Poverty and Economic Change in Kalahandi, Orissa: The Unfinished Agenda and New Challenges

Sunil Kumar Mishra*

Abstract

Poverty rips the very social fabric of a society. Its victims are apparently divested of some universally accepted human quality of life. This paper analyses the incidence of poverty in the backward district of Kalahandi, Orissa. It focuses on the economic structure and socio-economic conditions of the people to identify the probable reasons for chronic poverty in the district. The paper argues that to reap the benefits of large deposits of raw material and human resources, development of the non-agricultural sector through proper planning is a prerequisite. Collectivity among the members of the co-operative societies and other decentralized institutions would help in harnessing the benefits. The possibilities of such collective actions for rural development are explored.

Introduction

Poverty in Kalahandi[1] is paradoxical in nature. The district is rich in natural resources like forests and minerals, and has a large labour force. The landholding size is larger than the average size of landholdings in Punjab; it receives more rain than Punjab, and the cropped area in the district is the highest in Orissa (Mahapatra *et al.* 2001). Yet, people here are trapped in a vicious circle of poverty. Kalahandi is well known for its backwardness, hunger, starvation deaths and all other social maladies. The district came into prominence in the national and international developmental discourse in the 1980s when the people of the lower strata faced serious economic and social deprivation and were driven to eat inedible roots and grasses. Kalahandi has a high concentration of Scheduled Caste (SC) and Scheduled Tribe (ST) populations. About 93 per cent of its population live in rural areas where the level of poverty is very high. A major challenge for development officials has been that of finding ways to reduce the chronic poverty among the people. To analyse the problem the state economy should be decomposed into a district and village economy.

While discussing the economic structure of Kalahandi, we need to analyse

* Doctoral Fellow (Economics), G. B. Pant Social Science Institute, Jhusi, Allahabad - 211 019. E-mail: sunilkumar46@rediffmail.com

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its economic changes from 1960 to 1991. The basic elements of an economy are economic structure (aspects of ownership and control of resources), economic activity (pattern of utilisation of resources) and economic performance (measure of what the economy results in). Economic change reflects change in the three aspects of the economy and the interaction among them (Kurien *et al.* 1979). Economic development is not possible without the productive use of the rural population. In Kalahandi district, the agricultural sector is traditional and backward and is a source of livelihood for a large number of people. It is relevant to consider how the excess rural population can be absorbed into other productive occupations. This paper argues that absolute poverty among the rural people may be substantially reduced by encouraging the development of the non-agricultural sector along with that of the agricultural sector through special emphasis on rural industries.

In what follows, this paper outlines the poverty scenario in Kalahandi district. It then discusses socio-economic change and the livelihood pattern of the people in the district. This helps to identify the reasons for its persistent economic backwardness. Next, it analyses the basic causes of underdevelopment of the non-agricultural sector and examines its prospects in the district, and then analyses the role of decentralised institutions in the development of the district. Finally, the paper discusses the anti-poverty programmes and rural development scheme in Kalahandi, and concludes with some policy implications.

Poverty in Kalahandi District

The District Rural Development Agency (DRDA) conducts a survey every five years at the block level with a view to providing benefits to families living Below Poverty Line (BPL), under various anti-poverty programmes implemented either by the state government or the central government.

Table 1 shows that the percentage of rural families below the poverty line in the State in 1992 was 78.70. Not only is the poverty level in the State very high, but also a stark inter-district disparity in poverty levels exists. The table shows the severity of poverty in 13 districts of the state. Districts like Kalahandi (86.65), Koraput (87.20), Mourbhanj (90.77), and Phulbani (89.99) show a very high level of poverty in comparison with other developed districts like Balasore (67.32), Sambalpur (67.37), and Cuttack (70.81). Kalahandi district has as many as 1,94,140 families living below the poverty line out of a total of 2,52,726 families as per the 1999 BPL family census. This constitutes 77 per cent of the total number of rural families (NABARD 2000–01). Table 2 shows rural families below the poverty line in various blocks of the district as they appear in the 1992 and 1997 surveys.

Table 1: Level of Poverty in Orissa in 1992—A District-Level Comparison

Districts	% of Rural Families BPL
Balasore	67.32
Bolangir	84.54
Cuttack	70.81
Dhankanal	84.25
Ganjam	77.84
Kalahandi	**86.65**
Keonjhar	82.75
Koraput	87.20
Maurbhanj	90.77
Phulbani	89.99
Puri	77.64
Sambalpur	67.37
Sundargarh	80.93
Orissa	**78.70**

Source: Panchayati Raj Department, Government of Orissa, quoted in Samal (1996)

The percentage of BPL families in rural areas of Kalahandi district reduced to 62.71 per cent in 1997 as against 85.77 per cent in 1992. Blocks like Madanpur Rampur (80.23 per cent), Kesinga (70.01 per cent) and the two tribal blocks notified by the Integrated Tribal Development Agency (ITDA), i.e., Thuamul Rampur (88.76 per cent) and Langigarh (75.81 per cent) show a very high percentage of rural families below the poverty line. Of these poor families of the district, 19.59 per cent of the households are small farmers, 41.51 per cent were agricultural labourers, 23.83 per cent were marginal farmers, 1.80 per cent were artisans and the remaining 13.15 per cent were of other categories. The Scheduled Castes and Scheduled Tribes together constituted 57.41 per cent of the rural families below the poverty line in 1997.

Economic Transformation in Kalahandi

Before analyzing the role of the non-agricultural sector, let us examine the economic changes in Kalahandi district. This would help us to identify the causes of both absolute and relative poverty.

Table 2: Rural Families below Poverty Line in Kalahandi District across Blocks and Socio-Economic Groups, 1992 and 1997

Blocks	% of BPL families (rural) in 1992	% of BPL families (rural) in 1997	Out of the BPL families (rural) in 1997 survey, percentage of		Out of the BPL families (rural) in 1997 survey, percentage of			
			SC	ST	Small farmers	Marginal farmers	Rural artisans	Agricultural labourers
Bh. Patna	75.56	55.68	25.41	40.98	15.49	25.39	1.81	39.56
Kisinga	86.08	70.01	24.54	27.78	11.83	28.51	1.73	48.57
Karlamunda	84.85	49.51	23.83	17.90	20.17	31.60	1.87	41.73
M. Rampur	86.55	80.23	20.64	43.37	21.92	27.52	1.57	44.44
Narla	83.88	54.89	14.34	18.76	10.06	19.06	0.83	20.81
Langigarh	87.05	75.81	28.37	46.37	19.53	17.26	0.87	44.15
Th. Rampur	93.81	88.76	29.14	55.35	19.85	21.04	1.47	40.12
Dharamgarh	86.22	64.26	23.84	19.51	24.70	30.95	1.66	36.23
Junagarh	95.40	61.38	22.02	19.36	16.48	14.38	2.95	40.00
Kalampur	87.45	51.77	17.26	27.48	16.03	8.44	2.20	57.13
Jaipatna	85.34	66.59	23.19	38.70	18.30	18.04	1.90	47.00
Koksara	90.97	38.48	22.67	35.00	29.09	22.37	1.86	39.34
Golamunda	88.43	62.77	21.21	32.72	20.83	26.46	2.03	42.33
Total	85.77	62.71	23.39	34.02	19.59	23.95	1.80	41.51

Note: The rural families below the poverty line are calculated by the DRDA on the basis of the total income of the family falling below Rs.11,000 a year. The blocks refer to Kalahandi district as divided in 1993.

Source: District Rural Development Agency, Kalahandi, Orissa.

Land Distribution Pattern in the District

The land distribution pattern in the district is highly skewed. Table 3 shows the changes in the pattern of distribution of operational holdings between 1970–71 and 1990–91. The average land area operated in the district has declined from 3.97 hectares (ha.) in 1970–71 to 1.94 ha. in 1990–91. More then 50 per cent of the households owning less than 3 hectares of land operated 20 per cent of the total land area in 1970–71, whereas the corresponding figures for 1990–91 were 82.09 per cent and 49.78 per cent respectively. The figure for the operational holdings of the highest class (more than 10 ha. of land) shows that 4.69 per cent of all the holders operated 21.92 per cent of the total land area. The corresponding figures for 1990–91 were 1.10 and 8.24 per cent respectively. The concentration ratio[2] shows a smaller variation from 0.452 and 0.444. This reflects a high concentration of land area. The inter-class concentration ratio (ICC)[3] shows concentration of land for all classes of landholding. It is noticed that the ICC of all the size classes has gone up in both the periods. But the absolute increase of the upper size class is higher than that of the lower classes. Here the ICC of the top group, i.e., those owning land above 20 ha., interpreted as the upper size class, had 870 per cent of what they would have been entitled to had the distribution been equal in 1970–71. This figure increased to 1,320 in 1990–91, which indicates that the concentration of land area has increased.

Table 3: Operational Holdings of Land in Kalahandi District, 1971 and 1991

Size class	% of households		% of area operated		avg. area operated		ICC	
(hectare)	'70–71	'90–91	'70–71	'90–91	'70-71	'90–91	'70–71	'90–91
Less than 1	17.40	39.94	2.76	11.70	0.63	0.56	15.90	29.31
1–3	37.48	42.14	17.84	38.08	1.89	1.75	47.59	90.35
3–5	14.97	10.71	14.30	21.42	3.79	3.88	95.51	199.86
5–10	25.42	6.08	43.99	20.53	6.87	6.56	173.02	337.71
10–20	3.66	0.99	12.10	6.73	13.10	13.21	329.81	680.34
Greater than 20	1.03	0.11	8.99	1.51	34.54	25.65	869.35	1320.34
Total	100	100	100	100	3.97	1.94		

Source: Calculated from *District Statistical Abstract for Kalahandi District, Bhubaneswar,* and Directorate of Economics and Statistics 1970–71, 1990–91.

The heavy concentration of land implies that the land reform policy in the district has not been effectively implemented in respect of both the ceiling on landholdings and the consolidation of landholdings. With about 80 per cent of the people in the district being dependent on agriculture, such polarization of

landholding affects the small, marginal and landless people very badly, dragging them into the vicious circle of poverty. This often forces them to opt for informal credit, which is being exploited heavily. In such a scenario, we often find an interlinkage in the land, labour, and money markets, which may be dyadic or triadic. In a dyadic interlinkage individuals interact pair-wise (the terms and conditions of one agent depend on those of others) while in a triadic interlinkage more then two agents are involved in the contract. Such models enhance the understanding of exploitation in the agrarian market (Basu 1990). Again, the poor often resort to 'distress sale' of land and (industrial or agricultural) products. This interlinkage may lead to exploitation of the poor, which Bhaduri terms 'forced commerce.' In his words, 'The fact that the small peasant usually sells when prices are low and buys when prices are high runs quite contrary to the textbook wisdom on price response and strongly indicates a pattern of involuntary involvement in the market under the compulsion of indebtedness through consumption loan. This in essence is the mechanism of "forced commercialization" of a poor peasant economy in the grip of merchant's and usurer's capital' (Bhaduri 1983). Some new institutional economists opine that the interlinkage saves transaction and contract enforcement costs. But '...the isolated rural economic communities and its dense social network often dictate a kind of captive interlinking of transaction among the same small numbers of economic agents with virtually "all or nothing" choices for the weaker partners' (Bardhan 1989). The people are in a 'no man's land', where they cannot afford to wait to profit from a healthy market situation. The distress sale is either due to medical problems in the family, or unemployment or high rates of interest on informal loans.

Land Productivity in Kalahandi

In all the three years, rice production per hectare in Kalahandi was greater than that in Orissa. The average rice production in Kalahandi in 1993–94, 1994–95, 1995–96 was 16.73, 17.17, and 17.71 quintals per hectare respectively as against the State average of 14.52, 14.26 and 13.75 quintals per hectare for the same years. The production per hectare of other crops in the district was very low.

Table 4 shows that rice production per hectare in Kalahandi district is very impressive. Why, then, is the district so poor? A possible explanation is that the pattern of land distribution in the district is very uneven, and hence most of the gain from agriculture is appropriated by a few.

Table 4: Average Yield of Some of the Major Crops in Kalahandi District and Orissa from 1993–94 to 1995–96 (quintal/hectare)

Major Crops	Orissa			Kalahandi		
	1993–94	1994–95	1995–96	1993–94	1994–95	1995–96
Rice	14.52	14.26	13.75	16.73	17.10	17.71
Maize	10.19	7.52	10.53	6.96	4.77	6.67
Ragi	6.42	5.90	6.12	3.97	3.44	4.12
Wheat	12.89	13.49	12.41	7.03	10.01	8.03
Green gram	5.78	5.71	6.68	1.74	2.25	2.31
Groundnut	11.39	11.25	10.13	6.67	8.59	8.30
Til	2.81	2.22	2.27	1.47	1.13	1.23
Mustard	1.88	1.95	1.69	1.46	1.78	1.49
Potato	112.51	111.74	96.95	96.93	86.67	65.34
Sugarcane	582.40	589.87	583.90	436.92	488.49	515.35

Note: Kalahandi district here refers to the one divided in 1993.

Source: Calculated from *Statistical Outline 1997* and *District Statistical Abstract for Kalahandi 1997*, Directorate of Economics & Statistics, Orissa.

Use of Fertilizers

In Kalahandi district, neither the agricultural nor the industrial sector is developed. Even the green revolution did not have much of an impact on the agricultural development of the district presumably because of the absolute poverty that restricts farmers from utilising sophisticated technology such as tractors and high-yielding varieties of seeds and fertilisers. The use of fertilisers by the agriculturists in Kalahandi district and in Orissa is shown in Table 5.

Table 5: Consumption and Use of Fertilizers in Orissa and Kalahandi 1991

Consumption	Orissa		Kalahandi	
	Total Consumption (MT)	Use of Fertiliser per hectare of land (MT)	Total Consumption (MT)	Use of Fertiliser per hectare of land (MT)
Nitrogen	154590	0.029	3289	0.010
Phosphatic	34160	0.006	1290	0.004
Potassic	18950	0.003	551	0.001
Total	207700	0.038	5130	0.016

Note: The average data on fertilizer consumption for some years could have given better insights. However, I did not have access to all the data except for the year 1991.

Source: Calculated from *Statistical Outline 1997* and *District Statistical Abstract for Kalahandi*, Directorate of Economics & Statistics, Orissa.

From the table, it is clear that the use of fertiliser per hectare of land in Kalahandi district is as low as 0.016 million tonnes in comparison with that in Orissa state (0.038 million tonnes).

Classification of Main Workers in Kalahandi District

The slow rate of occupational diversification, coupled with the high dependency of the workforce on agriculture, is one indicator of economic backwardness and stagnation, although we are aware that capitalist agriculture of high productivity often signifies agrarian prosperity. The classification of the main workers in the district, as shown in Table 6, also shows the backwardness of the area.

Table 6: Composition of Main Workers in Kalahandi District and Orissa: Temporal Trends During 1971–91

Sectors	% of total workforce in Kalahandi District			% of total workforce in Orissa State		
	1971	1981	1991	1971	1981	1991
Cultivators	53.57	50.80	42.85	49.16	47.00	44.31
Agricultural Labourers	32.09	35.29	41.04	28.28	27.65	28.68
Household Industry (HI)	2.82	2.65	2.70	3.63	3.47	3.12
Other Services	11.52	11.26	13.36	18.93	21.88	23.67
Total	100	100	100	100	100	100

Source: Calculated from *District Statistical Abstract of Kalahandi 1970–71, 1980–81 and 1993,* Directorate of Economics & Statistics, Orissa.

Kalahandi depends mainly on primary activities, in which about 84 per cent of the total manpower is employed. Participation of the workforce in agriculture is greater in Kalahandi district than in the whole of Orissa. The percentage of people engaged in agriculture (cultivators and agricultural labourers) in Kalahandi decreased very slightly from 85.66 per cent in 1971 to 83.89 per cent in 1991. The proportion of agricultural labour in the district shows an increasing trend, but is more or less constant for Orissa. Again, the percentage change in the number of people engaged in household industries has been more or less the same for both Kalahandi and Orissa in all the three censuses. The proportion of the workforce engaged in other services (which includes transportation, trade and commerce, forest, fishery, etc.) shows an increasing trend in Orissa, but is more or less the same in Kalahandi district. The 1991 census figures show that the proportion of people engaged in trade and commerce is increasing at a higher pace in Orissa than in Kalahandi. The above description indicates that the distribution of the workforce

in various economic activities is highly uneven. Industrial development in Kalahandi district is very low. Only 3.98 per cent of the workers are engaged in the industrial sector as against the state's average of 8.94 per cent. Trade and commerce engages 3.48 per cent of the workers, while the state average is 5.37 per cent. Transportation and communication activities employ only 0.68 per cent of the workforce in the district against 1.74 per cent in the state (*Orissa Statistical Abstract* 1991). The high dependence of the workforce on the primary sector and the absence of urbanisation and alternative job opportunities have forced the workers to migrate.

Urbanization and Migration

Much of the literature on development after the 1980s emphasises the enhancement of non-agricultural employment in the urban fringes or what is called the 'rurban areas'. Urbanization provides employment for the rural worker. The small towns or large cities provide the marketing opportunity and product competition for rural non-agricultural 'exports' and encourage the rural areas to meet non-local demand. Again, better communication and transportation facilities have enabled the workers of adjacent rural villages to shift their activities without changing their residence (Basant *et al.* 1998). The operation of economies of scale lowers the cost, bringing about improvement in efficiency with which rural labour and financial markets are equipped to channelise various remunerative activities. This helps in the viable utilisation of rural resources and rural markets (Haggblade *et al.* 1989). Urbanisation in Kalahandi can be judged from the percentage of urban population to the total population, which was 4.85, 6.04 and 6.51 in the 1971, 1981, and 1991 censuses respectively, as against 8.41, 11.79, and 12.73 per cent in Orissa for the same years. The SC and ST accounted for more than 50 per cent of the entire population, but the rate of urbanisation of these categories is much lower than that in the state and country. In the 1981 census, the rate of urbanisation of SC was 5.97 per cent as against 9.40 per cent in Orissa and 16 per cent in India. In respect of ST, the corresponding figures were 1.35 per cent as against 4.61 per cent and 6.20 per cent respectively (Nayak *et al*. 1991). The total urban population of 1,04,163 is spread over five towns, i.e., Bhawanipatna, Khariar Road, Kesanga, Kharier and Junagarh. Bhawanipatna is a Class II town whereas the remaining are Class IV towns. The data on Kalahandi show that lack of urbanisation forces the workers to migrate to other villages and cities in search of jobs. The following table shows related figures in these five urban towns in the 1991 census.

Table 7: Urban Characteristics of Kalahandi District, 1991 Census

Name of the town	Total population (N/M)	% of people engaged in various sectors					Functional category
		Primary(P)	Industrial (I)	(T & C)	(Trans & Com)	Service (S)	
B. Patna	51,062 (M)	18	13	18	7	44	S
Kesinga	14,127 (N)	43	10	21	7	18	P
Kharier Road	14,027 (N)	28	18	26	7	21	P,T&C,S
Junagarh	12,974 (N)	51	9	19	3	18	P
Kharier	11,738 (N)	36	11	20	5	28	P and S

Note: N—Notified Area Council, M—Municipality, T&C—Trade and Commerce, Trans & Com—Transport and Communication

Source: Compiled from *District Census of Kalahandi, 1991*

Recurring droughts[4] may be the chief cause of migration. People used to migrate to Raipur (MP) in search of jobs in times of drought. Dash and Behura, in their study (in 1998) of two villages of Nawapada (a part of undivided Kalahandi district), found that the non-tribals preferred to migrate to Raipur district in search of factory jobs, whereas the tribals, who were strongly attached to their birthplace, got by on minor forest produce and whatever local employment was available. Migration also has adverse consequences on the education of the worker's children (Dash *et al*. 2000).

Wage and Price Structure

The wage structure in Kalahandi district is very depressing. Even though the government of Orissa fixes the minimum wage rate from time to time, we find a gap between what labour actually gets and what the government fixes.

Table 8 shows that the wage rate of agricultural labour and other labour is extremely low. Even today we find bonded labour (called *goti* in local language). Agriculture is so uneconomical in the district that even a middleman with 10 hectares of land cannot pay a higher wage rate. It is argued that if this system is abolished the poor labourer would lose even the little sustenance that he had (Mohanty 1992).

Table 8: Wages for Different Types of Labour (in Rupees) in Kalahandi District (1977–95)

Sl	Average wage for	1977	1981	1994–95	1995–96
1.	Skilled labour	6.85	9.62	46.36	54.19
2.	Agricultural field labour	2.59	4.39	20.55	22.45
3.	Other agricultural labour	2.56	4.68	21.23	22.69
4.	Other labour	2.34	4.30	20.72	21.30

Note: ***** Wage rate of child labour is excluded. Skilled labour includes carpenters, masons, tractor drivers, etc. The wage rate of skilled labour is found out by average in the respective year.

****** Data for 1994–95 and 1995–-96 refer to Kalahandi as divided in 1993.

Source: Calculated from *District Statistical Handbooks*, Directorate of Economics and Statistics, Govt. of Orissa.

Poverty and Public Distribution System

The success of any planning effort is judged not in terms of the rate of growth of per capita income but by the living standard of the poor. Food security is one of the most effective measures to reduce poverty. The merit of the Public Distribution System (PDS) is that it has effectively contributed to famine prevention and is said to contribute to an increase in physical and economic access to food (Mooij 1999). In Kalahandi, a substantial part of the population lives below the poverty line, which means their income is not sufficient to buy enough food. Their lack of purchasing power often keeps them out of the PDS. When food reaches the poorest and most vulnerable people, it strengthens their bargaining position. A more secure food situation makes the vulnerable people slightly more powerful, or less powerless, in their interactions and negotiation with powerful agents such as landlords and moneylenders. But a backward economy shows that chronic poverty (when they have no money to buy ration commodities and often mortgage their ration cards), and limited opening of shops are the main reasons for the limited success of the PDS (Mooij 1999). In its interim report tabled in the state legislature, the Committee of the House on Drought and Other Natural Calamities (1987) opined that the food habits of the people of a region should be considered while assessing any distress on account of drought. The relief through PDS has only taken into account rice and wheat, which is mainly consumed by the affluent sections of society. The scheme ignored the requirement of the SC and ST population (quoted in Jayal 1999). It is also argued that the subsidised food supplied may be too little to benefit the poor. Often the individual dealer incurs a loss of 3–5 kg per bag, which he makes up by selling at a higher price. A debate was also going on to link employment generation programmes and PDS because the uncertainty and vulnerability with regard to employment give rise to uncertainty in the consumption

level, leading to food insecurity (Coondoo *et al*. 2000). In such a case the PDS and Employment Generation Programmes can overcome the food deficiencies of the poor in Kalahandi.

Development of Non-Agricultural Sector

There are two valid hypotheses for the development of a backward area through the development of the non-agriculture sector. These are:

(a) Development of the non-agricultural sector through agricultural development.
(b) Encouragement of the non-agricultural sector, given the state of agriculture in terms of production, productivity, employment, etc. This can promote the development potential of the district, and boost the agricultural sector.

Development of rural industry requires physical and human infrastructure, which the Kalahandi district lacks.

It was observed in Kalahandi that credit is provided by the Artisan Industrial Multipurpose Co-operative Society (AIMCS) without any collateral security. The AIMCS is a failure in the district because of heavy default. In such a scenario, according to the DIC officials, it is very difficult to provide loans on non-collateral security deposit basis. After 1995, the department did not provide loans to the people owing to non-rotation of the loan amount. But the question is whether or not providing funds is the solution to the problem.

Appropriate technology, which is vital for industrial development, is lacking in Kalahandi. Such technology should develop according to the tastes and preferences of customers belonging to different regions. For instance, the Banarasi saree is made for different regions in India in accordance with the tastes and preferences of the people of that region. The design of Banarasi sarees for Bengalis is quite different from that for Oriyas.

The literacy rate in the district is 36.08 per cent, out of which the ST and SC populations account for 28.20 per cent and 18.54 per cent respectively. The corresponding figures for Orissa are 49.09, 36.78 and 22.31 per cent respectively. The percentage of main workers to the total population in the district is 37.50, out of which male literacy is 59.80 per cent and female literacy is 15.20 per cent respectively. The illiteracy rate in the district was observed to be 67.50 per cent for main workers. Out of this, 60.70 per cent of the total male main workers were illiterate. Illiteracy among female main workers was 94.60 per cent. The comparisons of illiteracy between the male and female main workers show that illiteracy among female workers is extremely high. Hence, one can question the extent to which the ideal of 'women's empowerment' is valid without upgrading their technical skill and imparting education. High illiteracy often forces people to accept low-paying jobs. Another characteristic of the district is that female participation in non-agricultural activities in rural areas is very low as compared with that in urban areas. Again, the percentage of women's participation in the rural workforce (both in agriculture and non-

agriculture sectors) is higher than that of the urban areas. For economic development and enhancement of the livelihood pattern of the people below the poverty line, literacy is a necessary prerequisite. In Orissa, 50.60 per cent of the main workers are illiterate, which is constituted by 42.50 per cent male workers and 87.20 per cent female workers. It would be well to cite the example of Taiwan. In 1930, the Japanese colonial government took the initiative to introduce literacy in Taiwan. As a result, the rural labour force became largely literate, contributing positively towards rural industrialization (Ho 1979, p. 94) and income generating capacity of the worker.

Role of Institutions in Reducing Poverty

The question that arises is, how to harmonise the interests of various agents of a backward economy like Kalahandi through the institutional mechanism? The immediate answer is the effective role of decentralised institutions (local self-government, forming of co-operative societies, NGOs and self-help groups). A fine example of the successful venture of co-operative societies is Gujarat Co-operative Milk Marketing Federation, Anand, where the members of the society are involved solely in milk production and selling through a comprehensive plan. Other examples of successful co-operative societies are the IRULA Snake Catchers' Co-operative Society (Tamil Nadu), Mahila Grihya Udyog, Rajasthan. The success of a co-operative society depends on the appropriate system of management training, skill development, availability of raw materials, finances, and equipment (Durgaprasad 1995). In Kalahandi district, some co-operative societies are working successfully. Sometimes, owing to the negligence and irresponsibility of the bureaucracy and the financial institutions, the societies do not play their role. In an interview with some members of co-operative societies in the district, it was found that the basic problem is transaction cost due to delay in getting the loan. The interval between applying for and receiving the loan was very long, often forcing loan-seekers to borrow from the informal credit markets at an interest rate of 7–10 per cent per month during the peak fair season. They spend a part of the loan on food and raw materials. People are also forced to bribe the officials (bank and administrative) either directly or through middlemen. A fixed commission is charged at two levels, i.e. co-operative secretary and Industrial Promotion Officer. In the co-operative society one member had sanctioned a loan of Rs.12,000 from IRDP, out of which Rs.2,000 was deducted. Out of the Rs.2,000, the co-operative secretary and the Industrial Promotion Officer got a 50:50 share. But when a middleman is involved, the basis of commission is 45:45:10 (10 per cent for the middleman). The Rs.10,000 that the member received was spent on repaying debts and on food. From the above example it is clear that in any market season of handicraft products, hardly anything was invested in the trade. Timely sanction of loans is imperative because artisans generally need money during peak fair seasons like Dasahara Puja and Ratha Yatra. Delays in getting

loans could result in spending the money on food and other articles, which would drive them back to the informal credit market.

Decentralized institutions like local self-government and non-government organizations are found to play a very important role especially in backward rural economic development. Local representatives are more open to public scrutiny than the national or state government, and are more responsible and accountable to the community and individuals whom they are supposed to serve. These institutions should play an effective role, particularly in the various programmes and policies implemented for rural development. Again, an effective role for decentralised institutions should be to enable the 'have nots' (SC, ST and women) to participate in the decentralised model of development on an equal footing with the 'haves'. Much emphasis is placed on the role of local self-government in the 73rd amendment of the Constitution.

On the other hand, NGOs have a major role to play in mobilising the poor and in protecting their rights and providing them with the latest information. Sometimes, NGOs are alleged to be more corrupt than the bureaucracy. The main reason for this is that the NGOs lack continuity and work in isolation, and often at cross-purposes (Samal 1998). Sometimes, the local institutions are dominated by vested interests, which do not allow the poor to be benefited. Hence the necessity of structural change in rural society to enable the poor to be in a position of dominance in local-level institutions (Samal 1998). A constructive and supportive role of local self-government and non-governmental organisations (NGOs) is absolutely necessary. In the words of Raja Chelliah '...the ongoing poverty alleviation programmes would have to be strengthened and made more efficient and cost effective by enlisting the participation of panchayati raj institutions and NGOs.' (Chelliah *et al*. 1999).

Anti-Poverty Programmes and Rural Development in Kalahandi

The state and central governments have launched various anti- poverty programmes aimed at providing wage employment and self-employment for the poor. Various organisations like Khadi and Village Industries Commission (KVIC), Coir Board, and the Handlooms Boards deal with the development of the non-agricultural sector. The central and state governments have implemented various anti-poverty programmes in rural areas. Examples of these are the Integrated Rural Development Programme (IRDP), Training for the Rural Youth for Self-Employment (TRYSEM), Jawahar Rojagar Yojana (JRY), and Employment Assurance Scheme (EAS) Tool Kits Programmes. The IRDP and TRYSEM programmes are aimed at promoting self-employment, and JRY is for creation of supplementary wage employment. Kalahandi district, as a backward area, receives large funds for such programmes. The two tribal blocks in the district, i.e., Th. Rampur and Langigarh,

receive huge assistance for the socio-economic development of the tribal people in development of agriculture, rural industries, basic social and economic infrastructure, etc. The total expenditure on various anti-poverty programmes in the district during 1989–1999 is given below.

Table 9: Physical & Financial Achievement of Various Anti-Poverty Programmes in Kalahandi 1989–2000

Years	Total Fund available (in lakhs)	Expenditure incurred (in lakhs)	% of fund unutilized	Phy. Target (in no.)	Achieve-ment (in no.)	Target mandays (in lakh)	Achieve-ment (in (lakh)
1989–90	1787.360	1352.460	24.34	12486	9717	0.00	0.00
1990–91	1953.030	1207.040	38.2	7357	6245	0.00	0.00
1991–92	1761.970	1524.200	13.5	7004	5420	0.00	0.00
1992–93	1935.300	1380.750	28.66	7671	5306	0.00	0.00
1993–94	3174.200	2557.320	19.44	11461	8041	0.00	0.00
1994–95	3949.245	3012.320	23.73	13330	7690	0.00	60.204
1995–96	3703.235	2925.810	21	10734	11154	52.300	44.330
1996–97	3828.455	2651.210	30.37	10043	10184	44.890	31.860
1997–98	3692.545	2692.490	27.09	8990	14067	29.310	29.540
1998–99	3730.640	2496.080	33.1	10896	9626	30.110	25.890
1999–2000	2402.640	785.140		2745	3589	30.110	8.480

Note: Data after 1992–93 refers to Kalahandi as divided in 1993.
Source: Calculated from the data available in DRDA, Kalahandi, Orissa.

Despite the huge expenditure on anti-poverty programmes in the district, poverty is still rampant. Table 9, which depicts the total expenditure on poverty alleviation programmes from 1989–90 to 1999–2000, shows that a substantial amount of money remained unutilized. In 1996–97, 1997–98, and 1998–99, a balance of 1,177.245, 1,000.055, 1,234.560 lakh rupees respectively remained unutilised in the district. We find that except in 1997–98, there was a large gap between the mandays targeted and the achievement since 1995–96. According to Column 4, which shows the percentage of funds unutilised for various anti-poverty programmes, in 1990–91,1996–97 and 1998–99, non-utilisation of funds was very high. The probable reasons include institutional failure, corruption, low level of economic infrastructure**,** lack of awareness and/or interest among the people, bureaucratic apathy and lack of proper accountability. No doubt these anti-poverty programmes have a bearing on poverty reduction, especially in the rural areas, but lack of co-ordination hampers their effectiveness. The weak linkage between TRYSEM and IRDP is one such instance. The fourth round of IRDP concurrent evaluation revealed that only 3.88

per cent of IRDP beneficiaries received training under TRYSEM (GOI 1998–99). Further, TRYSEM trainees are not provided with the basic instruments from the tool kits scheme. In such a situation, the lack of co-ordination of various programmes affects rural industrial development. Another major consideration that is overlooked is market viability. The basic reasons for non-implementation of the programmes are:

(a) wrong selection of the target group,
(b) market viability is not considered,
(c) negligence on the part of bureaucratic and bank officials,
(d) misuse of funds by those who take loans from formal institutions,
(e) submission of clearance certificates - If someone defaults on a loan his child cannot avail of a loan from the formal institutions even if he is a skilled or semi-skilled worker.

Conclusions and Policy Implications

Eradication of poverty in Kalahandi is a daunting challenge for policy makers and planners. This is reflected in the fact that 62.53 per cent of the rural families in the district were below the poverty line in 1997. Four major factors account for the severity of poverty. First, more than 85 per cent of the total workforce is engaged in agricultural and allied activities, of which 46 per cent are agricultural labourers. Second, infrastructure (physical, social and economic) is underdeveloped. Third, the traditional cottage and rural industries are neglected, leading to the migration of artisans from the secondary to the primary sector, a case of reverse diversification. Fourth, there is an institutional failure in the district. The institutions include the central, state and local government, NGOs, and co-operative societies.

The slow rate of occupational diversification, coupled with a high workforce dependency on the agricultural sector, is one indicator of economic backwardness and stagnation. The identification of the main workers in the district shows the backwardness of the area. Hence the task is to shift the workforce from the agricultural sector to the non-agricultural sector. A labour-intensive path for the non-agricultural sector should be chosen in the beginning with a dynamicity of the transformation curve, which assures a positive relation between the average income and total employment.

The first step towards overcoming agricultural backwardness is the development and revival of the irrigation system. Often, the coexistence of drought, poverty and agricultural backwardness in the district is observed as a curse of nature. We also find a curious duality in the government's approach. On the one hand, the state government and district administration denied the food crisis and drought; on the other hand, the state government pressed the central government for a larger relief fund. Often, the discourse of hunger is shifted to the discourse of drought, shifting the blame from the state to nature (Jayal 1999). But rainfall in the

district is not low. It receives more rainfall than Punjab. The difficulty is in water management. At independence the district had an extensive traditional irrigation network of ponds, wells, tanks, etc., managed by the local institutions like 'jal sabha'. With the advent of planning, the traditional sources of irrigation were taken over by the government. This was the beginning of mismanagement, which took its toll on agricultural growth. There is a need for planners and policy makers to formulate an effective strategy to revive the traditional source of irrigation so as to provide not only water and therefore increasing agricultural productivity, but also productive employment for the poor of Kalahandi. The revival of the micro watershed will provide irrigation facilities for about 80 per cent of the total cropped areas. It will also create productive employment for about 30,000 poor people at a cost of Rs.50,000 million within ten years. The district gets approximately Rs.100 crore every year for irrigation and watershed development from different national and international agencies (Mahapatra 2001). Agricultural development through technological development, improving irrigation systems, supply of high-yielding variety of seeds, formal credit for cultivators, improving the infrastructural facilities, strengthening marketing societies and an effective implementation of land reforms is absolutely necessary.

The second major public investment needed is rural electrification. Even after fifty years of planning, about 50 per cent of the villages have not been electrified. The question remains about the number of households that have electricity connection in these electrified villages. Development of the power sector is crucial to agricultural and industrial development. Because of the absence of industrialisation in the district, a large percentage of electricity (39.70) is in the domestic sector compared with the state average of electricity consumption for domestic use (21.50), whereas the percentage for industrial use in the district is very low (28.86) compared with the state average (57.37) in 1995 *(Statistical Abstract, Orissa,* 1997). Though many villages have been electrified, continuous power supply is not ensured and energisation is very expensive.

The non-farm sector can play a major role in the development of the district. The district is very famous in traditional industries like handloom (Bhawanipatna), pottery (Jampader), stone carving (Bhawanipatna Koksara, Boden), woodcarving (Dharmagarh), paper flower making (Rampur), horn work (Langigarh), paddy craft (Kesenga), Solapith work (Junagarh, etc.). The revival of the traditional industry will not only sustain the poor but will also check migration in the district. The marketing societies need a boost. The government should provide artisans with proper marketing facilities for their products. Since handicrafts in the local market are costly, the government should provide marketing facilities for their products at the national and international levels. This would help producers to get rid of the middleman. It is vital to revive the marketing societies in the district, which work as a link between the artisans and the market. Kalahandi has 13 AIMCS centres for

promotion of rural artisan activities. Kalahandi GMCS (under handicraft department) and District Supply Marketing Society (under ORMAS) provide marketing support for the artisans. The Tribal Development Co-operative Society provides procurement and marketing facilities for some of the forest and other products like *siali* leaves (used for leaf plate making) and broom grass. Training facilities should be provided for weavers in design development, tie and dye, and upgradation of skills. The Handloom Weavers Co-operative Society, which provides forward and backward linkages to the weavers, has remained defunct. Alternative arrangements should be made for supply of raw materials and provision of market support for the weavers. The credit system for the development of rural industries should be properly targeted, and steps taken against official harassment. This would reduce the high transaction cost incurred by the people.

Food security should be assured in the district. The local staple food (used mostly by the tribals) like jawar and bajra should be taken into account in assessing the performance of PDS. The procurement system needs to be strengthened. It is found that almost fifty per cent of the produce (agricultural, rural, industrial or minor forest produce) is sold before government institutions start procuring. The case of *mahua*, the main forest product in the district, is illustrative. Fair returns on the product enhance the income of the rural poor of the district. Since the Forest Corporation is not properly organised, people sell the product at prices as low as Rs.1–1.50 per kg, whereas the rate fixed by the government is Rs.3 per kg.

The total forest area of Kalahandi district reduced largely after independence. Commercialization of forests has deprived the tribals of the district of the minor forest produce, which is an important source of their livelihood. A comprehensive plan is necessary to enhance the forest area and plant trees that are economically rewarding and environment-friendly. A linkage with the rural industrial sector should be formed. The forest policy should make provision for artisans, especially those directly dependent on forest products, to get raw materials without any problems. According to the social forestry scheme implemented by Swedish International Development Agency (SIDA) in Orissa, land would be allotted to some of the artisans, who would collectively develop the forest, from which they can use raw materials for promotion of their rural industries. This can ensure raw material supply for the artisans and extension and development of the forest. Sustainable development of forests and an increase in the livelihood and income of the artisans go hand in hand.

Profitability of agriculture is also marked by improved productivity, diversification and value addition. There is a critical need to develop storage facilities like rural godowns, cold storage, and indigenous storage structures like onion godowns. This will not only reduce post-harvest losses but also extend the shelf-life. Potato production in the district is 1,512 million tonnes (MT), whereas the

demand is 16,075 MT per annum (NABARD 2000–01). The shortfall is met through imports from other states for which the people pay a higher price. Even though this product fetches a good profit, lack of storage facilities keeps farmers from expanding production. Onion is a major crop grown in the district (9,963 MT per annum) (NABARD 2000–01). It is sold at a very low price during harvest for want of storage facilities. The procurement agents take away these products at a low price and the people in the district purchase them at a higher price during the off-season from the storage agents who store them in other district headquarters.

The service and business sector activities like transport, retail trade/ small business, educational loans, housing, and consumption loans need to be developed. These are mainly demand-based and vital in sustaining development activity in the district. There is a critical need to develop the transport sector to facilitate movement of local products and local people.

Appropriate technology should be developed in accordance with the tastes and preferences of the consumers. Through various poverty-alleviation programmes or through rural industrial development by various boards like KVIC, Coir Board, Handicraft Board, etc. the latest techniques should be imparted to the youth. Programmes like TRYSEM have made good progress, but their limitation is that it is very difficult for the unskilled to be trained in a period of 10–20 days. Besides this, the trade in which they are being trained may not have any market prospects. Apart from training they should also be provided with credit facilities.

Several NGOs are operating in the district, mainly in the areas of education, health, and awareness. In the past, the NABARD-assisted NGO 'Gram Vikash' worked towards providing marketing support for oilseeds by the tribals in Thuamul Rampur block, who are exploited by middlemen. Credit provided by Kalahandi Anchalik Gramya Bank through the NGOs/SHGs is very satisfactory, and their recovery under the programme is 100 per cent. The formation of SHGs is imperative because the poor who have no access to formal credit can secure such access through the group approach. This ensures 100 per cent recovery, assesses the real credit need of the poor, ensures proper utilisation of loans, operational flexibility, and allows the maximum freedom to the groups and their members. For banks too, the SHG approach is a cost-effective credit delivery channel offering a high degree of safety, less risk, and prompt recovery.

Above all, it is important to create awareness in the district, because the government depends on the co-operation of the people. Collectivity among the members of decentralised institutions is necessary. A collective system can function well only if a system of monitoring and sanctions for violating the common law is in place (Nathen *et al*. 1997).

Notes

1. In 1993, the Kalahandi district was bifurcated into Kalahandi and Newapada districts. In this paper, I have used the data on undivided Kalahandi due to the non-availability of data for divided Kalahandi. Hence, data on undivided Kalahandi is for both Kalahandi and Newapada districts. However, this will not disturb the analysis because Newapada is more backward and poverty-ridden than divided Kalahandi.
2. The concentration ratio is calculated using the formula

$$C.R. = \frac{1 - \Sigma(P_k - P_{k-1})(Q_k + Q_{k-1})}{10000}$$

3. $$\text{Inter-Class Concentration Ratio} = \frac{Qi/Q}{Pi/P} \times 100$$

   P_k & P_{k-1} — Cumulative percentage of households of the particular group k and its previous group k-1 respectively.

   Q_k & Q_{k-1} — Cumulative percentage of area owned of the particular group k and its previous group k-1 respectively.

   Qi — Total land area of a particular i^{th} group and Q is the total land area of all the groups taken together.

   Pi — Total number of persons holding the land of the i^{th} group and P is the total number of households, taking all the groups together.
4. Kalahandi district is badly affected by drought, and partial crop failure is a general phenomenon. The drought of 1884, 1885, and 1886 led to a severe food scarcity. The district faced the same situation in 1919, and again in 1922–1923, 1925–1926, 1929–30, 1954–55, 1965–66, 1986–87, 1987–88 and 1988-89 (Dash *et al*. 2000).

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