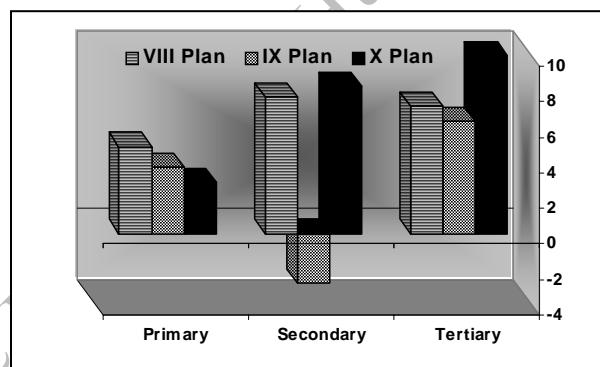


MAHARASHTRA AT 7-7-7: WIDENING DISPARITIES IN MAHARASHTRA

Poverty in Maharashtra

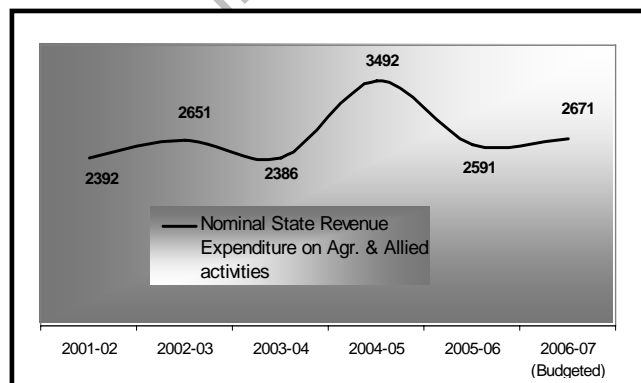
Maharashtra's gross state domestic product during 2006-07 is expected to grow at a rate of 9.3% over 2005-06. It is a proven fact that Maharashtra's growth trajectory aids in defining the growth path of India. Around 13% of India's industrial produce and more than quarter of India's tertiary activities get generated in this State.

Unfortunately, not all sectors in the State are contributing or benefiting from this growth. The mapping of data across the last VIIIth to Xth plan shows that the sectoral growth rate of the **agriculture sector** has only experienced deterioration since the end of the VIIIth Five Year Plan. The Economic Survey for the year 2006-07 notes that the contribution of primary sector (agriculture + forestry & logging + fishing + mining & quarrying) to state domestic product has declined from 31% in 1960-61 to 13.2% during 2005-06, whereas the fall in the labour force dependent on primary activities for its subsistence is not commensurate. At present, around 55% of the labour force in Maharashtra depends on agriculture for subsistence.



The 2001-Census data shows that 28.7% and 26.3% of the total workforce (amounting to 41,173,000) in Maharashtra are cultivators and farm labour, respectively. Other than cultivators and farm labour, there are another 723,000 people who are directly linked to agricultural activities in the primary sector, as per the industrial categorywise classification of workers of the NSSO.

This implies that there are approximately 23.37 million people in Maharashtra (i.e. approximately 23.7% of Maharashtra's population) who accounted for Rs. 494,720 million during 2005-06 (contribution of agriculture to state gross domestic product [SGDP]). Hence, the per capita SGDP of cultivators, agricultural labour and others directly linked with agriculture during 2005-06 was Rs. 21,171 per annum or Rs. 58 per day. *This barely scraped the target of US\$ 1 per day¹ laid under the Goal-1 of the MDG.* On the other hand, 10.12 million (i.e. approximately 10.4% of Maharashtra's population) people employed in the tertiary sector accounted for Rs. 2,579,420 million during the same year. Hence their per capita SGDP was Rs. 254,833 per annum or Rs. 698 per day (12 times higher than the per-day per capita GSDP of the people directly linked to the agricultural sector).



Unfortunately this chasm of income disparity is growing over the last decade and the State authorities and no concrete measures to improve per capita incomes in the agriculture sector are being taken. In fact one finds that the government is slowly withdrawing itself from this sector, in spite of agriculture being a 'State Subject' under the Indian constitution. This is clearly evident from the fluctuations and abysmally low 'real growth' (nominal expenditure deflated by inflation) in revenue expenditure incurred by the State Administration under the heading of 'Economic Services' on 'agriculture and allied activities' and 'rural development'.

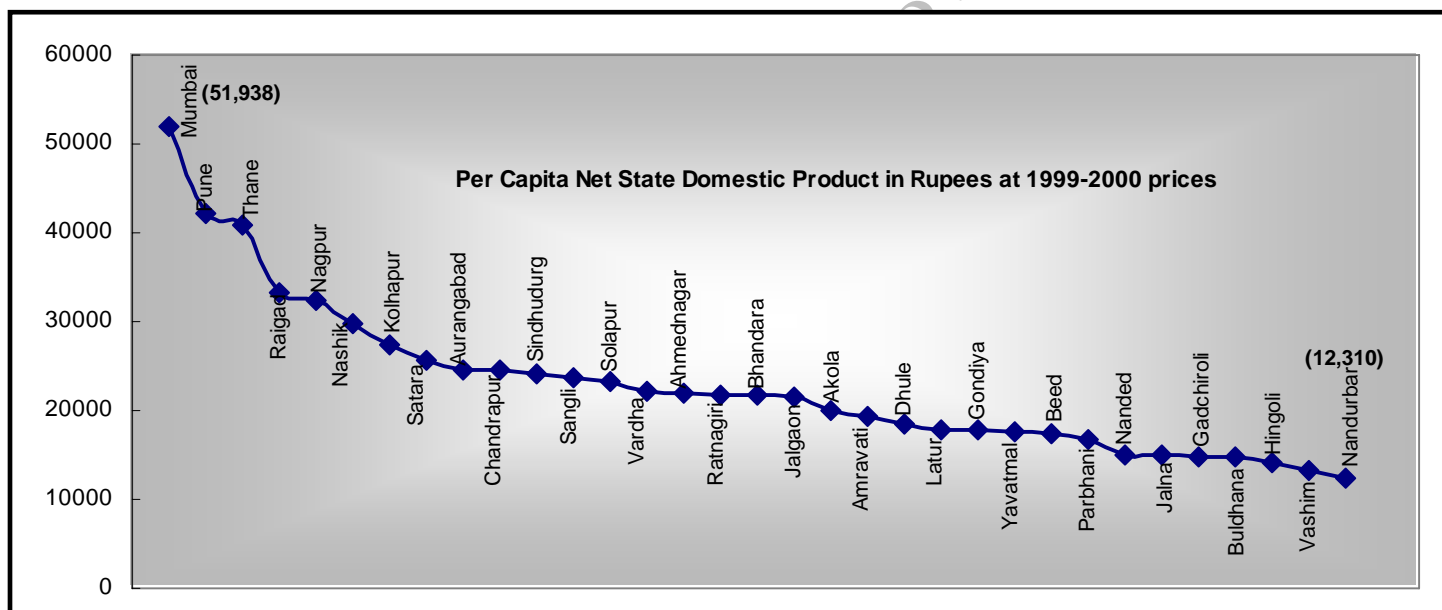
¹ USD was approximately worth Rs. 45 during 2005-06. Hence the per capita income on a daily basis translates to US\$ 1.28 per day during 2005-06. This exchange rate has been utilized throughout the document

Inter-Region inequalities in income

While income inequality continues to strengthen *the problem of regional inequality shows signs of becoming a chronic problem for the State.*

Shaban (2006)² by analyzing the growth and distribution of sectoral and aggregate incomes in the 10-year period 1993-94 to 2002-03 finds that notwithstanding high economic development, “Maharashtra suffers from acute regional inequality.” According to this research and also based on the latest data available, one can say the following:

1. Konkan region, (comprising the districts of Greater Mumbai, Thane, Raigad, Sindhudurg and Ratnagiri) accounting for only 25% of Maharashtra’s population accounts for more than half of the total income of the State;
2. Greater Mumbai, Thane, Pune and Nagpur account for about one-half of the total state income, and about 60% of tertiary sector income;
3. Investments made in Greater Mumbai, Thane, Pune and Nagpur are not having a trickle-down effect.



The above graph for the year 2005-06 shows that Mumbai’s per capita net state domestic produce during 2005-06 was 4.21 times that of Nandurbar.

With a per capita net state domestic product of Rs. 32,482 per annum (which translates into Rs. 88 per day) Nagpur was ranked 5th in terms of per capita in rupees for the year 2005-06. But these numbers do not mean anything for Manik Domaji Dhamake, a farmer who had to surrender his four acre farm in 1992 for a miniscule compensation of Rs. 10,000 per acre provided by the Government. According to him outsiders have now become permanent in his village, and his villagers have had to migrate in search of employment after surrendering their land for the industrial projects. He cannot find a job in the industries surrounding his village as he does not possess the skill set and lacks the negotiating power to even earn a decent wage on a daily basis. He has had to discontinue the education of his son as he was left with no money after a point of time. His son now operates a small shop which sells very small value items (such as peppermints, gutka etc.) Manik and his son, now have to live with a income of less than Rs. 20,000 a year.

² Shaban, Abdul (2006); “Regional Structures, Growth and Convergence of Income in Maharashtra”; Economic and Political Weekly”; May 06; Pgs. 1803 – 1815

In the case of Gajanan Dhoke who was a small farmer from the same region, the case is slightly different. Even though he too had to surrender his land, he was willing to work as a labour in the factories surrounding his village, as he had a mindset of working as farm-labour on farms of other farmers since beginning. According to him, this was the main reason why he was not pushed into migrating from his village in search of other work. He is working in a company for the last 12 years but has not been made permanent. The company pays him daily wages and provides him with no facilities that are provided to other permanent employees. He tearfully recollected how the security guards had fired on his friends when they had resisted such a system and had gheraoed the factory. According to him the visits of labour officers to the factory have not resulted in any positive outcomes for workers and therefore he believes that these officers are corrupt and have hand-in-glove relationship with the owners of the factory. He feels sad that due to his inability to educate his children properly they too are not in a position to get permanent jobs in companies and have been transformed into daily wages labour.

Intra-region income inequality

Interestingly, Sindhudurg and Ratnagiri, which are a part of the Konkan region (a region accounting for more than half of State's income), have a per capita income that is less by twice of what is earned in Mumbai. *This clearly shows that not only is there inter-regional disparity of incomes, but also a high level of intra-region income disparity.* With the increasing concentration of tertiary sector in Mumbai, coupled with imbalance and unplanned industrialization as well reducing agricultural productivity, in other parts of Konkan region, this intra-regional disparity is expected to accentuate.

With such sharpening income and regional inequalities, coupled with absence of a strategic programme to reduce such inequalities, *the State will not be in a position to achieve its target of poverty reduction for the Xth Five Year Plan (the target is to make around 8 million people come above the poverty line by the end of 2006-07 and reduce the poverty levels to 16.2% by the end of the Xth Five Year Plan period).* In 1983, the percentage of population of below poverty line was around 40% for Maharashtra. By 1999-2000, Maharashtra was able to reduce the percentage of people below poverty line to 25%. The number of people below poverty line in Maharashtra reduced to 23 million during 1999-2000 (Tenth Five-Year Plan 2002-2007, Volume III)³.

Employment Opportunities and Poverty Lines

Speak to Vithoba Sakharam Karate and he will tell you how incomes that even cross the poverty line figures do not mean anything for a family due to lack of employment opportunities throughout a substantive part of the year. Vithoba and his two sons, Ashok and Bhavdya earn Rs. 50 each day per person, by working on a farm near Nasik. The wives of Ashok and Bhavdya work on a grape farm and earn Rs. 35 each per day. Ashok and Bhavdya have two children each, out of which two go to school and two are too young to be admitted in a school. Out of 365 days in a year, the maximum number of days they find work is 192 each for three men and 100 days each for two women.

According to them the family of 9 spends approximately Rs. 30 each day on each adult for their meals and approximately Rs. 15 on children. Hence when all the members of the family are earning (say for approximately three months in a year from March to May, they are in a position to afford a nutritious meal consisting of bhakri, bhaji, rice and dal. Interestingly Vithoba also mentions that the prices of vegetables, rice and tur dal which they consume also rise during the months of March to May and therefore they have to spend more on their meals during the months of March, April and May. In the rainy season when there is practically no work, the family prefers eating only rice and dal as they cannot afford to eat a wholesome meal. The meagre savings which the family is able to make during the busy months comes handy to spend on the education of their children and on the basic meal they consume.

³ Government of India (2002); Tenth Five Year Plan 2002-2007; Volume III, State Plans: Trends, Concerns and Strategies, Planning Commission, New Delhi

Employment Schemes and Nutritional Security

According to Kamdar and Basak (2005)⁴, Maharashtra has not fared well on the nutrition front. In rural areas 57.4% of households and 54.8% in urban areas consume less than the standard 2700 calories per day. Low level of food intake affects the nutritional status of women and children.

Research shows that the Employment Guarantee Scheme legislated in Maharashtra has had positive impact in reducing nutritional insecurity in rural Maharashtra. Food security in this context means a household's permanent access to food in sufficient quantity and quality for an active and healthy life. According to Dev⁵, EGS has helped in combating seasonal malnutrition among poor households by providing employment in off-season or in the drought years. EGS has also reduced income variability risks. There is no direct evidence regarding the effect of EGS on intra-household inequalities in food security.

These findings are important especially when EGS is compared to the 'Sampoorna Gramin Rojgar Yojana (SGRY)' which aims to provide additional employment to improve food and nutritional security of poor. According to Savale (2006)⁶, the SGRY works on the principle of decentralization, where people's representatives are involved in planning and execution. He argues that in SGRY it is the dominant groups in the village that take decision regarding the distribution of resources, whereas under the EGS, poor can demand employment whenever they need it, thereby making the latter superior over SGRY.

Be that as it may, even a scheme as effective as EGS has been subjected to rampant misuse by political entities with a tacit blessing of successive administrations. Witness the ways and means adopted by the State Administration to suppress the investigation carried out by the Collector of Solapur Ms. Manisha Varma who decided to expose the fraudulent practices being adopted by officials and political entities while implementing the scheme thereby jeopardizing the benefits of nutritional security flowing from this scheme, to its largest beneficiaries, who happen to be women.

In Conclusion

Consistent and growing disparity of incomes across sectors, as well as growing inter-regional and intra-regional inequalities, is sedimenting poverty within sectors such a 'agriculture and allied activities' very strongly. Unfortunately, the government does not seem to be interested in taking concerted efforts to resolve this growing sectoral concentration of poverty in the area of agriculture, in spite of the latter being a 'State subject' under the Constitution.

Successive governments have dominantly viewed solutions to reduce poverty from the lens of income generation through employment generation programmes and not from the lens of skill-creation or skill upgradation or farm revival. By doing so, they have ensured the supply of cheap farm labour to growing industrial agriculturists', while parallelly denying an opportunity to cultivators and farm labourers for migrating into skill-intensive sectors such as services and manufacturing that are more rewarding. Growth of the State driven by growth of the tertiary sector therefore has eluded these cultivators and farm labour.

Maharashtra's progress on nutritional security is dismal, which is evident from the data cited above. Sadly, schemes such as EGS, which have shown good results in reducing nutritional insecurity, have become sites of corruption.

⁴ Kamdar, S. & Basak, A. (2005); "Beyond the Human Development Index: Preliminary Notes on Deprivation and Inequity"; Economic and Political Weekly; August 20; Pgs. 3759 – 3765

⁵ Dev, M; "India's (Maharashtra) Employment Guarantee Scheme: Lessons from Long Experience"; This paper can be downloaded from: <http://www.ifpri.org/pubs/books/vonBraun95/vonBraun95ch05.pdf>

⁶ Views of Savale have been read from the paper written by Patel S. (2006); "Empowerment, Cooption and Domination: Politics of Maharashtra's Employment Guarantee Scheme"; Economic & Political Weekly; December 16, Pgs: 5126 – 5132

Lastly, it is important to accept that income of US\$ 1 per capita or slightly more may not be able to provide the necessary nutritional security to migratory poor individuals/families, who are hit hardest by local inflationary realities.

Suggestions

1. EGS must now be utilized to resuscitate the farm sector in Maharashtra. A farmer and his family must be paid his daily basket of EGS-wage and food, for not more than 180 days a year, but continuously for a span two years only, thereby incentivizing such families to make their farms more productive in a time bound manner. Details of such scheme can be worked out in order to ensure their effectiveness. Needless to say that such a scheme will reduce migration, will provide children in the family to get educated in one place, and most importantly provide the farmer and his family a dignified livelihood.
2. It will be interesting to evaluate whether individuals who have successfully breached the US\$ 1 per day income standard have been able to consistently do so at least for a span of two continuous years from the time of breaching this poverty line. Sadly, no such panel data is available – thanks to the growing migratory nature of income generation in the State. The State Planning Commission can initiate a process for collection of such data.

Goal-1: Eradicating Extreme Poverty Hunger