

# Emerging Poverty Scenario

## Alternative Development Paradigm for Poverty Elimination

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*This paper argues that at the present juncture in India's development the window of poverty elimination provides the appropriate perspective to search for an alternative development paradigm. The alternative development paradigm outlined in this paper is based on the premise that market, planning and decentralisation need to be viewed not as substitutes but as complements in rethinking the strategy issues in India's development. The paper seeks to characterise the present development status and, in its light, identifies the precise roles which the three components need to play in the emerging development phase.*

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### I

#### Introduction

India is now facing the dilemma that economic reforms and the accelerated growth they lead to seem to be of little help in triggering broadbased human development and elimination of poverty. It is obvious that the Indian development strategy needs serious rethink. It is useful to keep two clues in mind while embarking on rethink. First, while the markets are playing their role of accelerating growth, it is planning and decentralisation which seem to be at fault in not being able to convert growth into broadbased development. Second, the tracking of broadbased development relying primarily on official statistics on the large and growing number of diverse schemes under implementation leads to serious errors in the assessment of overall development status and, more importantly, in monitoring the improvements in the conditions of the marginalised groups missed by the market-led accelerated growth. The Prime Minister's recent observations highlight these errors. In the meeting of the National Development Council held in May, 2007, the Prime Minister expressed serious concern about the non-viability of the small and marginal farmers who account for over 80 per cent of farmers in India. It would be instructive to go through statistics of numerous agricultural development schemes implemented over the last several decades claiming success in achieving their targets! Further, the Prime Minister recently pointed out the poor impact of National Rural Employment Guarantee Scheme (NREGS) while, almost simultaneously, the Government of India was announcing enthusiastically the extension of the Scheme to all the districts in the country. It may be mentioned that in the first year of the Scheme (2006-7), it was implemented in only 200 districts. An essential prerequisite for any rethink to construct a new development paradigm is a much expanded data base resting on data systems evolved by the panchayat raj institutions (PRI) in the course of their becoming fully operational as per the scheme suggested by the constitutional amendments of 1990s which brought into being the third tier of governance below the central and state levels ([Rao, 2007a]. The rethink attempted in this paper assumes the availability of such a data base without going into the details about its scope, design and methodology. These are covered in our paper referred to above.

The plan of the paper is as follows. Section II outlines the evolution of perspective on poverty in India from the 'minimalist' concept of poverty line tied to the calorie norm towards a more holistic conceptualisation which we call the societal perspective on poverty. It is argued on the basis of the societal perspective that closing the gap between the unorganised and the organised sections in the society provides the appropriate objective to rethink our development paradigm. Section III takes a look at the interventions by market, government and civil society groups like NGOs and SHGs. These have mixed impacts and outcomes. The tendency so far has been to look at only the direct/ intended impacts without taking into account the other impacts which may be negative or regressive. Our attempt is to provide a fuller view to indicate that the overall systemic change brought about by these interventions is too ambiguous to permit any firm projection though the tilt seems to be towards pessimistic assessment. In the light of Section III, Section IV describes the steps which need to be taken to improve the pace, thrust and inclusiveness of the development process in India.

## **II**

### **Changing Perspective on Poverty: From Minimalist to Societal**

The course of development strategy in India since Independence has some paradoxical twists. During the first planning decade, the strategy sought to combine the Gandhian goal of removing inequality, injustice and widespread human misery with the Nehruvian dream of modernisation of economy through industrialisation and new technologies and infrastructures. The strategy did look attractive on the paper but developed serious problems even before the first decade closed. What is of interest for this paper is the perspective on poverty which articulated this strategy. Following were the distinguishing features of this strategy:

\* The focus was on reforming the society as a whole to 'wipe every tear from every eye' This was not merely sentimentalism. There was an explicit recognition of exploitative and growth-depressing institutions and relationships leading to usury, concentration of land ownership, tenancy on unfair terms, markets and market functionaries who cheated farmers and other primary producers, breakdown of community ethic and isolation of rural communities from the winds of change sweeping the land. The concrete manifestations of this strategy were an impressive body of legislations for land reforms, control of moneylending, regulation of markets, promotion of cooperation; programmes like food for work which combined relief for the unemployed and the poor with building up of infrastructures and productive assets; emphasis on spread of education and health services in rural areas; and community development blocks and national extension services to strengthen agricultural and rural economy. Khadi and village industries were expected to play a crucial role in diversifying rural economy. It is easy to recognise these as the elements in the strategy with strong orientation towards Gandhian goals and values.

\* The other component in the scheme was provided by Nehru's dream of modernisation and catching up with the developed countries. It was the ambition of Nehru's India to establish its presence in the comity of nations based on the policy of non-alignment and coming together of non-aligned countries as a group working for peace and development of underdeveloped countries, particularly the countries liberated from colonial rule.

A distinguishing feature of this strategy was that it sought to eliminate poverty by eliminating the poverty generating processes, institutions and relations. In the heady days after Independence, nothing seemed impossible. However, it was clear during the very first decade of the strategy that the Indian polity and society had little capacity to implement the strategy. The Gandhian component remained virtually a dead letter. Land reforms and cooperativisation which were expected to provide the foundation for the societal reform failed miserably. The Nehruvian component which fared better was instrumental in bringing into being the India Shining, but it also created an over-sized and parasitic government and public sector. Socialism as practiced in India turned out to be a curse than a blessing.

To understand the next phase in the perspective on poverty, it is necessary to consider the crisis in the food economy in the country from the late fifties to mid-sixties. The crisis exposed the vulnerability of India to food shortages. India was described during those days as surviving from 'ship to mouth' reflecting the abject dependence of the country on food aid from USA. More important, India learned the bitter truth that a country which cannot feed itself enjoys neither status nor any bargaining power in the comity of nations. The green revolution which helped India to break the stranglehold of food shortage was instrumental in bringing about a major change in India's development strategy.

The Nehruvian perspective of a strong and modernised macro economy got strengthened, but the Gandhian component got totally neglected. Even in agriculture the emphasis shifted from lifting up the small and marginal farmers to accelerating growth by promoting actively irrigation-based modern technologies in the relatively limited well-endowed areas in India. The result has been that only about 20 per cent of districts contributed to agricultural growth while agriculture stagnated in the vast rainfed areas in the country. Even nearly four decades after the green revolution and abundant evidence that its thrust is now on decline, watershed development which is crucial for agriculture in rainfed areas is still at the drawing-board stage of formulating guide lines! This change in strategy was accompanied by an extremely regressive change in India's perspective on poverty. In the first phase of the strategy described above, the Gandhian component was receding due to the growing power of organised elites and middle classes to influence the policies and programmes to promote their own interest and to keep the marginalised and disadvantaged groups on the periphery. This process got formalised in the green revolution phase with emphasis shifting on accelerated growth from participatory and inclusive growth with special programmes to take care of the poor who get bypassed by growth. The frankly regressive step was the concept of poverty line used to measure poverty and to monitor the reduction of poverty over the years. This was 'minimalist' in nature being tied to the calorie norm. In simple words, the poverty line considered only those as poor who could not afford a diet having adequate calories as per the norm specified by the nutritionists. This was a far cry from the conception of poverty underlying the Gandhian goal of 'wiping every tear from every eye'.

It is indeed true that during the green revolution phase there was a plethora of programmes for different groups—SC, ST, Small Marginal Farmers, Agricultural Labourers etc.—but the only target pursued with a fair measure of commitment was reduction of population below poverty line as indicated by the now familiar acronym HCR( Head Count Ratio). It needs to be emphasised that we are using the expression green revolution strategy to describe the overall

development strategy of the country which strengthened the societal mould permitting a limited number of organised groups to benefit from development and left the vast unorganised masses to survive as best as they can with thinly and unevenly spread modest relief measures.

The early 1990s witnessed the beginning of the third phase marked by economic reforms for growth propelled by liberalisation and globalisation **and** decentralisation through the constitutional provision for a third tier of government in the form of Panchayati Raj Institutions (PRIs). India now vies with China as one among the fastest growing economies, but little progress has been made in the direction of PRIs. Decentralisation encounters same hostile forces which frustrated the ambitious programme for land reforms. The societal mould which got strengthened during the green revolution phase still persists and is even gaining respectability owing to accelerated growth of recent years. However, there are clear signs of a gathering storm. Agriculture is stagnant. The Prime Minister himself expressed his serious concern that without a buoyant agriculture neither sustained growth nor elimination of poverty would be feasible. A special meeting of National Development Council was held in May, 2007 to discuss the grave situation created by stagnancy of agriculture. Simultaneously, the inadequacy of the poverty line perspective on poverty is now being widely recognised. Amartya Sen's writings emphasising the importance of human development in the development of developing countries have created a virtual movement among academics as well as in the government circles to shift towards the human development perspective on poverty.

The Human Development Index of the United Nations is now being used to assess the development status of a country. While India is enjoying accelerated growth and the official HCR shows continuous and sharp decline, India finds itself consistently in the lowest one-third of about 180 countries ranked by HDI in the annual reports on human development prepared by the UN. This is the dark shadow cast by poverty on India's development record. Now many major states are preparing their own human development reports in addition to the all-India report by the central government. The point is that HDI is slowly gaining more acceptability as an indicator of the poverty status of the country than HCR. In 2002, the state governments conducted their BPL surveys (designed to give the poverty benchmark at the beginning of a new Five Year Plan) using a schedule based on 13 indicators of deprivation rather than on the poverty line used in the earlier years. We are now in the intriguing situation in which the Planning Commission continues to measure poverty by HCR while the states are identifying the poor by a battery of deprivation indicators. It is interesting to observe how this incompatibility will be resolved. Our guess is that HCR is likely to lose its primacy as a measuring rod for monitoring poverty levels and changes in it.

A significant indicator is that Millennium Development Goals (MDGs) of UN and targets like universalisation of primary education and health for all are now receiving increasing attention in assessing the poverty status of developing countries including India. Not surprisingly, these assessments reveal India in a poor light. The growth rates find it increasingly difficult to project a credible image of shining India! As we write this paper, the National Commission on Enterprises in Unorganised Sector (NCEUS) has gone a step further by linking poverty to unorganised/organised divide having its roots in the societal mould nurtured and strengthened by India's development strategy so far through all its phases. NCEUS has prepared carefully worked out schemes for providing social security to the workers in the unorganised sector. The point is

that the perspective on poverty in policy making in India now focuses pointedly on unorganised/organised divide. India has turned a full circle to come back to a newer version of Gandhian perspective with which it started the journey towards development in the late Forties. Will India fare better now? We outline a scenario which seems likely to us in the next section. It is based on the broad lessons emerging from the development interventions so far and the societal dynamics resulting from them and other factors. We conclude this section with two glimpses which speak volumes about the power of the societal mould which is the fundamental source of unorganised/organised divide and its intensification over the years.

**\* Incredible India goes to bed hungry**

Sunday October 14 2007 12:36 IST

**PTI**

WASHINGTON: India may be the second fastest growing economy in the world but it still has a long way to go in eradicating hunger where it is ranked at 94th position well behind neighboring China and Pakistan, a global report says. According to the latest Global Hunger Index 2007 from International Food Policy Research Institute (IFPRI), although India has improved its score of 25.03 on the index compared to 33.73 in 1990, it is lagging behind China and Pakistan ranked at 47th and 88th positions, out of the total list 118 countries, respectively.

**\* Ultra-rich Indians are new maharajas**

Sunday October 14 2007 10:15 IST

**AFP**

NEW DELHI: Grand extravagance is back under a new Raj of ultra-rich Indians who are splurging more and more as the world's top luxury brands rush for a piece of the huge Indian market. The parallel between the life of princely India left behind at independence and the new wealth from one of the globe's economic hotspots was on full display when Bentley launched two new models in New Delhi last week. It might seem obscene in a country still plagued by poverty, malnutrition and illiteracy, but there is no shortage of Indians prepared to shell out for the best money can buy. "India has the highest number of billionaires in Asia," author Shashi Tharoor writes in "The Elephant, The Tiger and The Cellphone", due to be published later this month. Paradoxically, he notes, it also has more people living in neglect and children who have never seen the inside of a classroom than any other country. Merrill Lynch's 2007 wealth report found India had more than 100,000 millionaires, growing at an annual rate of more than 20 percent. "You could call them the new maharajas of India," Ian Gorsuch, Bentley director for Middle East, Africa and India, said. "In our early years many Bentleys were built for the maharajas and elite of India society. Today's new maharajas may have a Bentley at their house in London or Monaco but they want one in India as well," Gorsuch said. But India's pot-holed and bumpy roads offer the poor some comfort. It is nigh impossible to find a few hundred yards of decent surface along which to drive a high-performance car at even half its top speed!

The contrast revealed by these comments is indeed shocking. But, even more shocking is the convenient assumption that it is the rich in India who alone are responsible for the monstrous misery prevailing in the country. The fact is that the world economy is characterized by similar societal mould with growing linkages and integration among the elites across the developed and developing countries. The Developed countries blame the super rich in developing countries but miss their own super rich compared to who the Indian super rich may seem like midgets! The tragedy is that those who condemn the rich either seek affluence for themselves or use it as a clever ploy to divert attention from their own far from modest life style! The rich should worry only if their millions of victims show signs of coming together to challenge the societal mould. It

is this prospect which adds a major new dimension to the emerging Indian scenario which was missing in the past.

### III

#### **Development Interventions and the Poor: Some Lessons for the Future**

Having identified poverty elimination with closing the gap between the unorganized and the organized parts in the society, it is useful to keep in mind two paths for achieving this which can be regarded as both alternatives and complements. The first is the economic path where growth becomes inclusive, programmes for assuring food and employment security (PDS and NREGS) become effective and the poor respond adequately to programmes for education, health, nutrition, assets and skills to become deprivation-free and economically productive and viable. Once the poor are helped to reach this point, they may be expected to take initiative in improving their economic status and in getting organized to improve their organizational/lobby clout. The second is the political path taken by the bypassed poor who get frustrated with the inefficiency and apathy of the programmes meant for their benefit. Naxalism provides a clear warning that the situation when the poor can be taken for granted is changing fast. Leakages, corruption and denial of benefits to those who need it most have now begun to impose a heavy cost in terms of violent agitations and frequent breakdown of law and order. This phase is likely to spread widely and gather momentum in the years ahead. These agitations have the potential of widening the base of democratic polity in India provided the response of the mainstream is constructive and not repressive.

Let us first look at the lessons to be learnt from India's development interventions to help the poor along the economic path:

\* Compared to the position of the poor in the pre-Independence period, there has been a dramatic change in the position of the poor and in the villages in which they live. But, when we compare the performance of development interventions with the norms to be achieved by them, the performance turns out to be dismal. As seen above, hunger still persists on a scale and intensity which shows India in a very poor light. Secondly, India is nowhere within the sight of the target of universalisation of primary education. Recently, the central HRD Minister lamented that the government's ambitious programmes for primary education are failing. If India cannot eradicate hunger and put all children in school, it would hardly deserve even the label of 'developing country', leave alone the status of a super power.

\* One implication of the above is that the poor are not receiving the full package of development inputs—food and employment security, education, health, nutrition, assets and skills. It is only the full package which can enable the poor to move forward steadily on the economic path. When they receive some programmes reasonably well, others inadequately and still others not at all, the benefits from even the programmes received fail to be substantial and enduring.

\* The benefits of development interventions have been distributed extremely unevenly across rural communities and across different strata. The relatively better-off villages and strata have benefited disproportionately. The development prospects of those bypassed are likely to get worse as they have now to compete with those who are moving ahead because of location advantage and better social status. The development interventions percolate top-down instead of beginning at the bottom. 'Antyodaya' remains merely a slogan!

\* It would be fair to say that the development interventions in favour of the poor have been inadequate, bypassing the poorest and the most backward, lacking the synergy and complementation among the different interventions as envisaged in the strategy and with a thrust too weak to put the poor on the economic path. However, the interventions had major indirect effects leading to changes which in the medium and long run may prove to be far more important than their direct effects. We will revert to them later in this section when we consider the emerging societal context and its implications for the poor and their prospects in the years to come.

It is customary to lay the blame for the poor performance of development interventions at the door of bad implementation and the deficiencies of the cutting-edge staff. In our view, they are symptoms and not the cause. Tons of expert reports have documented them and suggested remedies. It is also relevant to point out that the same government performs exceedingly well in high priority areas like space and atomic energy.

The explanation needs to be sought in the societal mould within which the development interventions for the poor get formulated and prioritized. It is best to begin with how policy making by the government operates in a democratic polity with sharp disparities between the organised groups on the one hand and vast masses in the unorganised sector. In a democratic polity, the government has to carry along with it the organized groups some of which are powerful enough to bend the government to their wishes. If one probes the national policies in India which are expected to serve 'national interests', it is quite usual to find that these policies favour particular organized groups. There is ceaseless activity of lobbying and bargaining by the organized groups leaving little scope for the government to look at the long-term development issues and at the basic needs of those in the unorganized sector. There is also the further complication that consensus among the organized groups is not easy in a democratic polity. Debates tend to be interminable and inconclusive. Consider the following observation which puts its finger on this problem.

Reform, in the face of popular resistance and vested interest, is hard. For India, this difficulty is compounded by the additional challenge of coalition government especially when that coalition is drawn from a wide range of the political spectrum, Lehman Brothers said in the report released on Tuesday. – 'Reforms in India Difficult under Coalition Government', Rediff News Website, Oct 17, 2007.

Many development issues turn on the advice from experts. It is important that the experts be objective and independent. Interestingly, Sir William Stewart, who was chief scientific adviser to prime ministers Margaret Thatcher and John Major, says he saw things go wrong in his time in Whitehall, he added, "because advisers told ministers and prime ministers what they wanted to

hear, rather than give them the facts". Trust, he concludes, is the basis of good advice: "If you don't appear to be independent, you'll get no trust at all." ('The Science behind the Throne' (BBC News Website, October 11, 2007).

Given the submissive government and accommodative experts, the organized groups milk the government for a variety of subsidies, concessions, exemptions and other favours. The government remains tied up with the delicate task of winning the concurrence of the organized groups for mainstream strategy and policies which, in the process, get distorted and become ineffective. For example, consider the uncontrolled growth of our metropolitan cities despite alarming signals of their getting close to calamitous breakdowns in infrastructure and services. Not only the poor but even the elites now find it difficult to cope with the fast deteriorating situation. And, yet, neither the government nor other interveners appear to be capable of restoring the health of these cities. Thus, in the prevailing policy making setting in India, even the abodes of the elites do not escape the damages inflicted by weak and vacillating policies.

The principal victim of this policy making setting is the unorganized sector. A good example is the deteriorating sustainability of Indian agriculture [Rao 2007b]. Land, water and forest resources are reaching critical levels of exhaustion. What is more relevant to note for this paper is the approach towards the poor inherent in the policy making setting. The serious deficiencies in the interventions for the poor have already been pointed out above. It was also argued that weak implementation alone cannot explain these deficiencies. We can now link weak implementation as well as these deficiencies to the societal mould and more specifically to its feature that the initiative for development interventions for the poor rests with the government which remains heavily preoccupied with the insatiable demands of the organized groups. This makes for lack of interest in the conditions of the poor and weak commitment towards their welfare.

The funds allotted to programmes for the poor look impressive but turn out to be quite modest in comparison with GDP, number of poor to be covered and total funds spent in a Five Year Plan. This modest size indicates that even at the formulation stage what is intended is not elimination of poverty but giving a measure of relief to the poor suffering from multiple deprivations. Even these modest funds move down a long chain marked by leakages and corruption. How much does actually reach the poor? Nearly two decades back Rajeev Gandhi, then the Prime Minister, confessed that only 15 paise out of a rupee reached the poor! Interestingly, no body has shown any interest in updating this guesstimate. The government and even academics and activists use the funds allotted and spent as indicator of what is being done to help the poor. None can be unaware that what finally reaches the poor is pitifully meager compared to the funds needed to lift them up even above the 'minimalist' poverty line leave alone the human development norms. One way of understanding this dismal story is to consider the programmes for the poor as an outcome a societal process in which the organized groups extend a measure relief to those trapped in the unorganized sector without any serious intention to help them enter the mainstream. In fact, there is a striking similarity in our programmes for the poor and the alms which an affluent individual gives to a beggar.

\* There is a wide gap between the social and economic status of the affluent individual and the beggar. This is also true of the policy-making elite in our societal mould and



those in the unorganized sector. In addition, in the policy making setting, there is the further aggravating factor of the physical and cultural distance between Delhi and the remote village unknown to most outside the village.

\* The affluent individual never worries about how the beggar became a beggar or what will happen to him the next day and days after. Reflecting similar attitude, our poverty statistics throw no light on how the poor became poor or what happened to the poor who crossed the poverty line!

\* An affluent individual would be shocked if told that people like him are indirectly responsible for the woes of beggars. Exactly similar would be the response of the organized groups if told that millions remained trapped in the unorganized sector because of the greed and acquisitiveness of the organized groups

\* In the historical past, local elites organized programmes for the poor similar to the present food-for-work programmes. These programmes played an important role in repairing and maintaining thousands of village tanks in Karnataka over a period of centuries. Those receiving relief were helped to survive but continued to remain at the bottom of the social hierarchy. The present day employment guarantee programmes operate in a similar manner with similar outcomes excepting that nobody now bothers about the assets created and their subsequent maintenance and productive use!

We have painted the organized groups with a cynical brush. This is not our intention. We believe that in a democratic polity it is quite legitimate for the organized groups to lobby for their members, to work to increase their share in the national cake and to improve their bargaining power vis-à-vis government and other organized groups. The configuration of organized groups becomes a barrier to development, as in the case of India, when a few among them dominate over others and a large part of the society is unorganized. This configuration lacks checks and balances which are necessary to make the organized groups an instrument for both promoting broad based democracy and development.

The ideal configuration is the one where large numbers of organized groups operate without sharp differences in their bargaining power and, together, they cover most of the population. In this configuration, no organized group dominates, costs cannot be shifted on to large unorganized sector, the government becomes more accountable to deliver on the promises of sustained development for all groups and, most important, the organized groups learn through experience to avoid excessive aggressiveness (because it does not pay!) and to remain within the limits imposed by national interests on which there is a fair measure of consensus among the organized groups. In such a configuration, the government enjoys enough clout to discipline erring groups and people have enough clout to discipline an erring government! The Indian configuration violates all the criteria for ideal configuration. For over four decades, India had the advantage of having a dominant all-India party in Congress. Now the political parties including Congress have become so power-crazy and delinquent as to raise doubt about the very legitimacy of democratic polity and governance.

However, it is important to note that the societal mould and the configuration of organized groups are passing through a thorough-going process of churning. The development interventions by the government are among the main factors along with marketisation, new technologies and modernization. Churning is a complex process with mixed outcomes. It sweeps away old institutions, relations and hierarchies without providing workable updated versions. A sort of vacuum prevails. But, it also provides opportunities to policy makers to promote processes which could make the societal mould friendly towards inclusive growth, human development and social justice. The most noticeable change brought about by the churning process is the emergence of a substantial middle classes ranging from those resembling elites in affluence to those with near-slum lifestyles. These classes have provided leadership, entrepreneurship, skills and labour helping the emergence of shining India. They have also played a role in broad basing the democratic polity, diversifying the economy and modernization of institutions. What is of particular interest for this paper are the numerous indications that these processes which nurtured urban middle classes are now spilling over into the rural areas.

Villages which were at one time local-based, closed and inward looking subsistence economies with rigid caste-occupation links are now opening up rapidly in a chaotic manner. It is useful to view the villages as consisting of three strata each becoming outward-oriented in its own distinctive way. The affluent strata are becoming practically a part of the mainstream with numerous urban connections and economic interests. They live in villages but do not belong there. The intermediate stratum of upwardly mobile farmers is still to get stabilized though they have the attributes necessary for becoming productive and viable farmers. These two strata together form the growing middle class in villages with a potential to build a shining rural India. The vast lower strata are gradually getting pushed out of agriculture or are already out of it. Though they are desperately poor, there is a world of difference between them and the rural poor in the traditional villages of the past. The present rural poor are footloose, have strong urge for education and skills and already a significant part of their earnings comes from informal sector activities in nearby urban places or larger villages. It is not an accident that a majority of small and marginal farmers want to get out of agriculture and most scheduled caste elders want their children to receive education so that they can get a salaried job in towns/cities. Along with this growing outward-orientation of rural communities, urbanization is spilling out in rural areas in the sense that urban attitudes, aspirations, contacts with urban networks and institutions and earnings from urban-like activities are spreading among rural people. While the urbanization as it is measured now may just account for 30 per cent of population, a growing proportion of villages and rural people are becoming urban-like while still counted as rural.

An implication of the churning of rural communities described above is that the rural poor and workers in the unorganized sector are getting progressively restive with the growing disparities between them and those in the organized groups. This is likely to manifest itself in two ways or a combination of the two. First, where they have access to development interventions, they are likely to participate actively and insist on good performance by the development personnel. Observing the tactics of urban organized groups, they would realize the need for and advantages of getting together with others like them for collective action. Medha Patkar's Narmada Bachav Andolan and the activists who recently organized the slum dwellers in Mumbai to successfully fight in courts the government's attempts to clean up the slum without rehabilitating the dwellers indicate that the poor can be brought together to give them the strength rooted in their numbers.

In a word, the poor would have a strong motivation to move on the economic path with the help of collective action to overcome the indifference, leakages and corruption in development interventions.

Simultaneously, the poor are also likely to be influenced by politicization which is spreading among the lower rural strata. India witnessed rapid politicization of intermediate rural strata and castes during the last few decades and they are now a prominent actor on the political scene. This has helped them to improve their economic status and enter into the highest policy making circles. The upper castes are now subdued and ready to work with the new political entity acknowledging its rising status. The second wave is likely to lift those at the very bottom and make them a political force claiming their due place in the political and economic spaces. Until recently, their politicization stagnated at the level of a few scattered pockets of naxalism. But, the recent phenomenon of Mayavati's capture of power in the largest state in India—Uttar Pradesh—with a combination extending from SCs to upper castes is suggestive of the increased thrust and maturity of the second wave of politicization of the unorganized sections in the society. These two processes can complement each other. While Mayavatis can tilt policy making in favour of the lowest strata, Medha Patkars can work at the ground level to activate the poor to take initiative and necessary action to ensure that the fruits of tilt in policies are delivered to them fully and intact.

It is possible that our brief description is misleading as it may give the impression that the two processes will operate smoothly and fast. In fact, they would pose a formidable challenge to the government as they would largely be beyond the limited capacity of the government to regulate and steer societal processes. It is more likely that the government bows to them after futile attempts to rein them in. The point is that the forces changing the societal mould are too powerful and chaotic for any organized group in the society to subdue. The stirrings in the unorganized sector may erupt like rashes of agitations now and then which quickly subside or it could be like a volcanic explosion spreading around extensive societal damage. India is entering a phase where the government has to learn wholly new ways of monitoring and dealing with societal processes. This is in addition to the urgent need to improve the performance of the interventions made so far. This is the theme outlined in the next section.

#### **IV**

### **Towards a New Paradigm: Some Targets and Actions**

The targets and actions suggested in this section are based on the assumption that the Government of India will treat the goal of closing the unorganized/organized gap with the same seriousness, commitment and high degree of priority as the goal of growth and catching up with the top developed countries in areas like space and nuclear energy. This is far from a wishful assumption. Funding agencies, courts, commissions to protect the interests of disadvantaged groups, special cells of political parties and media are now functioning as watch dogs exerting pressure on the government to deliver on their promises to the poor. The adverse publicity which India receives in the International media and haunts it in international arena could also be a factor working in that direction. The elites in India are keen to project 'shining India' abroad and

would be sorely embarrassed when confronted with shocking statistics and reports on deprivations, discrimination and atrocities. India will be required to explain these rather than explain them away as has been done so far. As the MDGs indicate, UN representing the international community now lay down time frames for eliminating deprivations and monitors them diligently. This will at least have the effect of bringing out the scandalous failures exposing both the international community and the governments of developing countries.

Our attempt in this section is to highlight those targets and actions which are crucial for closing the unorganized/organized gap. Four policy areas are chosen for this purpose. First, the role of the government needs to be redefined so that the focus on the poor and their deprivations gets far sharper and stronger than now. Second, the performance of the present wide range of interventions needs to improve substantially. It is essential to select those critical for elimination of poverty and concentrate on them rather than spread the resources thinly over a large number of poorly implemented schemes. Third, adequate watch dog arrangements need to be set up at the highest level so that the government is answerable and could be penalized for persistent indifference and failure in its role. Fourth, the government should promote new institutions to tilt the balance in favour of the unorganized groups—particularly, the lowest layers among them—in receiving benefits of government schemes and in access to growth. These policy areas are discussed below.

### **Redefining Role of Government in Development Process**

The policy shift in the early 1990s towards economic reforms, liberalization and globalization required that the government accepted the primary responsibility for social sectors, human development and poverty elimination. This has not occurred so far. If we accept the logic of the influence of the societal mould on policy making, the government will move toward the new role only when those in the unorganized sector gather enough strength to pressurize the government. This is likely to be a gradual process with considerable uncertainty about if and when it becomes effective. Until then one can only hope that the pressures mentioned above will work as a force in that direction. Another factor which could turn out to be important in the years ahead is the following process of mutual reinforcement between the actions of the government and the stirrings in the unorganized sector. The development interventions by the government create preconditions for formation of new organized groups. Those benefiting would have an incentive to come together for demanding more. Those not benefiting would feel aggrieved and would be in a mood to agitate. A local leader or an activist would have good opportunities to organize such people into functioning groups. At least some of these, in turn, could eventually grow large and well-knit enough to join the mainstream to pressurize the government for more aid and improved delivery. This process of mutual reinforcement between development interventions and coming into being of new organized groups needs to be nurtured to gain spread and thrust. It opens door for the poor to enter the mainstream and broadens the base of the societal mould. It needs to be remembered that this is our criterion for elimination of poverty. Programmes for positive discrimination and affirmative action are particularly important to strengthen this process. Care must be taken to see to it that ideas like ‘creamy layer’ do not result in abandoning the new organized groups before they are mature enough to function on their own. In a timely and well-documented research, Sukhdeo Thorat (2007) and his team have pointed out the discrimination which the dalits face even at the highest levels of jobs. They also demonstrate how merit claimed

by the upper castes often conceals unfair advantages rooted in family background and networks . One must remember that the ‘creamy layers’ among disadvantaged groups like dalits and muslims pale into insignificance when compared with the ‘creamiest layers’ among the elites who enjoy numerous hidden subsidies and policy tilts in their favour. The shift in the government policies towards the poor will be helped much by researches which map out in all details the layers upon layers of the poor in the unorganized sector each layer with distinctive features of its own. The BPL approach has bred a mindset which considers the vast numbers of poor as a homogeneous mass. This is one reason for the dismal performance of our programmes for the poor. A complementary line of investigation is to examine the sources of the affluence of the elites and middle classes to separate the legitimate from the illegitimate. This is not a plea for witch hunt. Without a fairly detailed mapping of the poor and the organized groups forming the societal mould, it would be difficult to have meaningful policies and their effective implementation with the help of timely and vigilant monitoring and evaluation systems.

### **Improvements in Development Interventions**

It is usual to look at development interventions as a delivery system. The features stressed are identification of beneficiary, reaching his doors and delivering the benefits of the scheme. The shift in the poverty perspective from the poverty line to unorganized/organized gap makes it necessary to focus interventions on motivating the poor to join the mainstream of organized groups and helping them to move in that direction. In the beginning of this transition, the initiative rests with the interventions from outside but the success of the transition would depend on the eventual passing of the initiative to the poor who with their own efforts—individual and collective— would play an increasing role in their achieving entry into the mainstream. For monitoring and evaluation, it is convenient to divide the transition in three phases.

The first phase consists of safety nets providing food security, employment security and effective access to basic needs. The focus of this phase is on liberating the poor from the multiple deprivations which together act as a poverty trap. Until this happens, the poor will not be able take any initiative on their own to move towards the mainstream. One can mark the end of first phase with the poor showing signs of moving in this direction. The responsibility for the success of the first phase will depend entirely on the government and other external interveners as the poor will be relatively passive in this phase and fearful of alienating their exploiters on whom they depend for survival. The emerging context sketched earlier above will be of help to the external interveners to push the poor to the end of the first phase. The poor emerging from the first phase will leave behind their survival-oriented lifestyle, acquire strong motivation to climb up the economic ladder by investing in their own education, health, schooling of children, skills and assets. It is not that they lack such aspirations in the first phase. But the oppressive constraints of this phase leave little scope for them to pursue these aspirations. The critical contribution of the first phase is to remove these constraints and encourage the poor to strive to improve their economic status.

The critical programmes in the second phase are those promoting human development and enabling the poor to become economically productive and viable. At the end of the second phase, the dependence of the poor on external interveners will become minimal and they will be ready for the terminal phase of linking with others like them to form organized groups helping them to

enter the mainstream. Their first priority in this phase will be to demand positive discrimination and affirmative action to gain political clout and visibility. Thus, the poor will be well on the way to become full members of the mainstream. In our conceptual schema, this is empowerment of the poor and elimination of poverty.

Unfortunately, the government has performed so poorly in implementing the safety nets and human development programmes that the sequence of phases sketched above has not been operating smoothly in India. Consider the following observation in *Economic and Political Weekly* (October 6-12, 2007) based on the study by Jeffrey Hammer published in that issue “High absenteeism, low quality in clinical care, low satisfaction levels and rampant corruption plague public health services in India. A weak voice and low accountability are the key binding constraints to effective delivery”.

Health services are not an isolated case. Severe defects reduce the reach and effectiveness of most government interventions [ Rao 2007a]. A clue giving a glimmer of hope is that there are many instances of villages getting totally transformed with government and other external interventions where local leadership mobilizes the people to own the interventions and participate in them. Local leadership cannot be replicated at will in villages where it does not exist. The solution for this problem lies in activating the third tier of governance based on PRIs as per the scheme envisaged in the constitutional amendments made in 1994.

The present top-down approach works quite well from the centre to districts. It is the crucial levels below district which get neglected. As a result, the programmes lose their thrust as they reach the villages and, in turn, the passivity of villages and target groups allows those at the top to carry on their game of working single-mindedly for growth without any serious concern for the poor. Thus, PRIs need to be the centerpiece of a strategy to help the poor through the first phase. Effective implementation of the first phase programmes and motivating the poor to demand accountability and transparency in these programmes are the core tasks in the first phase. There is no short cut to perform these tasks well other than assigning them to PRIs. PRIs will have to be given time to become strong enough to shoulder this responsibility. If the parliament in Delhi works reasonably well despite its severe shortcomings, there is no reason why PRIs would not meet this norm given enough time and funds. Without PRIs, the present top-down structure would remain incomplete and ineffective. Once PRIs become effective, they will begin to play the still more important role of working as a pressure group for villages and rural poor.

### **Watch Dog Arrangements**

It will not do to rely only on pressure from below exerted by PRIs to improve the top-down structure. While its deficiencies are routinely attributed to personnel at district and lower levels, the source of delinquency is at the top of political and administrative structures— central and state ministries and parliament and state assemblies. If provision of basic needs to villages is still far from complete, the structures at the top are answerable. They cannot escape the ultimate responsibility as the lower structures and personnel have to comply with the orders and instructions received from above. The blame for the shockingly poor state of implementation needs to be squarely placed at the door of the top structures.

There should be a national level authority which works as a watch dog to check the progress of the first and second phase programmes and to ensure that there are no problems of large scale delinquency in the top structures. The watch dog must have sufficient powers to bark and, when necessary, even to bite! The National Development Council would be a good body to play this role. Continued delinquency in implementing the programmes for the poor must be viewed as a serious lapse on par with that for which the president can dismiss a state government and impose president rule. The village Panchayat should be given the responsibility to collect, update and maintain household data from all houses in the village on the safety nets, basic needs and human development.

Based on these data, a monitoring system should be evolved at district, state and national levels such that the performance can be monitored at aggregate level (states, all India) as well as at districts, villages and households. While assessing the delinquency on the part of the top structures, in addition to the revelations brought out by monitoring, account may also be taken of strictures courts may have passed during the consideration of PLIs by activists and media reports on police action during protests and agitations by the poor and the marginalized. Without a vigilant watch dog system, India's strategy for poverty elimination will continue to remain largely on paper.

### **Promotion of Institutions**

Recent years have witnessed a remarkable trend in growth of groups among the poorest in the land. Rural women from the poor households are easily at the bottom of the social hierarchy as they suffer from a combination of three formidable barriers to development— i) belong to the rural periphery away from the mainstream, ii) even in the periphery they are at the bottom as they are poor iii) even among the poor they have to carry the burden of gender bias against the woman! There has been a widespread emergence of self help groups (SHG) among the rural poor women for saving, credit and investment operations to reduce indebtedness and organize income generating activities. The activities of SHGs have been moderately successful but the movement is symptomatic of the stirrings among those at the very bottom of social hierarchy to come together for collective action. Even more important is the indication that SHGs work for improvement in economic conditions.

It is easier to organize the poor for protests and agitation as they find doors closed on them to enter and participate in the mainstream. SHGs create a hope that the ground is now favourable for the poor to come together for collective action in the economic space. More recently, there are reports of small and marginal farmers forming SHGs and their federations at higher levels in Andhra Pradesh. The SHGs help the members in activities ranging from production to marketing, value addition and insurance. Here, again, there appears to be a remarkable upsurge indicative of the spread of trends among rural women to small and marginal farmers. In the past, the government intervention had failed miserably to nurture robust institutions among the rural people. Cooperatives and, in recent years, PRIs provide good illustrations of how official support and subsidies lead to weaklings ever depending on the government and misused by the elites. SHGs could be the beginning of a new era in which self-reliant poor come together for moving forward on the economic path. Simultaneously, they are also getting politically mobilized.

When these two trends and improvements in the development interventions mutually reinforce each other, elimination of poverty in the sense of improvement in the economic conditions and status of the poor **and** their organizations earning a place in the mainstream will occur at a good pace. It is important that the government plays a facilitating role in promoting organizations of the poor without corrupting them or making them dependent on the government. A major step in this direction would be to establish a healthy link between PRIs and SHGs and their federations. A clear distinction needs to be made between PRIs which constitute the third tier of governance and SHGs which are community based Organisations (CBO). They have to play different but complementary roles in elimination of poverty along with achieving inclusive growth, equity and social justice.

## V Concluding Observations

India now finds itself at a cross roads in its development path. While it has managed relatively well the task of achieving growth, it has failed miserably in linking growth with social justice, equity and elimination of poverty. India's strategy for poverty elimination along with improvements in equity and social justice needs major changes in perspective, focus, priority tasks and institutions. Continued neglect of the poor can pose a grave threat to orderly development of the society as a whole. Hereafter, the government should realize that it is not the sole actor, not even the main actor, in the development interventions for the poor. Besides other actors, there are also forces like markets, the black economy and the underworld beyond the control of the government. Increasingly, the government will face challenges far more daunting than what it has faced so far not only in development interventions but even in its more basic functions of maintaining law and order and providing preconditions for smooth operation of the economy and polity. Its record so far is not encouraging. The one source of hope is the churning of society which could loosen the grip of the elites and the middle classes and release the hidden springs of leadership, enterprise and wisdom in those who have been suppressed so far.

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