight certain vital aspects of poverty in the sample: (1) the extent of poverty is quite alarming, (2) poverty is heavily concentrated among the landless, marginal farmers, the labourers (agricultural and non-agricultural) and among the SCs and OBCs, (3) informal credit is a deep-rooted institution among the poor, and (4) the poor does not seem to have benefited from public action to combat poverty.

### **3.3 Poverty is Land-Centric**

The study of poverty in the four sample villages of Bihar shows that the agrarian power structure existing in the sample villages, which has resulted from the highly unequal distribution of the most critical resource – land – is the key to understand *why the poor are poor* in rural Bihar. This has been the central finding of the study and it runs through all the analytical chapters. Land being the most critical rural resource in Bihar and the distribution of this very resource being highly unequal, agrarian power gets concentrated in the ownership of landholdings. Rural life in general and the whole spectrum of economic development in particular come to be controlled by the agrarian power concentrated in the ownership of landholdings. Employment opportunities, wage rates, labour process, government schemes of income transfer, etc. are controlled by the agrarian power structure. The vast majority of those at the bottom of the agrarian structure comes to depend on land even though the

contribution of their dependence on land to their household income is neither proportionate to their engagement with agriculture nor sufficient to meet the minimum necessities of life.

Eventhough agriculture is the mainsource of livelihood of the poor; the overall findings in the study suggest that their dependence on land is not a manifestation of economic choice made by the poor, but of their powerlessness. Land being the base of agrarian power, to depend on land for survival without being backed by ownership of land is to be a captive of all-encompassing power of land. Through the dependence on land without being backed by its ownership, those at the bottom of agrarian structure compulsively enter into an array of “unequal exchanges” as a result of which they become highly susceptible to poverty.

Can the poor break their dependence on land? In such situations that one has encountered in the sample villages where the rural non-farm sector is appallingly undeveloped and land is the only reliable capital that can give some employment to the abundant labour, what else can the poor do for survival, but to depend on land? It is in this ‘involuntary dependence’ on land of majority of those at the bottom of the agrarian structure that the study has located their susceptibility to poverty. The poor come to depend on land for survival, though involuntarily, and in that very dependence they become highly susceptible to poverty.

Hence, the susceptibility of those at the bottom of the agrarian structure to poverty can be combated primarily by liberalizing the agrarian power structure to make the distribution of agrarian power more egalitarian. In effect, this implies more egalitarian distribution of the most critical rural resource – land. This is the meaning of what the poor has told during the focused group discussions on ‘how poverty can be combated’: “Give us land; we shall take care of ourselves”.

#### **3.4 The ‘Enslaved’ Rural Labour**

The dependence of the poor on land has been rightly described in the study as ‘involuntary’ and ‘enslaving’. It is ‘involuntary’ because it is not economic rationality

that determines their dependence on land but sheer necessity for survival. As non-farm employment opportunities, which are secure enough to break their dependence on land, have not developed, they have to depend on land. It is 'enslaving' because in their dependence on land, they become vulnerable to poverty. In their 'involuntary' and 'enslaving' dependence on land, the labour power, which is the only or the primary endowment of the poor, has become a non-critical rural resource. The unskilled, non-diversified and abundant labour has, thus, come to be bonded to land. In its bondage to land, the bargaining power of rural labour to influence the labour process has been seriously eroded.

Unemployment among the agricultural labourers, particularly among the women agricultural labourers is severe. Formation and diversification of human capital among the agricultural labourers is appallingly low. Among the agricultural labourers, 84.7 per cent are illiterate. Only 0.9 per cent of them have received any kind of vocational training. Agriculture being the only employment available to them, formation and diversification of human capital is almost stunted.

Labourers' bondage to land has resulted in fragmentation of the labour market and its interlinkage with other markets. The study has highlighted the many different ways by which the labour market is fragmented and interlinked. It was found, as a result of fragmentation and interlinkages, that the labourers' freedom to choose both employment and employer is seriously eroded. In the study, it was found that the inequality in the distribution of land and the degree of freedom of labourers to choose their employers have a telling impact on the agricultural wage rates. While in Kurmava, where the inequality is the least (Gini index: 0.4907) the average daily wage of agricultural labourers was as high as Rs. 60; and in Khangaon and Bargoria where inequality is very high (Gini Index: 0.8086 and 0.7160, respectively), the average wages of agricultural labourers were as low as Rs.33.75 and Rs. 23.75, respectively.

It was found that the incidence of poverty is more or less equally high among both the agricultural labourers and non-agricultural labourers. Whether one is an agricultural

labourer or a non-agricultural labourer does not make a significant difference in one's vulnerability to poverty. However, to be a non-agricultural labourer without any specialized skill is more risky than to be an agricultural labourer, though, as a matter of fact, both are very highly vulnerable to poverty. The greater vulnerability of the unskilled non-agricultural labourers to poverty increases the dependence of labourers on agriculture. As a result, *more and more labourers join the ranks of those who depend on land as labourers, by the compulsion of survival*. The over-dependence of labourers on land depresses the bargaining power of labourers and the wage rate. It also leads to various forms of labour-tying arrangements. Moreover, it affects the development and diversification of human capital of the labourers.

### **3.5 Informal credit: a Manifestation of the Vulnerability of the Poor**

Informal credit is primarily a phenomenon among the poor. Moreover, it is a far more deep-rooted agrarian institution among the poor than the formal credit. Taking recourse to consumption loans from informal credit market is one of the most feasible ways the grain-deficit-poor tide over the crisis of survival arising out of shortfall in the most important component of their consumption bundle – food grains. According to the field data, 68 per cent of those who are food-grain-deficit and poor take recourse to consumption loans. This 68 per cent of food – grain – deficit – poor who take consumption loans constitute 90.7 per cent of all incidence of consumption loans incurred by all the households. In brief, the institution of informal credit is one of the most important ways the vulnerability of the landless, the labourers, and the marginal farmers gets itself manifested.

The study has found that the institution of informal credit accentuates the vulnerability of the poor in the long run. Moreover, the study found that it is instrumental in scuttling the efforts of the poor to free them from their enslaving dependence on land. The study has identified three processes, facilitated by the institution of informal credit, which result in strengthening of the agrarian structure and the vulnerability of the poor: (1) a process of further alienation of land from the poor, (2) a process of alienation of any asset the poor may come to own in the short

run, say livestock, and (3) a process to extract a part of the income received by the poor from remittance and from livestock-raising.

In the light of the above findings, the study suggested that the character of informal credit has changed over the years. The labour-tying arrangement through the instrumentality of informal credit is not the most distinguishing character of the informal credit market. Alienation of land and assets of the poor and the exploitation of increased cash flow into the hands of the poor from migration, etc. have become the pronounced characteristics of informal credit.

On the positive side, the study has found that there are quite a few instances of informal credit transactions taking place among the poor purely on the basis of friendship and mutual help. The poor have suggested that their ability to borrow and lend from among themselves has increased over the years and that it is an indication of improvement in their life. A slight improvement in the diversification of employment opportunities of the poor is the major reason that has enhanced the ability of the poor to lend and borrow from among them. Hence, diversification of employment opportunities and enhancement of the social capital among the poor are important to combat their susceptibility to poverty.

The analysis of the relationship of rural poverty with informal credit relations suggested that it is not the imperfections in the market for formal credit that fundamentally explains the pervasiveness of informal credit among the rural poor. It is the vulnerability of the poor that gives rise to the market for informal credit. The study shows that for the majority of the landless, the marginal farmers, the labourers, and the SCs and OBCs, it not possible to convert their resources into a bundle of goods and services, necessary to achieve a minimum set of valuable 'functionings'. This characteristic of the above mentioned groups – to be in want/deficit – gets itself manifested in the phenomenon of informal credit. The poor are in acute want of sufficient food grains, minimum medical care, etc. It is, therefore, important that public policy is geared more to enhance the resource-base, employment opportunities,

food-security and health of the poor than increasing budgetary allocation for rural credit.

### **3.6 The Failure of 'Attack' on Poverty**

The study, in its brief examination of the public schemes of income transfer to the poor, focused on the reasons suggested by the poor for their failure to benefit from the schemes. Astonishingly, according to them, the main reason for their failure is that they were poor. This implied that their failure to benefit and the cause of their failure are integral to the totality of their experience of poverty.

The study has pointed out that the schemes of income transfer to the poor come to be monopolized by an alliance of the powerful people in a village, with the bank and Block officials and the elected representatives, primarily the mukhiya. As the poor themselves have no control over these schemes, the benefits of these schemes are mostly cornered by the above-mentioned alliance. Moreover, their (the alliance's) monopoly power over the schemes enables them to use these very schemes as tools to control transactions in the labour and credit markets.

### **3.7 Rural Poverty and Agrarian Power Structure Nexus**

The study in the light of the findings thus far has created a composite index of rural well-being/poverty. On the basis of the indices of each of the three 'spaces' of poverty and the composite index of poverty, the study has found that:

- Poverty is severe in all the sample villages with respect to all the three 'spaces' of poverty. However, among the three 'spaces', the experience of poverty is the most severe in the 'space' of agrarian structure; second most severe in the 'space' of social relations
- Poverty is more pronounced in the 'spaces' of agrarian power structure and social relations than in the 'space' of physical well-being.
- In the 'space' of physical well-being, the Madhubani villages are slightly better off than the Gaya villages. In the 'spaces' of agrarian power structure



and social relations, the Gaya villages are far better off than the Madhubani villages.

- According to the composite index, poverty is higher in the Madhubani villages than in the Gaya villages. Poverty is the least in Kurmava.
- According to composite index, the SC and the agricultural-labour households are poorer in the Madhubani villages than in the Gaya villages.

After having examined the variation across the villages in the nature of poverty, the study examined the influence of agrarian power structure on the nature of poverty in the sample villages. The study points out that the influence of agrarian power structure on rural poverty is unambiguous. The greater the inequality in the agrarian power structure, the lesser is the capability of those at the bottom of the structure to achieve a minimum level of living. Those at the bottom miserably fail to benefit from the general opulence in a village. On the other hand, the lesser the inequality in the agrarian power structure, the greater is the capability of those at the bottom of the structure to benefit from the general opulence in a village and thus to achieve a minimum level of living. The high inequality in Khangaon, Bargoria and even in Ilra impaired the capability of those at the bottom to benefit from the relative prosperity in these villages. Contrary to this, the relatively low inequality in Kurmava enhanced the capability of those at the bottom to have a relatively higher share in the overall well-being in this village.

The study has also pointed out that the agrarian power structure can have direct and indirect influence on rural poverty. The direct influence of the agrarian power structure on rural poverty is obvious. The indirect influence of agrarian power structure on rural poverty is manifested through its influence on social relations.

The study compared and contrasted the nature of poverty in the four villages with respect to the three 'spaces' of poverty. It was found that one village may be better off with respect to any one of the three 'spaces' and worse off with respect to other two 'spaces' of poverty than another village. The Madhubani villages are better off

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- According to the composite index, poverty is higher in the Madhubani villages than in the Gaya villages. Poverty is the least in Kurmava.
- According to composite index, the SC and the agricultural-labour households are poorer in the Madhubani villages than in the Gaya villages.

After having examined the variation across the villages in the nature of poverty, the study examined the influence of agrarian power structure on the nature of poverty in the sample villages. The study points out that the influence of agrarian power structure on rural poverty is unambiguous. The greater the inequality in the agrarian power structure, the lesser is the capability of those at the bottom of the structure to achieve a minimum level of living. Those at the bottom miserably fail to benefit from the general opulence in a village. On the other hand, the lesser the inequality in the agrarian power structure, the greater is the capability of those at the bottom of the structure to benefit from the general opulence in a village and thus to achieve a minimum level of living. The high inequality in Khangaon, Bargoria and even in Ilra impaired the capability of those at the bottom to benefit from the relative prosperity in these villages. Contrary to this, the relatively low inequality in Kurmava enhanced the capability of those at the bottom to have a relatively higher share in the overall well-being in this village.

The study has also pointed out that the agrarian power structure can have direct and indirect influence on rural poverty. The direct influence of the agrarian power structure on rural poverty is obvious. The indirect influence of agrarian power structure on rural poverty is manifested through its influence on social relations.

The study compared and contrasted the nature of poverty in the four villages with respect to the three 'spaces' of poverty. It was found that one village may be better off with respect to any one of the three 'spaces' and worse off with respect to other two 'spaces' of poverty than another village. The Madhubani villages are better off

than Kurmava with respect to the 'space' physical well-being. However, they are worse off than Kurmava with respect to the other two 'spaces' of poverty.

Finally, the findings suggest that the strategy to combat poverty would differ from village to village. In the case of the Madhubani villages, the focus should primarily be on measures to make the agrarian structure more equitable. On the other hand, the focus in Kurmava should be on economic development.

The study has, thus, unambiguously suggested that the vulnerability of rural population in Bihar to poverty is, most fundamentally, determined and shaped by the prevailing agrarian power structure. Agrarian structure, exchange relations and vulnerability to poverty influence and reinforce one another. The study has rather elaborately dwelt on the interrelationship between agrarian power structure, exchange relations and rural poverty. Poverty in rural Bihar is land-centric and hence freedom from poverty rests most fundamentally on land.

#### **4 Empowerment of the Rural Poor**

A programme of action to combat poverty in rural Bihar is implicit in the answers the study has come up with to the question: *Why the poor are poor!* A radical reorganization of agrarian power structure, large-scale public investment in order to develop rural non-farm sector and measures to increase land productivity, especially of marginal farms, would form the most important components of a paradigm to combat poverty in rural Bihar. Before proceeding to spell out in broad terms the strategies to combat poverty, it is worthwhile to make a few remarks.

One of the foundations of this study was that the poor are poor because they were powerless. It, then, naturally follows that empowerment of the poor must be the sum and substance of any strategy to combat poverty. Individuals are neither empowered nor disempowered in vacuum. Rather, as this study has shown, they are empowered or disempowered within the existing social relations of production and exchange. Therefore, empowering the poor would imply that the social relations, which presently disempower them, will have to be altered.

The World Bank's empowerment sourcebook defines empowerment in the broadest sense as the "expansion of freedom of choice and action" (Narayan, 2002: xviii). The same sourcebook further elaborates the meaning of empowerment when it says, "empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives" (ibid: 14). The empowerment of the poor so as to enhance their capability for achieving a life free from poverty calls for serious research, analysis and deliberations. This study therefore cannot be expected to articulate a comprehensive strategy for the empowerment of the poor in rural Bihar. This study, however, in the light of the findings, outlines some important components of a paradigm of empowerment of the rural poor in Bihar. The action-plan given below is only suggestive of a comprehensive paradigm of empowerment of the rural poor, which has to evolve in due course.

#### **4.1 More Egalitarian Agrarian Power Structure Through Land Reform**

Land – the most critical rural resource - is not merely an economic resource in rural Bihar. It is also the base on which socio-political and economic power rests. Its unequal distribution and concentration of its ownership have resulted in the monopolization of socio-political and economic power by those at the top of the agrarian structure. The study points out that it is the highly unequal distribution of land and, consequently, the unequal distribution of agrarian power that explain why the landless labourers, marginal farmers and the Scheduled Castes, who constitute the poor, are poor in rural Bihar. The study has also pointed out that by not having a stake in the ownership of land, those at the bottom of the agrarian structure not only fail to earn a living from land, but also all their economic relations, opportunities and choices come to be controlled by the agrarian power structure. In sum, the study points out that liberalization of agrarian power structure through a radical redistribution of land on which agrarian power rests is the most important strategy to combat poverty in rural Bihar. It is imperative to empower the poor for a life free from poverty that the current inequity in landownership be reduced by redistributing

land to those who were hitherto excluded from the ownership of land, and yet depend on land for survival.

Land reform as meant here has two aspects: (1) giving land to the landless to strengthen their resource base (2) making the agrarian structure – founded on landownership – more equitable. These two aspects are related, but different. They are related in the sense that when the landownership structure is made more egalitarian, there is a possibility of retrieving some land, which could be distributed among the landless poor. They are different in the sense that making the agrarian structure more equitable through land reform implies more than giving land to the landless poor. By making the landownership structure more equitable, the character of social relations is made less exploitative as a result of which the poor, even if landless would benefit.

Land reform in the sense of giving land to the landless poor is immediately countered by arguing that there is not enough land to be distributed among the landless poor. Land reform in the sense of making the agrarian structure more equitable is not merely about giving land to the landless; it is also about reducing the extent of inequality in the distribution of the single most important resource in the sample villages. Even if all may not receive land, by making the agrarian structure more equitable even the landless poor stand to benefit.

It was found in the study that even marginal landholdings can reduce the households' vulnerability to poverty, although the marginal farmers are also vulnerable to poverty. In comparison with the landless, the experience of poverty is less among the marginal farmers. Food-grain deficiency is more acute among the landless than among the marginal farmers. The percentage of households taking informal credit among the landless far exceeds that among the marginal farmers. In more ways than one, the vulnerability to poverty is more pronounced among the landless than that among the marginal farmers. Therefore, as far as possible, all efforts must be made to give land, though only through marginal landholdings, to the landless poor.

Land reform is important also to make the agrarian structure more equitable so that the gains of growth do not accrue only to those at the top of the structure. The poor, as the study has shown, do not benefit from growth mainly because the agrarian structure, founded on ownership of land, is highly inequitable. They do not benefit much from growth not only because they are resourceless, but also because the social relations, to wit labour relations and credit relations, controlled by the agrarian structure, are very exploitative. Land reform is important to make the agrarian structure more egalitarian and thereby making the social relations less exploitative. This would enable the poor to have a greater share in the income.

One is not ignorant of the fact how the different land-reform measures of the past were reduced to a 'sore joke' by the collusion of the power elites. Yet, one cannot but highlight the imperativeness of redistribution of land<sup>183</sup> as the most important component of combating poverty in rural Bihar, in the light of the findings of the study. This is fundamental to the empowerment of the poor. The study makes the following recommendations:

Speedy Completion of Distributing Surplus Land: The process of declaring, acquiring and distributing the surplus land is still unfinished. Although the study has not found out how much surplus land is available in each of the four villages, it can make some remarks on the basis of the district-level data (Appendix 6). According to the report of the Bihar government, out of 4, 53,517.11 acres of surplus land declared (March 2004), only 3, 81,925.09 acres have been so far acquired. Out of the total surplus land acquired, only 3, 05,600 acres have been distributed till September 2004. In Madhubani, out of 19,015 acres of declared surplus land, only 15,986.87 acres have been acquired and 9,025.57 acres have been distributed (September 2004). This means that Madhubani has about 10,000 acres of surplus land yet to be distributed. Similarly, Gaya has about 1,500 acres of land yet to be distributed. The land available in each district must be acquired and distributed to the landless without further delay.

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<sup>183</sup> Herring (1983) writes: "agrarian societies ... are profoundly influenced by the structure of local power – social, political, and economic – which in turn reflects (but does not mirror) the structure of land control. Effective agrarian reform arguably does not include, supplement, or replace land reform, but rather *presupposes* (emphasis original) land reform" (282).

Restoring the Land which the Poor have Lost Control of: A good number of the poor who had owned some land have lost their control over their landholdings through the institution of informal credit. It was shown in the study that the total land kept as collateral against informal credit by the poor amounts to 25 per cent of the total land owned by them. It was also pointed out that land-alienating informal credit is prevalent among the poor. Therefore, it is recommended that appropriate steps be taken to restore the land back to the poor

Let Land be Owned by Those for Whom Land is the Primary Source of Income: The study has found during the field study and also from the data that have been analyzed in the study that many households own land – from medium to large – who do not actually depend on land. As their sources of income have been diversified, they are not dependent on land as primary source of their income. Moreover, income from agriculture is not crucial to their well-being. Land has not been transferred from those for whom it has ceased to be a crucially important source of income to those for whom land continues to be very vital for survival. It is important for the public policy to decide who should be freed from land – the poor who depend on land for survival or the rich who do not depend on land for survival. It is quite possible for the government to collate necessary data related to the extent of land that can be retrieved in each village and each district from those who need not depend on land. The land so retrieved can be distributed among those who depend on land for survival.

Expert Committee to assess and evaluate the Status of Land Reforms in the State: The administrative sincerity and efficiency in the implementation of land reform measures is suspect as the study has made references to in an earlier chapter. The study, therefore, recommends that the state government constitute an expert committee to (1) make a comprehensive assessment and evaluation of the measures of land reform and its implementation in the state, (2) suggest how the distribution of land can be made more equitable in the state, and (3) assess how much land can be made available to be distributed among the landless poor.



## **4.2 Development of the Non-Farm Sector**

Land reform in favour of the poor is inevitable to bring about a more egalitarian power structure. However, pro-poor land reform, though necessary, is not sufficient. What follows from the study is that the dependence of the poor on land is impoverishing and, therefore, their dependence on land must be reduced. The study has pointed out that the dependence of the poor on land becomes impoverishing for two reasons. First, the existing inequality in the distribution of land makes the dependence of the poor on land impoverishing. Second, the abysmally underdeveloped non-farm sector has more and more of the poor who depend on land, even though agriculture cannot sustain such a large population and thus making their dependence on land impoverishing. As far as the inequality in land distribution contributes to the over-dependence of the poor on land and, consequently, their impoverishment, land reform is important. And, as far as underdevelopment of the non-farm sector contributes to the over-dependence of the poor on land, the development of the non-farm sector is crucially important.

It is important to situate the above policy suggestion in the context of many other important studies. The existing theory confirms that high rates of agricultural growth greatly reduce rural poverty (Mellor, 2006: 233). Mellor (2006) argues that the structure of growth matters much to the extent of poverty reduction. Not growth in general, but growth in certain sectors that have contributed to poverty reduction in India. The study of Ravallion and Datt (1996) shows that agricultural growth and the tertiary-sector growth have a major effect on poverty reduction. Further, the service sector growth that has the favourable effect is the small-scale portion of that sector. Nearly 84.5 per cent of the substantial poverty reduction in India was due to agricultural growth (Ravallion and Datt, 1996).

In the study of Ravallion (1998), it is shown that yields (agricultural) have a major effect on the real wage rate and the effect is eight times larger in the long run than the short run. Therefore, Mellor argues that the “wage effect comes from the agricultural stimulus to non-farm employment” (Mellor, 2006: 241). About half of the long-run

effect of increased agricultural output on the welfare of the poor occurred within three years of an initial gain in farm yield (Ravallion and Datt, 1996 as in Mellor, 2006). Mellor argues that “this is a powerful evidence to support that it is the agricultural stimulus to non-farm employment that is driving the poverty decline (244). Income of the poor from non-farm source is an important source of poverty reduction. The present study also confirmed this fact. Therefore an increased opportunity for the poor in utilizing their labour in non-farm sector would reduce their vulnerability to poverty.

The point is clear. The growth of the non-farm sector is important for combating poverty in the sample villages. It is also important to increase the bargaining power of labour vis-à-vis land. The above discussion, which heavily dwelt on the arguments advanced by Mellor (2006), presupposed that greater agricultural growth leads to growth in the non-farm sector. However, given the self-perpetuating nature of the agrarian power structure, it is very unlikely that this would happen in rural Bihar. The study discerned a strong tendency in the economic dynamism at work in the sample villages towards perpetuation of the preeminent power of land, and thereby of those who have monopolized the ownership of land. It is unlikely, given the highly unequal agrarian power structure, that there would be an agriculture-led growth of the non-farm sector as it could erode the power of land.

There is no indication that agricultural surplus would get invested in the non-farm sector. In fact, those who own large landholdings invest their surplus neither in agriculture nor in non-farm economic activities. They invest their surplus in their diversified economic activities in the cities. Thus, the agricultural surplus flows out of rural Bihar. Even if any surplus gets invested in the rural non-farm sector, such as in a brick factory, it would only add to the power of those who own land. It does not emerge as a non-land capital challenging the preeminent position of land. It is unlikely that the non-farm sector would develop and assume an independence of its own and would eventually compete with land power.

As the non-farm sector is unlikely to be developed, endogenous to the agrarian economy, even when agriculture registers a higher growth rate, it is for the government to intervene on behalf of the poor. In order to enhance the criticalness of the abundant, unskilled and undiversified rural labour, there must be large scale public investment to create alternate assets for the poor in the rural non-farm sector. By absorbing the hitherto under-utilized, unskilled, non-diversified rural labour into a newly-created non-farm sector, the dependence of the poor on land can be contained and the criticalness of rural labour can be effectively enhanced.

One concrete way of creating assets for the poor in the non-farm sector is to start small-scale industries, cooperatively owned by the poor, that are suitable to the local realities, complementary to agriculture and that can employ the abundant, unskilled and undiversified rural labour that is presently available. *Creating assets on behalf of the poor in the non-farm sector and utilizing the presently available unskilled labour* is the core of the strategy highlighted here. This would radically challenge the hitherto unchallenged criticalness of land; the alternate assets created for the poor would compete with land in the utilization of the rural labour, and thereby increase the criticalness of rural labour.

#### **4.3 Enhancement of Human Capital of Rural Labourers**

It was pointed out in the study that the vast majority of the labourers are illiterate. Only a small percentage of them have received some education. Diversification of skill is abysmally low. Only a tiny minority among the labourers has received training in any specialized skills. It was found in the study that the non-agricultural labourers with some skills such as carpenter, hair dressing, and digging tube-wells are less vulnerable to poverty than the non-agricultural labourers without any specialized skills. It was also pointed out that as the rural non-farm sector is underdeveloped and agriculture remains the primary occupation available to the labourers, there is no economic incentive to the labourers to diversify their skills.

However, the growth in the non-farm employment would set in motion a natural evolution of rural labour into a more specialized, skilled and diversified pool of rural

labour force. This would, then, require that opportunities are provided for the formation and diversification human capital of rural labourers by creating the required educational infrastructure. Together with this the nature of small scale industries must also evolve so as to utilize the more and more specialized and diversified rural labour. The evolution of the nature of small-scale industries and formation of human capital of labourers must go hand in hand.

#### **4.4 Revamping Agriculture**

The strategy of land redistribution and exogenously induced rural non-farm employment opportunities would enable the labour to break its bondage to land. This would also unleash a new positive dynamism to the stagnant agriculture in Bihar. However, this new dynamism that would set in, need to be complemented by state intervention. It has to take up large-scale investments in developing irrigation, rural infrastructure, improving marketing facilities, introducing new technology for sustainable agricultural development, etc. Considerations of raising the productivity per unit of land and labour through simultaneous intensification, crop diversification, land development, capital formation, and introduction of appropriate technology need to form components of the strategy to increase agricultural growth.

The study showed that an increase in agricultural income is important to combat poverty. It was found in the study that Kurmava has the least per capita income among the four villages. The per capita total mean income is even less than the poverty-line income. If Kurmava had a higher income, with its comparatively more equitable agrarian structure and less exploitative social relations, a majority of the poor in this village would not have been poor. However, agricultural income is very low in Kurmava due to insufficient irrigation facility. Therefore, it is important for Kurmava and for other villages as well that land productivity is increased through strengthening the irrigation facility.

In the sample villages, the majority of land holdings are marginal. This is true for the entire state. As majority of landholdings are marginal and in the light of the finding that even marginal landholdings can reduce vulnerability to poverty substantially, it is

important that appropriate steps are taken to make the marginal farms more productive. In general, the marginal farms are of very low quality compared to landholdings of larger size. Moreover, marginal farms are the least irrigated. Therefore, the study considers that strengthening agricultural infrastructure and thus increasing land productivity is important for combating poverty. The study considers it particularly important that productivity of marginal farms should be increased by increasing the quality of land, irrigation facilities, and other rural infrastructure.

Land redistribution, development of the rural non-farm sector, and increased agricultural productivity form the core elements of a paradigm for combating poverty in rural Bihar. Besides these, a few other affirmative actions also need to be considered as integral to the proposed paradigm. They are the following:

#### **4.5 Strengthening Public Distribution System**

The study has highlighted that food-grain deficiency is very acute among the poor. For the vast majority of the poor, food-grain deficiency is more than 50 per cent of the required amount of foodgrains. For a large number of them, the deficiency is more than 75 per cent of the required amount. The labourers, the landless, the marginal farmers, the SCs and OBCs constitute the food-grain deficient households. Food-grain deficiency among the poor increases their dependence on grain market, which, in turn, accentuates their vulnerability to poverty<sup>184</sup>. Foodgrains being the most important component of their food-bundle, lack of food-grain stock necessitates a majority of them to take informal credit to purchase grains. This accentuates their vulnerability to poverty. Hence, it is important that their food-grain security is assured.

The study has showed that the poor in the sample villages have not benefited much from the Public Distribution System. Only a tiny minority of the poor have benefited from the distribution of foodgrains at affordable price through Fair Price Shops.

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<sup>184</sup> Martin Ravallion (1987) shows how exchange entitlements fail under the market power of grain traders. He explores the link between the market mechanism and survival chances. He identified high food-grain prices as an important cause of starvation and deaths, on the basis of careful examination of famine in south India in 1977 and in Bangladesh in 1974.

Large-scale corruption, irregular supply of foodgrains, lack of cash in the hands of the poor to purchase food grains during the few days when it is made available and many such factors have contributed to why the poor have not benefited from PDS. Many studies<sup>185</sup> have pointed out how PDS can be made more effective in helping the poor to meet their food-grain requirements. Strategies to make every development Block, panchayat, village, household grain-sufficient can be worked out with the collaborative effort of the central and state governments, voluntary organizations and panchayat representatives. Establishing Grain Banks at Block, panchayat and village levels can be considered.

#### **4.6 Empowerment of Women in Combating Rural Poverty**

The study pointed out that women constitute half the population of agricultural labourers. They remain unemployed for the most part of the year. According to the study, they have been employed only for about three months during the survey year. It is more difficult for them to find employments outside agriculture than men. Women are often left out of the different employment schemes of the government. When one takes into consideration that the income of women would increase household well-being far more greatly than that of the men, it is important to increase the employment opportunities for women. It is important not only from the point of view of its greater positive impact on the wellbeing of the households, but also from the point of view of empowerment of women themselves, by making them economically more independent. Therefore, creation of employment opportunities for women assumes great importance in empowering the poor and thus combating rural poverty. Rural women can become powerful agents in combating poverty in Bihar. Concretely, the study recommends that 200 days of employment a year be guaranteed for one male member and one female member of a household under the National Rural Employment Guarantee Act.

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<sup>185</sup> For example see, Majumder, Bhasker (2004).

#### **4.7 Promotion of Livestock-Raising among the Poor**

The study showed that income from agriculture and allied activities constitute the most important component of the income of the poor. The study also showed that all the three components of agricultural income, to wit, income from cultivation, income from agricultural wage labour and income from livestock raising, are important for the poor. Nearly one-fourth of the agricultural income of the poor comes from livestock-raising. Promotion of livestock-raising among the poor can contribute to the increase of their agricultural income and thereby reduce their vulnerability to poverty. Promotion of livestock-raising among the poor also implies that pastoral land in every village be earmarked, developed and maintained. The fast-depleting pastoral land is therefore a cause for concern.

#### **4.8 Enhancing the Social Capital of the Poor**

The role of Social Capital<sup>186</sup> has received much attention in recent times in combating poverty (Esman & Uphoff, 1984, Krsihna, 2002). The case study from a Rajasthan village (Krishna, 2002) shows that in the cases of 42 per cent of those who escaped from poverty and who were hitherto poor, help from relatives and friends had played a vital role. The present study has also highlighted that an enhancement of social capital among the poor can have a poverty-reducing impact. It may be good to cite two examples from the study. Firstly, it was pointed out in the study that there are quite a number of incidences of Friendship Based Informal Credit (FBIC) contracts among the poor. FBIC contracts are non-exploitative and are based on mutual trust. The poor perceive their increased ability to lend and borrow from among themselves as an improvement in their life as it helps reduce their dependence on moneylenders and employers for credit.

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<sup>186</sup> Social Capital is “those features of social organizations such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993). It is broadly defined as the institutions, relationships, attitudes and values that govern interactions among people and contribute to economic and social development. Structural Social Capital: social structures such as networks, associations, institutions, rules, etc. Cognitive Social Capital: generally accepted attitudes, behaviours, shared values, reciprocity and trust.

Secondly, it was found that vulnerability to poverty and illiteracy are correlated. Moving from illiteracy to literacy seems to sharply decrease the incidence of rural poverty. There are a number of reasons that explain this association. One of those reasons is particularly noteworthy for our discussion here, Moving of the rural population who were hitherto illiterate, from a state of illiteracy to a state of literacy reflects the growing socio-political awakening among the rural masses. Socio-political mobilization and conscientization of the poor were integral aspects of various educational programmes such as Adult Education and Non-Formal Education. The enhanced socio-political awakening among them, which, in a sense, is captured by the graduation of more and more of the rural population from illiteracy to literacy, can enhance, through the positive externalities of this awakening, the capability of rural population to prevent being victims of poverty.

Besides the two incidents mentioned, there are many ways the social capital among the poor can empower them to reduce their vulnerability to poverty. Socio-political mobilization and conscientisation of the poor can ensure that the Public Distribution System and other public schemes of income-transfer are properly and efficiently implemented. The poor themselves can initiate many schemes to reduce their vulnerability to poverty. Cooperative farming and livestock-raising; forming credit societies; cooperative efforts to protect common pastoral land, etc., are some such initiatives that the poor themselves can undertake. Social activists, non-governmental agencies and political parties who work among the poor can make considerable contribution to the enhancement of the social capital among the poor and thus enable them to reduce their vulnerability to poverty.

#### **4.9 Need for Ongoing Research**

The study is a pointer to fact that the policy-makers and academicians need to guard themselves from the danger of 'academic-complacency' that 'everybody knows what poverty is or what causes poverty'. The study implicitly shows how important it is to broaden the concept of poverty in theory and to explore the reasons that contribute to poverty. Therefore, the paradigm of empowerment needs to contain, as integral to it,



mechanisms to encourage on-going theoretical and empirical research. Micro analysis of poverty is particularly important. The nature of poverty varies with respect to different communities, regions, villages and other factors. These variations help to design context specific public action.

A broad outline of a paradigm of empowerment of the poor in rural Bihar has been presented. This paradigm identified nine components as integral to it. They are:

- ❖ Land reform
- ❖ Large public investment to develop rural non-farm sector
- ❖ Enhancing and diversifying the human capital of the poor
- ❖ Steps to increase agricultural productivity, particularly of marginal farms
- ❖ Strengthening PDS to ensure food security of the poor
- ❖ Enhancing the role of women by enlarging their employment opportunities
- ❖ Promoting Livestock-raising among the poor
- ❖ Enhancing the social capital among the poor
- ❖ On-going research into poverty with particular stress on micro-studies.

Finally, it is a paradigm of commitment. Government, people's representatives, politicians, activists, NGOs and academicians have great task at hand.

## **5 “The End of Poverty”**

This study has come to an end. It was a fascinating enquiry for the researcher. At the end of this enquiry, it is appropriate to end with the words of wisdom from a renowned economist of India: “Sooner or later, perhaps much later, mankind will realize that whatever the technological progress, there is no alternative to ‘unto this last’ (Ruskin/Gandhiji) in which non-violence, limitation of wants and sharing constitute the ethos of a civilized society” (M.L.Dantwalla, *EPW*, Nov.4, 1995, pp. 2793-2795). We hope it happens sooner than later!

## Appendix 1: A Note on Agrarian Structure in Bihar

The historical evolution of agrarian structure in Bihar has been a function of the changing pattern of land relations. The agrarian society during the Mughal period was not a highly differentiated society. Though some kind of indigenous classification did exist during the Mughal period (see Betteille, 1974, 126; Harcourt, 1977, 324-5; and Thorner, 1976), the ownership of land and rights of various classes in the use of land had remained uncertain (Dhanagare, 1983, 25). There was no ownership of land in the sense of absolute rights; rather the more or less undifferentiated agrarian population had different rights to the same land (rights to collect revenue and rights to use the land for cultivation). During the British period the land relations were fundamentally altered. The *Zameendars* who were formed into a class under the Mughal period by their right to collect rent from the area of their jurisdiction were formed into a new class by a redefinition of their relationship to land as having absolute property rights in land, which they never had. Land 'belonged' to them in an absolute sense. They had the right to the use and control of land. And agricultural labourers formed the class of surplus producers having absolutely no rights in land. The caste configurations of agrarian classes remained much the same during the colonial period as under the Mughal period.

In the post independence period the ownership of land has become more rigid and hence the demarcation of agrarian classes has become clearer. Daniel Thorner (1956), Andre Beteile (1974), Mencher (1974), Alvi (1975), Harris (1977) and Dhanagare (1983) among others have suggested different agrarian classes characterizing the agrarian structure in post-independence India. In the context of Bihar, Blair (1980), Prasad (1979, 1987, and 1989) and Frankel (1989) among many others have tried to identify the nature of agrarian structure in Bihar. They have not only suggested different combinations of classes characterizing the agrarian structure in Bihar but also suggested certain broad patterns regarding their social composition. According to Prasad (1989), most of the landlords and rich peasants come from the upper castes - Brahmins, Rajputs, Bhumihars, and Kayasthas. On the other extreme, more than 90 per cent of the SCs are in the class of landless agricultural labourers.

In the post-independence period, in the case of Bihar, the class of large owners of land got somewhat broadened to include the new entrants who came to own large amount of land. A section of the upper backward castes were growing restless as their economic aspirations kept increasing. They, who were also in a better position to take maximum advantage of the reform measures, joined the rank of the class of owners of large landholdings. This has changed the caste configurations of this class. In the pre-independence period this class was almost completely fused with the upper castes. In the post-independence period, with the broadening of this class to include the new entrants, the domination of upper caste has seriously eroded. And over the years the upper backward castes have consolidated their social, political and economic position in rural Bihar. The upper backward castes - Yadav, Koeri and Kurmi - had significantly improved their economic position. The scheduled castes that constitute the vast majority of the agricultural labourers did not benefit from these changes. Their condition, in fact, worsened.

## **Appendix 2: List of Variables Used for Selection of Districts**

- 1) Population as percentage of the total population in the state
- 2) Population Density
- 3) Percentage of SC Population
- 4) Literacy Rate
- 5) Sex Ratio
- 6) Number of Villages
- 7) Average Village Size
- 8) Average Household Size
- 9) Percentage of Cultivators
- 10) Percentage of Agricultural Labourers
- 11) Percentage of Those in Household Industry
- 12) Gross Area Sown
- 13) Gross Area Irrigated (Percentage of total Cropped Area)
- 14) Area under Rice
- 15) Area under Wheat
- 16) Per Capita Value of Agricultural Production
- 17) Per Capita Credit to Agriculture
- 18) Average Size of landholding
- 19) Percentage Villages Electrified

### **Appendix 3: Variables Used for Selection of CD Blocks**

- 1) Population as Percentage of District Population
- 2) Work Participation Rate
- 3) Percentage of Cultivators
- 4) Percentage of Agricultural Labourers
- 5) Percentage of those in Household Industry
- 6) Average Household Size
- 7) Sex Ratio
- 8) Percentage of SC Population
- 9) Literacy Rate
- 10) Gross Cultivated Area
- 11) Gross Area Irrigated

#### Appendix 4: Share of Institutional Debt to Total Debt

States	All Agricultural-Labour Households				
	1974-75	1977-78	1983	1987-88	1993-94
AP	4.86	11.70	17.40	15.14	16.36
Assam	6.96	2.42	8.60	1.74	4.13
Bihar	1.23	2.50	6.53	29.03	29.30
Gujarat	7.88	24.90	18.83	43.30	31.52
Haryana	10.50	14.87	94.44	53.32	18.71
HP	11.09	15.44	56.12	53.43	21.09
JK	3.61	6.25	35.18	20.52	34.48
Karnataka	11.60	29.96	38.46	56.51	22.28
Kerala	23.92	41.25	53.14	72.45	81.91
MP	9.35	21.94	32.68	40.97	57.47
Maharashtra	27.04	49.41	43.74	60.94	62.21
Orissa	14.93	33.68	63.64	73.08	49.63
Punjab	12.99	12.98	17.29	20.72	17.55
Rajasthan	2.37	8.13	18.58	50.67	4.17
TN	8.50	13.75	24.27	22.19	26.99
UP	4.01	10.15	16.19	22.99	38.31
WB	8.25	16.80	30.95	22.48	39.93
All India	8.90	19.24	44.06	34.58	35.85
States Average	9.95	18.60	33.89	38.79	32.74
CV	70.15	71.82	67.41	54.62	63.33
States	Scheduled Castes Agricultural-Labour Households				
	1974-75	1977-78	1983	1987-88	1993-94
AP	2.96	8.81	16.25	16.54	11.98
Assam	13.93	0.00	10.26	9.91	18.52
Bihar	1.08	2.85	7.18	29.64	36.75
Gujarat	2.71	8.91	29.12	55.42	20.27
Haryana	11.09	11.45	96.54	58.08	17.86
HP	64.92	12.99	55.59	52.95	21.81
JK	5.58	1.66	35.16	40.77	38.74
Karnataka	5.00	32.97	47.16	66.15	25.66
Kerala	19.76	26.95	38.04	77.78	78.26
MP	6.72	17.61	26.87	34.71	47.70
Maharashtra	21.31	55.63	48.67	57.71	44.01
Orissa	11.45	34.56	66.63	74.01	54.19
Punjab	11.77	12.84	18.68	22.61	19.60
Rajasthan	2.94	5.08	17.90	43.58	3.18
TN	5.43	11.60	29.92	35.58	31.48
UP	3.20	10.65	19.33	31.01	42.83
WB	5.16	17.39	31.90	63.64	43.55
All India	5.76	13.36	59.85	39.16	30.10
States Average	11.47	16.00	35.01	45.30	32.73
CV	130.81	89.37	64.79	44.16	56.04

Source: Rural labour enquiry of various years, as collated by Narayanamurthy (2001).

**Appendix 5: Income Transfer in rural Bihar (2003-04)**

Schemes	Allocation (Rs. in Lakh)			Release (Rs. in Lakh)		
	Central	State	Total	Central	State	Total
S.G.SY.	10084.97	3361.66	13446.63	5488.81	1335.13	6823.94
S.G.R.Y. – I	21618.95	7206.35	28825.30	17275.52	4729.63	22005.15
S.G.R.Y. – II	20218.76	6739.59	26958.35	16106.35	4345.79	20452.14
I.A.Y.	37131.83	12377.28	49509.11	25164.82	6551.37	31716.19
DRDA				828.22	249.19	1077.41
DPAP				694.31	129.62	823.93
<b>Total</b>	<b>89054.51</b>	<b>28684.88</b>	<b>118739.39</b>	<b>65558.03</b>	<b>17340.73</b>	<b>82898.76</b>

*Source: Government of Bihar*

## Appendix 6: Acquisition and Distribution of Surplus Land

In Acres

Name of Districts	Surplus Land Declared (March 2004)	Surplus Land Acquired (March 2004)	Surplus Land Distributed (Sept. 2004)	
			SC	Total
Patna	3241.02	2949.98	2580.76	2833.37
Nalanda	1301.00	1302.00	933.21	1277.99
Bhojpur	2301.00	1443.00	1206.27	1435.41
Buxar	3733.08	2334.00	1997.88	2301.23
Rohtas	5211.97	3381.00	1560.30	3359.66
Kaimur	5073.05	3941.00	1885.45	2424.44
Gaya	39309.00	39022.00	17398.00	37839.08
Jehanabad	1294.00	1183.00	563.32	895.32
Nawada	4952.00	4241.00	2872.09	2993.99
Aurangabad	6048.00	5841.00	2110.00	3623.37
Arawal	29.11	29.11	0.00	8.58
Siwan	1408.00	1185.00	601.64	833.65
Gopalganj	2706.00	1170.37	739.57	1170.37
Shivhar	764.00	542.88	0.00	459.22
Muzaffarpur	6521.00	4905.15	3707.43	4905.15
Champaran 1	26795.49	26795.49	11678.80	13913.28
Champaran 2	46457.00	29890.00	18529.76	26166.72
Sitamarhi	7632.00	4905.00	4839.58	5861.67
Vishali	2938.48	2938.48	2543.05	2821.62
Darbhanga	19801.00	16475.78	5672.77	7601.70
Madhubani	19015.00	15986.87	6651.66	9025.57
Samastipur	18590.00	12536.96	5177.77	5629.39
Begusarai	14003.00	8782.00	6495.26	8415.84
Munger	15543.42	9607.00	7001.44	9597.44
Jamuie	7109.00	6763.00	3115.94	4683.13
Khagaria	4824.00	4622.76	4315.64	4622.55
Lakhisarai	2204.49	2204.49	0.00	1240.39
Sheikhpura	271.00	271.00	199.43	269.41
Bhagalpur	21592.00	16865.22	7114.67	10137.98
Banka	3774.00	3767.04	1662.62	3613.08
Saharsa	7044.00	4704.35	3238.05	4100.98
Supaul	8762.00	7419.00	3877.45	5214.00
Madhepura	16965.00	11851.68	5147.73	6672.29
Purnia	48470.00	47673.60	16445.39	38602.13
Kishanganj	19104.00	18801.59	2161.44	18559.83
Araria	19104.00	15105.42	7612.16	14556.74
Katihar	37129.00	36942.49	13971.99	35527.59
Total	453517.11	381925.09	177485.10	305600.76

Source: Government of Bihar

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