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Chronic Poverty and Entitlement Theory

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Abstract

This paper examines chronic poverty in the developing country context within the entitlement theory approach. The dialogue on the entitlement theory originally introduced by Sen (1981) is extended here to explore poverty and its persistence or chronic poverty. A conceptual framework is presented, in which poverty and its persistence are explained within the context of the individual's economic and non-economic situation and the development incentives. These attributes are influenced by the individual's entitlements. It is shown that poor endowments and resource base are important causes of poverty and its persistence. Policies aimed at reducing poverty therefore must address problems associated with improving the entitlements of individual's and households. The definition of 'entitlements' in this paper is not restricted to the material possessions – the economic entitlements of the individual or the household but is extended to incorporate the individual's skills, education and the productive ability – the non-economic entitlements. The discussion is rooted in the increasing awareness of multi-dimensional poverty. The paper has focused on rural poverty in certain parts of India where most of India's chronic poverty is situated. Over a million people can be classified into the chronic poverty group in terms of duration, severity and deprivation. This is despite the government's commitment to the eradication of poverty since the early 1950's with a total expenditure of nearly \$7 billion in the last 50 years.

Key words: Entitlement theory, chronic and multidimensional poverty, economic and non-economic entitlements, rural development, India

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Introduction

There is rich literature on rural poverty and its causes within the Indian context as seen in the works of Narain (1965), Lipton (1977), Ahluwalia, (1978), Bardhan (1984), Rao and Rangaswamy (1988), Kakwani and Subbarao (1990), Gaiha (1992, 1996), Bhalla (1993), Datt and Ravallion (1998, 2002), Deaton and Dreze (2002) and more recently Mehta and Shah (2003), Gaiha and Kulkarni (2005) amongst others. The literature though lacks the attention given to exploring the relationship between the rural development policies and the response of the recipient population. There is increasing recognition of the collective response and participation of individuals in determining the success or the failure of a policy (Narayan, 2000, Bunwaree et. al., 2005). The issue is of considerable importance and therefore examined to further the understanding of rural poverty and its persistence in this paper.

The exchange entitlement approach introduced by Sen (1981) originally to explain famines and starvation has been extensively used by economists to further analyse famines (de Waal,1990 & Osmani,1991), food entitlements and epidemics (Dreze & Sen, 1989) and food systems (Teubal, 1992). Gaay Fortman (1990) and Gore (1993) have moved beyond Sen's original terms where Fortman has examined an institutional approach to the acquirement problem starting with entitlement theory. Gore has extended Sen's definition of entitlement to examine legal rights and other public sector benefits. In contrast to the studies mentioned above, this paper applies the exchange entitlement approach to explain the persistence of poverty. The entitlement framework is further used in this paper to explain why economic progress has not reached the poorest households in rural India. Poverty in the Indian rural sector over three census points – 1971, 1981 and 1991 is examined by considering the development policy within the context of the entitlement characteristics prevalent in the sector. The 2001 census point is not considered in this paper because of the change in the policy regime since 1991. The impact of liberalisation and the post-reform period on poverty levels in India is a subject of increasing debate in the current literature.

The paper is organised in four sections. Section I presents an overview discussion on entitlements, capabilities and multidimensional poverty. Attention is

drawn to the relationship between the entitlement framework and the capability approach. The relevance of the capability approach in the current thinking on wellbeing and development is also discussed. Section II explains chronic poverty within the entitlement mapping concept. In section III the rural labour market in India is examined in terms of the factors that contribute to changing a person's exchange entitlement and ownership bundle in the rural sector. The resulting exchange entitlement of individual households and the economic prospects open to them in the rural market are then investigated. The production and trade possibilities open to a household are incorporated in the exchange entitlement equation in this step. The purpose of this exercise is to assess the relationship between the ownership situations of rural households and the existing rural market structure. The conclusions of this paper are discussed in section IV.

Section I: Entitlements, capabilities and multidimensional poverty

In his study on 'Poverty and Famines' Sen (1981) used the ownership bundle and the exchange entitlement approach to examine famines and households that are likely to be caught in famines. He argued that in a market economy, a person can exchange what the person owns for another collection of commodities. The exchange can either be done through trading, through production or through a combination of the two. The set of all the alternative bundles of commodities that can be acquired in exchange for what the person owns is the person's exchange entitlement. This relationship defines the economic and non-economic possibilities that would be open to the person corresponding to each ownership situation. Sen used this framework to explain starvation and famines and to show that a person will be exposed to starvation if the person's exchange entitlement does not contain any feasible bundle, including enough food to sustain life. He further extended the theory to search for causes of entitlement failures that explain famines, including those in Bengal, Ethiopia and Bangladesh. He put forward the theory that famines could occur even when there is no food shortage.

In the mid 80's Sen (1985) developed the construct further into the Capability Approach (CA).¹ Its theoretical and conceptual foundations, application and measurement issues have attracted intense attention from researchers and policy makers (Cohen, 1993, Sugden, 1993, UNDP, 1990-2004, Stewart, 1995, Robeyns, 2000, 2005, Pettit, 2001, Pogge, 2002, Quizilbash, 2002, Alkire, 2002, 2003). The CA is a broad framework for evaluating individual wellbeing, inequality, poverty and

social arrangements. According to Sen (1985, 1987, 1990, 1992, 1993, 1995, 1999), individuals have a set of capabilities (opportunities) to achieve what they want to be and engage with (functionings). These opportunities –the instrumental freedoms help to achieve the functionings – the real substantive freedoms. Sen (1999:1), shifted the focus from means to ends such that the goal of development is ‘a process of expanding the real freedoms that people enjoy’. Though, as noted by Robeyns (2005), Alkire (2003) amongst others, there is often an overlap between capabilities and functionings such that the demarcation between the two is at times fluid². While, as noted by Robeyns (2005:3), the capability approach is not an explanatory theory for poverty, inequality and wellbeing. Instead, it provides a versatile context and tool to conceptualise and assess these.

Sen (1999:18) defines poverty as ‘capability deprivation’. Within this definition the capability approach has enabled the understanding of the multidimensionality of poverty. Since the beginning of the 90’s, the capability approach has been instrumental in shaping the UNDP Human Development framework as also noted by Fukuda-Parr (2003) and Fukuda-Parr and Kumar (2003). First, through defining development as ‘the process of enlarging people’s choices’ (UNDP, 1990:1), second, through the adoption of the human development indices such that the HDI, GDI and HPI where the non-economic indicators – education, gender equality and health are central. Third, the capability approach underpins the UN MDGs for 2015 endorsed by all the countries and the international institutions. The eight MDGs can be conceptualised as functionings and capabilities set as noted in Sumner (2005:14).

In recent literature, while the dialogue on entitlement theory appears to have slipped from development discourse, it can be argued that the capability approach builds on the entitlement theory construct. Given that within the entitlement theory postulate individuals have entitlements – economic and non-economic. These entitlements are acquired through exchange – trade or production, of what the person owns – the endowment or the ownership bundle: physical and self. The entitlements *can* therefore be translated into the opportunities i.e. the capabilities of the individual or *are* the opportunities and capabilities themselves. This is illustrated by considering the skills and literacy of a person, which the person exchanges for the opportunity to work (capability). Here the person’s entitlement is also the person’s capability to work. But the person can also exchange the skills to enhance literacy and skills further. The entitlement of the person in this case will need to be translated into the

opportunity to work. Capabilities are therefore built on entitlements. Furthermore, the distinction between entitlements and capabilities appears to be blurred as is sometimes between capabilities and functionings discussed earlier in the paragraph. The entitlement framework can be attributed with being the basic building block of the capability approach.

This paper is concerned with rural poverty and its persistence in India. It focuses on the economic and non-economic situations – the endowments of the rural households. The objective is twofold. First, to study the changes in the endowments of the poorest households over the three selected census points: 1971, 1981 and 1991. Second, to study the type of entitlements these ownership situations are translated into along with factors that may influence this process. The entitlement framework is deployed here to further the understanding of poverty and chronic poverty groups through ownership situations and entitlements. The entitlement approach provides a unique way of examining distribution of benefits and costs within a society and evaluating social arrangements. This enables the concept to be connected and applied to a wide spectrum of issues, topics and purposes with appropriate modifications in the original function.

Section II: Poverty and the Exchange Entitlement Approach

The paper builds on the versatility of Sen's entitlement approach to examine poverty and to explain issues related to the persistence of poverty. This is done by modifying the ownership bundle and the entitlement mapping concept. The analysis seeks to conceptualise poverty and chronic poverty groups within the entitlement framework. The objective is to focus on the reasons for the small change in the rural poverty levels during the period under study.

The exchange entitlement approach emphasises the understanding of the structure of the ownership or entitlement systems within which poverty is analysed. The entitlement of a person depends on the person's endowment i.e. the ownership bundle and the exchange entitlement mapping. Here a wide definition of the ownership bundle is adopted such that the ownership bundle of a person is viewed to be consisting of the person's skills (both productive/technical and human in terms of coping and survival strategies), education, attitudes, knowledge, physical health, or his human capital, land, tools and cattle.

The exchange entitlement mapping function of a person or household transforms the person's/household's ownership bundle - endowment of commodities (including labour power and the human capital) into a set of alternative economic and non-economic commodities such as, food, clothing, education, employment and health/services. It follows that the person's/household's exchange entitlement is the set of commodities that can be acquired through exchanging the ownership bundle.

The set of exchanged commodities are drawn from a larger pool of goods and services that are available in the society. This conceptualisation can be extended to examine poverty groups. Here poverty is considered to be the deprivation of the means to fulfil the basic needs: food, shelter, water and clothing³. A person/household is deemed to be living in poverty if the exchange entitlement of the person does not fulfil the person's basic needs requirements. This relationship conceptualises those living below the poverty line in terms of the inability to exchange their ownership situations for the basic needs set. When applying this framework to examine rural poverty in India, the basic needs set is taken to be the Indian poverty line.⁴

The construct can be further developed to explain the 'persistent poverty group' or the 'chronic poverty group'. The exchange entitlement of such groups does not satisfy the basic needs requirement. The person or a group of persons/household will therefore be pushed into the poverty group or continue to live in poverty as long as their endowment or the ownership bundle remains unchanged and the exchange entitlement does not satisfy the basic need. Persistent poverty or chronic poverty groups comprise individuals and households who experience deprivation and inability to fulfil the basic needs for long durations or throughout their life. The exchange entitlement of such individuals and households will always be such that (i) it does not satisfy the basic needs (ii) their ownership bundle and endowment will stay unaltered and they will belong to the persistent poverty or chronic poverty group. Individuals and households whose endowment changes such that it does satisfy the basic needs escape the poverty group.

Sen (2003:521) has termed these households as 'ascending households'. Factors that cause the endowment vector to change resulting in mobility out of the poverty group such that the individual or the household is able to satisfy the basic needs package B, are critical in identifying the effective approaches to reducing poverty levels. An investigation of the profile of these 'ascending households' is likely to reveal the following:

(1) either the household had always remained poor, the poverty level from which the household escaped was passed on from the previous generation and that its poverty score on income, consumption, nutrition and human capability index had been below the defined poverty line as also pointed by Hulme and Shepherd (2003:399). The household has reached an income/consumption level above the defined poverty line for the first time.

(2) or the household has experienced income and consumption levels above the poverty line in the past such that their endowment vector was exchanged for at least the basic needs package B, but has been pushed into the poverty group P due to some negative shock such that the household's endowment vector cannot be exchanged for the basic needs set B and the exchange entitlement satisfies equation (ii). The latter group of households and individuals have been categorised as the transient poverty group by McKay and Lawson (2003:425)⁵.

In line with the definition of 'ownership bundle' considered in this paper deprivation would apply to both material and capability/skill of the individual and the household. Given a person's ownership bundle, Sen (1981) notes that the factors that can change the person's exchange entitlement are: (a) employment profile i.e. employability, its duration and wage rate, (b) the money value of the person's non-labour assets, (c) the value of return on the person's output, (d) the cost of purchasing resources and (d) the social and economic benefits the person can get and the taxes that must be paid. The configuration of the above factors and the resulting effect on the exchange entitlement is influenced by the economic, social and political structure of a specific region. The rural labour market in India is examined in terms of these factors that bear the potential to change a person's exchange entitlement and its effect on the ownership bundle, in the next section.

Section III: The Labour Market, Exchange Entitlement and the Prospects for the Rural Households in India

This section examines the rural labour market in terms of the factors noted above. These contribute in changing a person's exchange entitlement and ownership bundle in the rural sector. The investigation here is expected to show how changes in the rural market structure brought in mostly through government policies, have affected the ownership bundles of the rural households in the three decades. The relationship between the resulting exchange entitlement of individual households and

the economic prospects in terms of production and trade possibilities open to them are then examined.

Much has been written about the rural labour market in India regarding its pattern of employment generation and wages (Bhalla,1987,1993), distribution of landholdings (Bardhan,1978, Sharma,1994, Besley, 1997, Besley and Burgess, 2000) and productivity (Datt and Ravallion, 1998). Detailed studies by Bardhan (1984), Rudra (1981), and Rajaraman (1984) show that the rural labour market in India is highly segmented with wage rates differing even for labour involved in narrowly defined agricultural operations within the same geographical area. Further more it continues to show a high dependence on agriculture for employment.⁶ While there has been a declining share of agriculture in the country's GDP there is only a marginal fall in the workforce engaged in agriculture (GoI, 1991, 2001, Kapila, 2004:202). The former trend – a shift in the GDP composition from agriculture towards industry and services resonates with the neoclassical structural transformation models of Lewis (1954), Fei and Ranis (1964)⁷ and the 'patterns of development' empirical analysis of Chenery et. al (1975, 1979, 1986). It is the latter aspect – the high proportion of the labour force that continues to be engaged in agriculture for employment, which is of concern. The overall shift in the workforce from agriculture is much less than the decline in the share of agriculture in the national income. Conceptually – a larger proportion of the workforce is participating in producing a smaller share of agriculture in the national income. This raises serious questions about productivity and per capita income that need to be researched further.

In this section the reasons for a large proportion of the rural workforce being engaged in agriculture – continuing on a specific ownership situation are explained within the entitlement framework. Some of the factors that may influence a person's exchange entitlement as noted above in Section I are: the employment profile in terms of employability, its duration and wage rate, the money value of the person's non-labour assets, the value of return on the person's output, the cost of purchasing resources and the social and economic benefits the person can get. Data on each of these variables in the rural market are examined to find how changes in them have affected the entitlement of rural households. The employment profile of rural households is studied through changes in the literacy levels and the corresponding changes in the demand for rural educated labour and its wages. Changes in the

ownership situations of rural households resulting from changes in the non-labour assets are examined through distribution of land and other assets such as livestock and agricultural machinery. The government's pricing policy on food together with the inflation rates in the rural consumer prices are considered to examine the effect of these on return on output and the cost of purchasing resources by the poor households. The economic and social benefits that can alter the ownership bundles of the rural households are assessed by examining the government programmes initiated to channel the development incentives. The objective of this analysis is to focus on how changes in the rural market structure have affected the exchange entitlements of the rural households.

Employment Profile

Literacy is an important component of the endowment of an individual since it can influence the employability and hence the exchange entitlement of the individual. Positive changes in the literacy levels are expected to improve the exchange entitlement of a person through better paid skilled jobs in industry, services and agriculture. Changes in the rural literacy levels for the years 1971, 1981 and 1991 together with the distribution of workers in different sectors and the wage rates in the corresponding years in the rural market are shown in Figures 1.1 (a,b,c and d).

The figure shows that although only 42.8 percent of the rural population was estimated to be literate in the 1991 census, this is a significant increase in the literacy rates over the 1981 (29.6 %) and 1971 (23.9 %) census. The positive trend has continued resulting in rural literacy levels rising to 59 percent in 2001 (GoI, 2002;187). Data on the distribution of working population in the rural industry and service sectors in the same period (1971-1991) shows that the employment possibilities in these sectors have grown very slowly: employing 6.6 and 8.7 percent of the working population in the rural industry and services respectively in 1971 which increased to 7.3 and 10.2 percent in 1991. In the post liberalisation period, growth in rural industry and services improved marginally to 11.3 and 12.5 percent (GoI, 2004). Assuming the importance of literacy in both industry and services, changes in the literacy levels and the employment possibilities in these sectors show that there is mismatch between the increase in the supply of rural literate labour and the demand for their services.

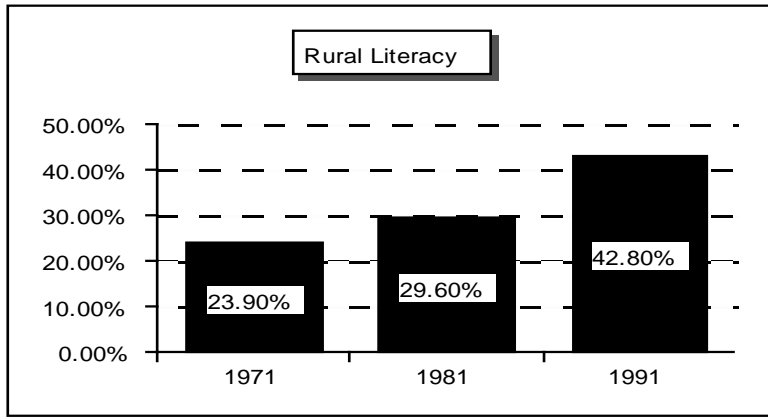


Fig 1.1a

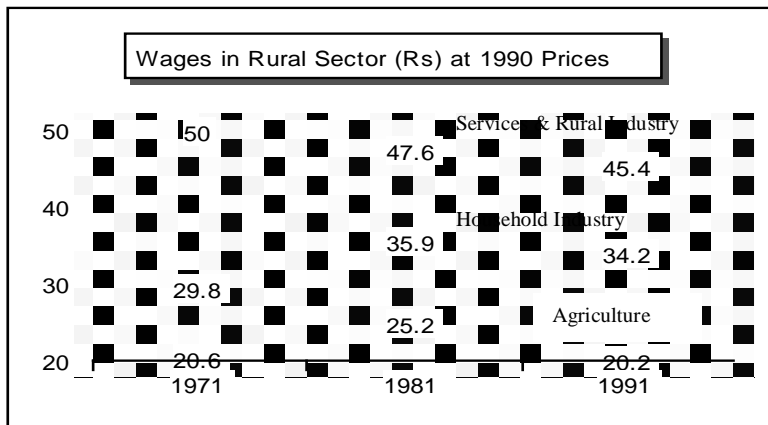


Fig 1.1b

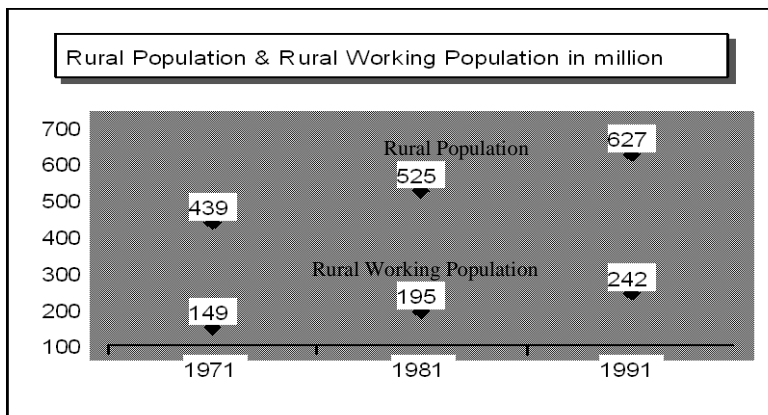


Fig 1.1c

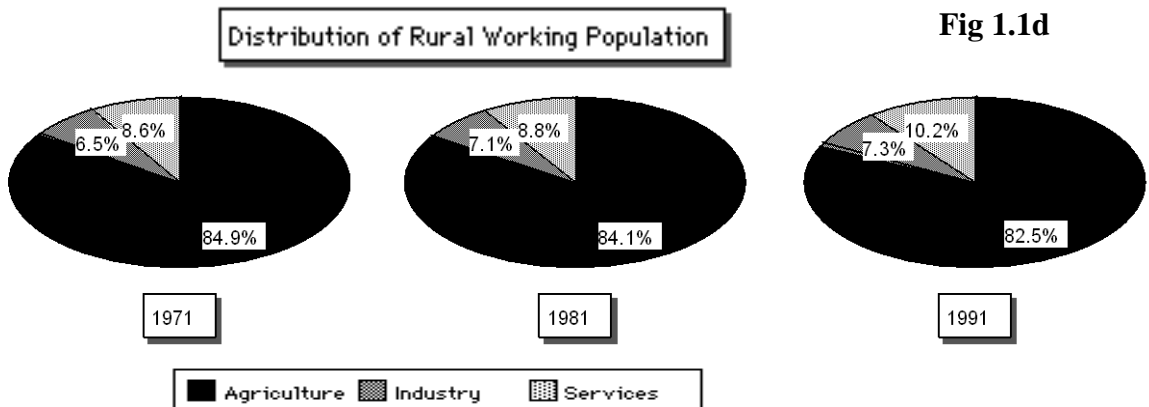


Fig 1.1d

Source: GoI, 1971, 1981, 1991

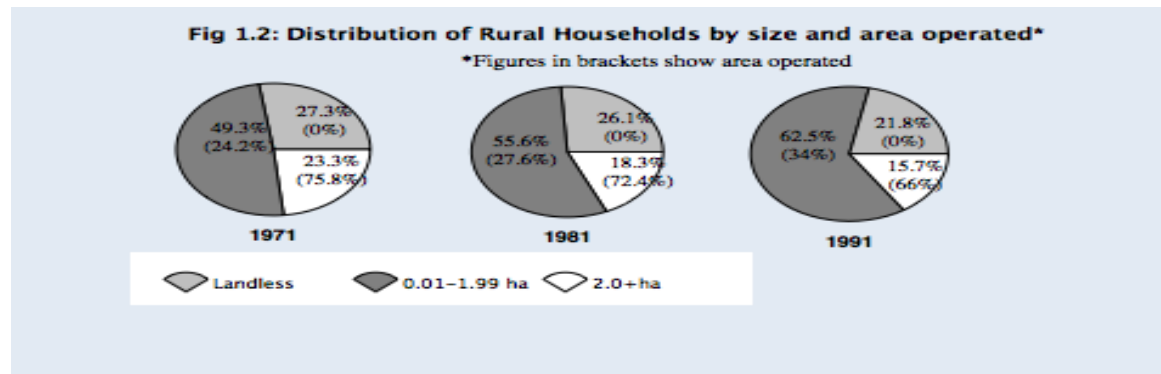
Growth in both rural industry and the service sectors has been slow such that demand for the services of the educated labour remains low in the rural sector. While the demand for skilled labour in agriculture increased during the last decade, it has been limited to the small proportion of the large farms (Bhalla, 1993). This reflects the presence of distortions: mostly institutional in terms of investment lumpiness in rural industry together with lack of enterprise and untapped markets for such products. These distortions are a likely cause for the less than efficient allocation of educated labour in the rural sector. This has resulted in changes in the rural literacy levels not being accompanied by market forces that stimulate the demand for their services in the rural sector.

The rural market in India is seen to have a male literacy growth rate of 3.2 percent annually (based on the five year period 1987-88-1993-94, GoI, 1996), growth in the rural industry of just over 2 percent (Figure 1.1 d) and the growth in the labour force of 1.9 percent annually (over a base of 222 million in 1991). The situation has caused increasing concern where Lipton (1997) has raised the issue of focusing efforts to stimulate both the demand and the supply aspects of the market in India. This may have special relevance to both the rural industry/service and the agricultural sectors. Here, although the positive effects of literacy on agricultural productivity and industrial growth are well established in some regions⁸, the demand for the services of educated labour in large parts of rural India remains low as indicated in Figure 1.1d. In summary, improvement in the rural literacy level, which is an important component of the endowment of an individual, is not being accompanied by forces that stimulate the demand for the services of educated labour in the rural economy. The endowment of many individuals has improved without the resulting improvement in the exchange entitlement or the bundle that can be exchanged for the endowment. This indicates a market failure where the resource of educated labour has not been allocated efficiently.

Value of Non-Labour Assets

In a predominantly agricultural market, ownership of land continues to be the major non-labour asset of the rural households. Trends in the distribution of operational holdings by size and area amongst rural households together with the ownership of other non-labour assets such as livestock and irrigation equipment are examined here to study the changes in the value of the non-labour assets amongst the

rural households. These are then related to the exchange entitlement of rural households.



Source: Author's calculations based on GoI, 1971, 1981, 1991

Figure 1.2 shows the changes in the size distribution of holdings and area operated by households in rural India for the years 1971, 1981 and 1991. The operational holdings are classified into three categories such that holdings under 0.01 hectare are that of the landless households, the holding size of 0.01-1.99 hectares are classified as small farmers while holdings over 2.0 hectares are those of medium and big farmers. The reduction in the percentage of landless households from 27 percent in 1971 to 22 percent in 1991 as seen in Figure 1.2 is a positive outcome of the land distribution measures undertaken by the government since the early 1960s.

The share of area operated by small farmers with holdings less than 1.99 hectares increased by 10 percent between 1971 and 1991 (Figure 1.2). The demographic pressures on agricultural land appear to have offset the benefits of land distribution. This is illustrated by the distribution of small farmers and area operated by such households between 1971 and 1991. The small farmer households accounted for 49 percent of the rural households and operated 24 percent of the total cultivated area in 1971. The same category represented 62 percent of all rural households and operated 34 percent of the area in 1991.

The average area operated per household decreased from 1.60 hectares in 1971 to 1.08 hectares in 1991, though the inequality in land distribution in rural India remains high with 66 percent of the area being operated by under 16 percent of the total rural households in 1991. The remaining 34 percent area is operated by 62 percent of rural households while the other 22 percent households are landless (1991).

Table 1.1 shows some characteristics and ownership of assets of small farmer (62 percent) and landless households (22 percent) which together accounted for 84 percent of the rural households in India in 1991. The under 2.00 hectare operational

holding is further classified into four smaller holdings to enable a detailed assessment of the asset ownership of households in each category as opposed to aggregate level data that may smooth the variations in the asset ownership amongst households with different size holdings. Working on the assumption made in the UNDP study (1999) that at least two heads of cattle per household is the minimum necessary for farming in the under 2.00 hectare holdings in rural India, Table 1.1 shows that the two lowest size groups, in all nearly 34 percent of the rural households do not possess this minimum. The next two size groups barely meet the two heads of cattle minimum criterion while the ownership of livestock amongst the landless class with an average of 0.85 per household⁹ falls far below the subsistence requirement. Table 1.1 further shows that although between 45 and 53 percent of households with holding size of 0.21 and 2.0 hectares possess indigenous water lifting equipment, irrigation pumps are rare.

Table 1.1: Distribution of Non-labour assets in rural households under 2.0 ha holdings* (1991-92)

Holding Size (Hectare)	0.00	0.02	0.21-0.50	0.51-1.00	1.01-2.00
Non-Labour Asset					
Livestock Owned Per 100 Households					
Cattle	14	76	138	206	228
Sheep, Goats & Poultry	69	89	160	296	338
Pigs	2	4	3	6	4
Irrigation Equipment Owned Per 100 Households					
Pump	0.51	1.58	7.04	11.69	22.12
Indigenous Water-Lift	14.39	28.29	44.85	45.16	53.07
% Of Households	21.84	20.28	13.31	14.66	14.21

*Such households make up nearly 84 percent of the rural household population.

Source: Tendulkar (1997)

The inequality in the distribution of total assets of households of holdings under 2.0 hectare is noted in Table 1.1. Agricultural machinery is shown to be most unequally distributed while cattle the most important asset (other than land) of the rural community comes next.

In summary, the 62 percent of rural households operating holdings under 2.0 hectares (1991) and the 22 percent rural households that are landless (1991), in all 84 percent of the rural households can be characterised by a low non-labour and physical asset base. In the absence of processes to supplement the land distribution policy, the benefits of the policy have been offset by the increasing population pressure on land. This has resulted in no real change in the non-labour assets of the majority of the rural

households. The non-labour asset component of the endowment of most individuals in the rural sector therefore remains unchanged.

Return on Output and the Cost of Purchasing Resources

Food pricing policy plays an important role in determining poverty in a country, more so in a country like India where for a large proportion of consumers, expenditure on food makes up nearly 70 percent of the total expenditure. Quibria (1994) notes that 72 percent of the rural households in India are net purchasers of food. The Indian Government has addressed the need for high agricultural prices to give incentives to domestic producers and low food prices for the consumers through the dual pricing system. Under this system ration cardholders can acquire selected consumer goods at prices below the market prices. However, the rural coverage of the system has been slow and generally no means test is applied while issuing the cards so that all cardholders have equal claims to the same subsidy (Radhakrishna et. al. 1997).

The pricing policy involving high proportions of government subsidies to keep both the input and output prices low has been criticised (Quibria, 1993) for raising the prices of foodgrains in the open market from which the rural households not covered under the scheme buy their food. This process appears to have contributed to the persistence of chronic food insecurity amongst a large proportion of rural households reported in a UNDP study in India (Chelliah and Sudarshan, 1999).

The increasing subsidy allocations may further enlarge the growing government budget deficit and generate inflationary forces in the market. This has adverse effects on both consumers and producers while nullifying the benefits of the low food price policy. Table 1.2 shows the inflation rates in rural consumer price of food and non-food commodities for 1970's 1980's and 1990's. Inflationary pressure while remaining same on the prices of food showed a decline on the prices of non-food commodities throughout the 1970's and the 1980s.

Table 1.2: Inflation Rates in Consumer Prices in Rural India

Inflation Rate	Year	1971-1979	1981-1989	1991-1996
All Food		7.5	7.2	7.4
Non-Food		7.5	5.5	6.8
All Commodities		10.1	8.5	9.6

Source: Based on Radhakrishna (1997)

The first half of the 1990s registered a rise in the inflation rates in the consumer prices of food and non-food commodities. This upward trend in inflation coincides with the slowdown in the downward trend in poverty noted in the UNDP study (1999).

In conclusion, a pricing policy that can address the needs of both the producers (through return on output) and the consumers (through low cost of purchasing) is critical in the development process. The existing dual pricing policy in agriculture has been slow in benefiting the rural poor where the subsidies are not targeted exclusively to the poor but also availed by the relatively better off owners of big landholdings. The falling agricultural wages as shown in Figure 1.1 and inflationary pressures in the context of food prices have affected the exchange entitlement of poor households adversely.

Economic and Social Benefits

Economic and social benefits to the rural population in India have been channelled through a range of rural development programmes designed to stimulate the agricultural rural economy and provide employment. The average expenditure on rural development in India's Five Year Plans has been just over 6 percent of GDP (Parikh and Radhakrishna, 2005). Allocations to education and health remain low between 3-5 percent of GDP (ibid). Since the early 1970s the rural development strategy has been implemented through poverty alleviation and human development programmes. The main components of the poverty alleviation programmes include the Integrated Rural Development Programme (IRDP) involving the resources and income development schemes, training for rural youth for self-employment (TRYSEM) and the rural works programme (RWP).

The major bottlenecks in the implementation of the programmes have been slow mobilisation of resources and leakages in the allocated funds (Bhalla, 1987, 1993) and more recently a UNDP (1999) study in India has questioned the programmes' efficiency in alleviating poverty in terms of linkages with the real market demand and supply. Earlier discussion in this paper on skill mismatch between the supply of educated labour and the demand for its services in the rural sector illustrates the above concern. On the other hand, the theoretical investigations of Narayana et al (1988) show that such schemes, if targeted and financed appropriately can be highly effective in alleviating rural poverty. Gaiha's (1996) study of two villages in the state of Maharashtra suggests that the dependence of the poor on rural works programme diminishes when employment and earning prospects improve.

Both positive and negative aspects of the rural development programmes exist, though on balance the success rate of such programmes in assisting the targeted households to cross the poverty line has been low¹⁰. This is further supported by only a marginal increase in the per capita calorie intake of the lowest 30 percent rural expenditure group from 1504cal/day in 1973 to 1678 cal/day in 1993. The average calorie intake in rural India declined from 2268 cal/day to 2152 cal/day in the same period (Radhakrishna, 1997). Social benefits to rural population through education and health facilities show wide variations in different regions. This is reflected in the cost households have to bear towards availing the subsidised services. Variations in such costs are noted to range between 10-230 percent in a study by Krishnan (1996)¹¹.

In summary, the economic and social benefits to the rural poor in India though channelled through a well-established government policy have been uneven and slow. While some improvement is noted in the poverty levels amongst the poorest rural households, most households have not been able to exchange their ownership situations for better commodity bundles. Variables noted to affect exchange entitlement of rural households through changes in the endowment, discussed earlier show the following: while some improvement is observed in the endowment of rural households through higher literacy, the corresponding change in the exchange entitlement has not been manifest. Examination of the rural market in terms of the factors that influence the exchange entitlement of households indicates that the combined exchange entitlement of the rural households that constitutes the rural market does not necessarily respond to the changes in its demand and supply forces. The increase in the supply of literate labour is not reflected in either an expansion of the rural services/industry or changes in real wages in the rural sector.

In recognition of the signs of market failure in the system the government introduced regulatory measures through land distribution (1960s), dual pricing policy (PDS) and the development programmes in the early 1970s. These measures appear to have altered the factors influencing the exchange entitlement of rural households over three decades in such a way that low income households with poor ownership bundles continue to dominate the population in rural India.

Exchange Entitlement and the Economic Prospects

The factors and policies that govern the existing exchange entitlement of rural households are discussed in the previous sections. The relationship between the resulting exchange entitlement of individual households and the economic prospects

open to them in the rural market are examined here. This is done by investigating Sen's (1981), original exchange entitlement construct in terms of the production and trade possibilities open to a household. Direct production and trade parameters are incorporated here to focus the effect of subsidies and incentive packages through rural development programmes on the exchange entitlement of rural households with different ownership bundles.

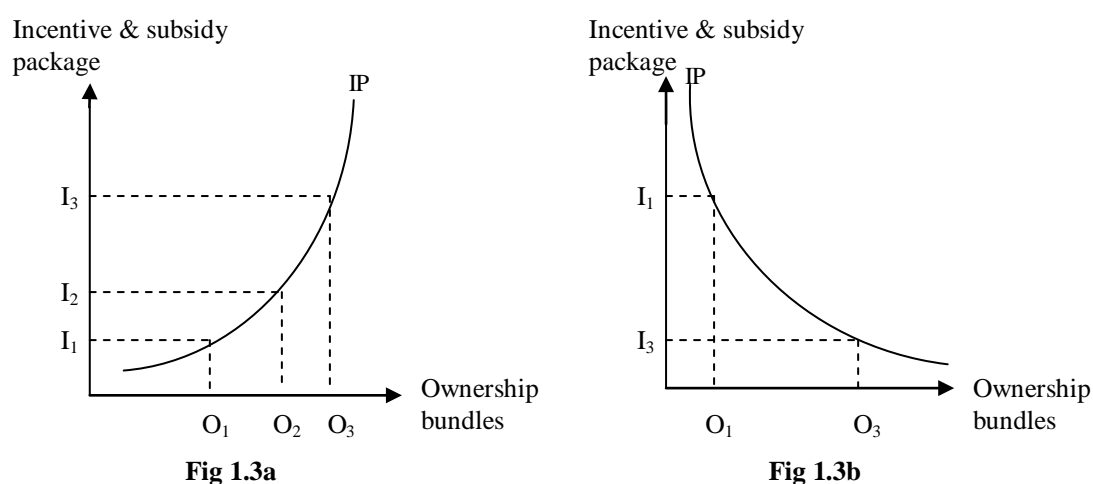
A rural household can use its ownership bundle for own consumption, trade or production. The process involves the interaction of the economic, social and political forces prevalent in the region. The production possibilities or the possible outputs open to the household depend upon the use of input resources, such as fertilizers, irrigation facilities, electricity, bank loans/credits, machines, tractors and other agricultural implements. In addition the household would acquire food and non-food consumer goods and the necessary labour input. As a measure of incentives to promote agriculture and related industry in the rural sector, the government policy has been to introduce strong subsidies through PDS on all the resources mentioned above (Five Year Plans, India Economic Information Year Book, 1996). The resource package is then sold at different subsidised prices.

In the case of bank loans and credits, a certain amount of security in terms of the owned assets is required in order to qualify for the concessional lending rates. Although, the ceiling limit of collateral-free loans was raised to just over \$1000 (approximately Rs 50,000 at current prices) by the Reserve Bank of India in 1993, its dissemination has been particularly sluggish in the rural sector (Burgess et. al. 2005).

The interaction of policy with the ownership situation of the households occurs when the rural community acquires the inputs through exchange of money. The quantities of input resources that can be acquired are constrained by the ownership situation, which determines the strength of the exchange entitlement i.e. the purchasing power of the household. The inputs, which are part of the ownership bundle, will enable production when combined with external resources. Land (owned) requires seeds, fertilisers and agricultural implements (acquired inputs) to produce the crop, labour (owned) requires machines and the agricultural produce for a food processing unit. The owned inputs which are part of the ownership bundle, contribute towards the exchange entitlement of the household, hence the quantity of external resources that can be acquired.

A diagrammatic representation of this situation is shown in Figure 1.3a. IP is the locus representing the relationship between the incentives offered by the policy and the ownership bundles of the rural household. It has been argued above that households with limited ownership bundles are unable to take the full advantage of the incentive and subsidy package. On the other hand, households with larger ownership bundles are better able to exploit the opportunities offered through these packages. Thus the IP locus has a positive slope. O_1 , O_2 and O_3 show groups of households with different endowments and ownership bundles while I_1 , I_2 and I_3 are the incentive and subsidy packages that may be acquired corresponding to the respective ownership situations. Households with O_3 ownership bundle consequently have access to the maximum benefits of the incentive policy while households with least endowment O_1 gain very little.

Figure 1.3: Relationship Between Incentive Package And Ownership Bundles



It is evident from the above discussion that the inputs – owned and external are such related that larger the owned input, higher the quantities of external inputs can be acquired and smaller the owned inputs, the poorer the set of external inputs. This is substantiated by the empirical evidence given in the World Bank Report (1991). The report indicates that benefits from agricultural input subsidies have gone overwhelmingly to wealthier, agriculturally advanced regions and to larger farmers i.e. groups with big ownership bundles. Good irrigation infrastructure, higher levels of input use and greater marketable surpluses (strong exchange entitlement) are attributed as the cause for the benefits accruing to this class.

The development incentive system in rural India appears to have its benefits linked to the strength of the ownership bundle and endowment of the household.

Benefits accruing to households with poor ownership bundles and small endowments are consequently weak. This view is being increasingly recognised by development agencies (World Bank, 1999), which point to the starting endowment of household as being critical in poverty reduction in the past.

Figure 1.3b suggests the locus of a policy that would enable households with poor ownership bundles to access higher subsidy packages. The curve here represents the relationship between the ownership bundles and the incentive packages that may be acquired. Households with least endowment O_1 receive the maximum incentive and subsidy I_3 while households with largest endowment O_3 receive the smallest subsidy package I_1 . Such a policy may be aimed at building the endowment of poor households by providing the appropriate tools (literacy, skills, loans, infrastructure etc) to enable participation in the wider market. The focus here is on both economic and non-economic factors which in turn would strengthen the economic and the non-economic entitlements. This is in line with the increasing attention being paid to multidimensional poverty in the current thinking in the discipline (UNDP, 1990-2004; Seers, 1969, ILO, 1976; 1977, Baster, 1979, Hicks and Streeten, 1979, Streeten 1984, Morris, 1979, Chambers, 1983, WDR, 1980 to present, Sen, 1982; 1985; 1992; 1999, Kanbur and Squire, 1999). In recent literature appropriate policies/intervention processes and the role of non-government organisations (NGOs) in the development process (Mencher, 1999) are becoming important research priorities. Further research is needed to design and more importantly to draw up a framework for the effective implementation of such a policy.

While the value of Sen's entitlement approach remains undisputed, some limitations make its application difficult. The precise definition of entitlement sets is only possible, as admitted by Sen himself (Sen, 1981), in conditions of perfect market-clearing equilibrium. In the absence of such conditions in most developing countries, entitlement definitions have some degree of inherent ambiguity. This may pose problems in empirical studies where precise entitlements sets are needed to examine shifts in the entitlement components. Furthermore, since Sen included different types of influences: economic, social, and political in determining the exchange entitlements in the real economy, the process becomes very complex and highly dependent on the institutional structure of the economy. Sen's entitlement theory, though not the perfect tool for empirical applications, has provided an important

insight into the understanding of ownership bundles and the corresponding wellbeing of households in the society.

Section IV: Conclusions

This paper draws attention to Sen's (1981) entitlement framework in the understanding of chronic poverty within rural context in India. In recent literature the dialogue on entitlement theory appears to have been replaced by the capability approach in the understanding of poverty and its multidimensionality. The paper argues that the two concepts are closely linked. Furthermore, the capability approach builds on the postulates of the entitlement theory. The entitlements *can* be translated into the capabilities of the individual or in some cases *are* the opportunities and capabilities themselves. It is also noted that the distinction between entitlements and capabilities appears to be blurred as is sometimes between capabilities and functionings.

This paper is concerned with rural poverty and its persistence – chronic poverty in India. It focuses on the economic and non-economic situations – the endowments of the rural households. The objective is twofold. First, to study the changes in the endowments of the poorest households over the three selected census points: 1971, 1981 and 1991. Second, to study the type of entitlements these ownership situations are translated into along with factors that may influence this process. The entitlement framework is deployed here to further the understanding of poverty and chronic poverty groups through ownership situations and entitlements. The entitlement approach provides a unique way of examining distribution of benefits and costs within a society and evaluating social arrangements. This enables the concept to be connected and applied to a wide spectrum of issues, topics and purposes with appropriate modifications in the original function.

The exchange entitlement approach suggests that economic backwardness has persisted in rural India, despite the increasing emphasis on rural development, because of the inability of the development policy to bring about significant changes in the relative ownership bundles of a large proportion of population.

When the market is examined in terms of the factors that influence the exchange entitlement of households, it is observed that the combined exchange entitlement of the rural households does not necessarily respond to the changes in its demand and supply forces. In recognition of the signs of market failure in the system the

government introduced regulatory responses through land distribution (1960s), dual pricing (PDS) and the development programmes in the early 1970s. These measures have been slow in stimulating the rural economy such that 84 percent of the rural households in 1991 census were characterised by poor physical asset base in terms land and livestock.

The impact of factor substitution and technological change in agriculture, over the last five decades, has been higher output and slow change in the exchange entitlement of households belonging to the rural resource poor sector. The regulatory measures have altered the factors influencing the exchange entitlement of households in a way that low income households with poor ownership bundles continue to dominate the population in rural India. The system of development incentives in rural India appears to have its benefits linked to the strength of the ownership bundle of the household. Benefits accruing to households with small endowments are consequently weak. A policy locus is suggested which could enable households with poor ownership bundles to avail higher subsidy packages. Such a policy may be aimed at capacity building by focusing on both the economic and non-economic ownership situations of the poor households. Such measures would entail providing the resource poor households with literacy, skills, financial assistance and access to infrastructure amongst others, to enable participation in the market.

The paper has examined rural poverty in the census points 1971, 1981 and 1991. For this period, it can be concluded that the benefits of the development process in India have been availed more by rural households that have strong exchange entitlements. Households with weak entitlements continue to live in poverty. There is need to examine and research a policy interface and process that can improve the ownership situations of the poorest households. The impact of the liberalisation and the post-reform policy stance since 1991, on rural poverty in addition is an area deserving much attention from the research community.

Notes:

1. While some of the basic tenets of the framework have roots in the works of Aristotle, Adam Smith and Karl Marx, Nussbaum (1988, 1992, 1995, 1998, 2000, 2004) has developed it further as the foundation for a partial theory of justice. Nussbaum's work focuses on the political and the moral-legal contexts of nations (Robeyns, 2005).

2. Some capabilities are an end in themselves – the functionings and also means to other capabilities such as the capability of being nourished. While this is an end in itself, it is also a means to being healthy and capability to work.
3. The one dollar a day - \$1.08 US at 1993 prices, is one indicator while the national poverty lines mostly based on the daily calorie requirement as in the case of the Indian Poverty line are other economic measures of poverty.
4. The dollar a day poverty line classifies 433 million people in India below poverty line (World Bank, 2001:7), while by the much lower national poverty line 260 million people are below the poverty line (GoI, 2001:166)
5. The special issue of World Development (Volume 31,2003) has focused on examining the multiple dimensions of chronic poverty through papers on conceptual frameworks for understanding chronic poverty in search of effective intervention policies and some national level studies on chronic poverty. The special issue emphasises both the need for understanding the causes along with the dynamics of poverty and the search for development policies that can benefit the chronic poor.
6. 66.9 percent of the total working population and 85 percent of the rural working population was employed in agriculture in 1991 (GoI, 1991). The figure remains high at almost 60% in 2001.
7. The basic tenets of these models were first discussed by Nurkse (1953) in *Problems of Capital Formation in Underdeveloped Countries*.
8. The Indian states of Kerala, Haryana and Punjab, all with rural literacy levels of over 55 percent, have the highest output per hectare in the country, while the number of non-agricultural households in poverty was the least in Kerala, the state with the highest literacy in India (Quibria, 1994).
9. Total livestock owned by 100 landless households/100
10. The evaluation of the programme in 1993 revealed that just under 15 percent of the assisted families could cross the poverty line (Chelliah and Sudarshan, 1999).
11. In states like Kerala with 90 percent literacy (Census of India, 1991), such costs for the poorest tenth of the population account for 10 percent of the per capita consumption expenditure. These costs were as high as 230 percent of the annual per capita consumption expenditure for the poorest tenth of the population in states like Uttar Pradesh and Bihar.

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