

# STRATEGY AND POVERTY ERADICATION: A CRITICAL STUDY

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**Abstract :** Poverty is a state wherein an individual cannot satisfy his minimum wants for reasonable healthy living in a given social environment. Progress on poverty has been achieved by pursuing a strategy that has two equally important elements i.e. (i) To promote the productive use of the poor's most abundant asset - labour. It calls for policies that harness market incentives, social and political institutions, infrastructure and technology to that end. (ii) To provide basic social services to the poor. Primary health care, family planning, nutrition and primary education are especially important. This paper offers a critical review and outlines of concept of poverty, deepening of the causal structure and impact assessment.

**Keywords :** poverty, poverty alleviation, strategy, labour, globalization.

## INTRODUCTION

Progress on poverty has been achieved by pursuing a strategy that has two equally important elements i.e. (i) To promote the productive use of the poor's most abundant asset - labour. It calls for policies that harness market incentives, social and political institutions, infrastructure and technology to that end. (ii) To provide basic social services to the poor. Primary health care, family planning, nutrition and primary education are especially important. A program of well-targeted transfers and safety nets and it is an essential complement to this basic strategy (World Development Report 1990).

Something has changed in the discourse on poverty. The above two quotes are from the World Bank's flagship annual World Development Reports. The 1990 and 2000 versions of the World Development Report focused on poverty. The 1990 report presented the so-called 2.5 point strategy based on labour-intensive growth, social sector investments and transfers/safety-nets for those excluded. The 2000 report does not repudiate the 1990 vision but broadens it, using the language of opportunity, empowerment and security. The rhetoric has indeed changed. Arguably this change in rhetoric reflects three main changes in thinking about poverty which have gained increasing currency over the past decade are as follows :

- (i) The concept of poverty has been broadened. This is reflected in the move from a physiological model of deprivation to a social one, and subsequently, in the increasing attention afforded issues of vulnerability, inequality and human rights.
- (ii) The causal structure has been broadened to include a range of causal variables which previously received little attention. These have been phrased as 'forms of capital' and include social, political, cultural, coercive and environmental capital.
- (iii) The causal structure has been deepened to focus on flows of individuals into and out of poverty, rather than on changes in the stock of poverty.

## CONCEPT OF POVERTY

The concept of poverty has undergone at least four changes over the past decade are as follows : (i) There has been a shift from a physiological model of deprivation, focused on the non-fulfilment of basic material or biological needs to a social model of deprivation model, focused on such elements as lack of autonomy, powerlessness, lack of self-respect/dignity, etc. (ii) There has been renewed emphasis placed on the concept of vulnerability and its relationship to poverty (however defined). (iii) The concept of inequality, and its relationship to poverty, has re-emerged as a central concern. (iv) The idea that poverty should be conceptualised as the violation of basic human rights has been powerfully argued of late by UN system agencies, among others.

The conceptualisation of poverty as the violation of basic human rights has received attention recently due largely to the efforts of UN System Agencies and human rights organisations. The case to conceive of poverty in human rights terms is largely due to the affirmation of the equal status of economic, social and cultural rights on one hand and civil and political rights on the other. Though economic, social and cultural rights appeared alongside civil and political rights in the 1948 Universal Declaration of Human Rights, they were subsequently separated in two Covenants adopted by the UN in 1966. The separation of the two sets of rights was driven largely by Cold War geo-political considerations with the Socialist bloc and allies favouring the former and the liberal democracies favouring the latter.

World Development Report, 2000 heralded a major policy shift for the World Bank. (World Development Report, 1994)<sup>19</sup> Poverty reduction became the World Bank's overriding operational objective based on the dual strategy of labour-intensive growth and investment in human capital (health, education) with safety nets/transfers proposed for those excluded from growth. This position represented a widely held view of the main causal forces which would serve to reduce poverty in the years to come.

The Production Function approach to poverty reduction focuses on those mechanisms which increase the primary income of the poor. Emphasis is placed on factors which increase the level or price of output and/or the returns received by poor producers. The analysis is based on the idea of a production function whereby output is a function of factors of production (land, labour and capital) and technology. Increasing output entails increasing the volume, distribution, productivity, or changing the relative prices, of factor inputs. The Production Function approach is based primarily on the analysis of economic capital, and secondarily on human and (perhaps) social capital. It evinces a close affinity to the Income/Consumption variant of the physiological deprivation model, in so far as the primary objective is to increase basic preference fulfilment by increasing primary incomes.

Provision of microcredit has recently received considerable attention as a means of reducing poverty. The renewed emphasis on credit has been spurred by exceptionally high repayment rates achieved by a number of development finance institutions, notably the Grameen Bank. Recently, some of the allegedly beneficial consequences of microfinance provision for women and the hard-core poor have been questioned (Hulme and Mosley, 1996), as have some claims of financial sustainability, targeting accuracy and income/ consumption gains due to participation. (Morduch, 1999) Nevertheless, micro-credit has undoubtedly

realised some successes in poverty alleviation. The more important rules for success in credit provision culled from the empirical record are as follows :

- Respect Fungibility: allow multiple uses of loans.
- Use Indirect Targeting: avoid administrative costs, leakages and political manoeuvrings.
- Seek Alternatives to Physical Collateral: e.g. group lending/peer monitoring.
- Minimise Transaction Costs of Participation: e.g. paperwork, bribes, repeated visits, etc.
- Avoid Lending Monopolies: avoid regressive credit rationing and reduced credit supply.
- Ensure that Extra Credit is Productive: i.e. opportunities for income generation exist.
- Subsidise Administration, not Interest: avoid reduced credit supply (by alternative lenders), expropriation of credit by wealthy borrowers, negative real interest rates, etc.

Lawfulness requires that governing structures abide by the rule of law and serve as guarantors of lawful civil conduct. It grounds deprivation and impoverishment in the perverse functioning of the legal system which fails to protect, discriminates against or remains inaccessible to poor groups. Lawfulness relates closely to issues of justice, conflict resolution, criminality, peace and security, social violence (including domestic violence), human rights, etc. Lawfulness bears a close relationship to coercive, social and political capital and to aspects of well-being related to personal security.

Significantly, personal insecurity due to lawlessness (violence, domestic violence, crime, official harassment) is consistently an element of deprivation which figures prominently in participatory poverty assessments (PPAs). Recent reviews of PPA results conducted by the World Bank (Narayan et. al. 1999) and by independent researchers (Brock, 1999) have affirmed the critical importance of lawlessness both as constituent of deprivation and cause of impoverishment or inability to escape poverty.

Accountability requires that governing structures remain answerable for their actions and open to sanction (including dismissal) if they violate say, principles of inclusiveness and lawfulness. It grounds poverty and deprivation in the culture of impunity which effectively precludes poor groups from holding authority figures to account. Accountability relates closely to issues of corruption, transparency, access to information, etc. Accountability bears a close relationship to social and political capital and to aspects of well-being related to agency.

Forces of globalisation accentuate the importance of political and social capital to poverty reduction. They also bring out the intrinsic importance of certain aspects of social deprivation, such as disempowerment, lack of agency, etc. There are powerful forces of globalisation which have served to fuel or aggravate conflicts including: the global arms trade, the trade in precious metals which finance conflict, the global implications of the so-called 'war of terrorism', etc. Further the mutually reinforcing links between conflict and poverty has received considerable attention recent at the level of research and operational practice (World Bank 1998, World Bank 2000). In this case, issues of globalisation accentuate the centrality of coercive and political capital to poverty as well as the absence of peace and security as constituents of social deprivation.

### DEEPENING THE CAUSAL STRUCTURE

The major change in thinking about poverty has been the deepening of the causal structure. This represents a shift in analytical focus from stocks of poverty to flows of individuals or households into and out of poverty. In this section 6.4.3 discusses distinction between stocks and flows of poverty, conceptual issues raised by 'deepening' the causal framework and explains the links between vulnerability and strategies of risk reduction or mitigation, recent empirical findings on the relative magnitude and correlates of chronic and transitory poverty with a view to determine whether the distinction between stocks and flows matters for policy.

Operational strategies to address transitory poverty involve measures to reduce or mitigate downside risk or vulnerability. Examples include insurance schemes, buffer stocks, credit, emergency relief, safety nets, famine early warning systems, etc. and other income or consumption smoothing mechanisms which complement the ones listed above.

The Sustainable Livelihoods Approach is one operational approach to poverty reduction which makes explicit use of a flows-based analysis of poverty using language very similar to that which appears in the preceding Section. The approach situates poverty reduction within the framework of security of livelihoods, or sustainable livelihoods. Chambers and Conway (1992) provide a widely accepted definition of what is meant by 'sustainable livelihoods':

A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resources base.

There have been at least three main changes in thinking about poverty which have gained increasing currency over the past decade, with decided policy implications.

- (i) the concept of poverty has been broadened. This is reflected in the move from a physiological model of deprivation to a social one, and subsequently, in the increasing attention afforded issues of vulnerability, inequality and human rights.
- (ii) the causal structure has been broadened to include a range of causal variables which previously received little attention. This has led to the increasing importance afforded political, social, cultural and coercive capital which figure centrally in the governance approach to poverty.
- (iii) the causal structure has been deepened to focus on flows of individuals into and out of poverty, rather than on changes in the stock of poverty. This has led to a focus on transitory rather than chronic poverty and on shocks, stresses and individual/community response. The operational consequence is to shift attention from long-term strategies to reduce chronic poverty, to strategies of risk reduction/mitigation which 'smooth' income or consumption. Examples include insurance schemes, buffer stocks, credit (for smoothing purposes), seasonal public works, etc.

### IMPACT ASSESSMENT

One of the most striking features of rural poverty in Bhagalpur district is that, unlike other poverty-stricken regions in the state, the natural resource base of this area is very substantial. Being a river valley, not only the natural fertility of the soil is very high here, the water resources too are abundant here and the region also enjoys a high level of bio-diversity. But unfortunately this natural advantage of the region is far more than negated by a number of other factors - demographic, economic and structural, all inhibiting the growth of its rural economy and causing very high levels of rural poverty.

In identifying effective policies for poverty reduction, it should be borne in mind that both the growth process and the poverty alleviation programmes are of immense relevance for poverty reduction. Admittedly, some studies using aggregate national level data have emphasised the greater role that the growth process has played in reducing rural poverty in recent period; but the

disaggregated data for backward regions like Bihar clearly indicates that the contribution of growth of aggregate output to poverty reduction is much limited here. If one analyses the experience of the eighties, it further points to the substantial potential of properly implemented PAPs towards reducing poverty.

A focused effort towards reducing poverty levels has started in India during the late seventies. But for a long time, these efforts had primarily aimed at providing material benefits to the poor, either free or at subsidised rates. Such efforts rarely promote the concept of self-help without which it is not possible to make a lasting impact or poverty scenario. Here again the nineties have witnessed several programmes, which were expected to provide enabling services to the rural poor, and these programmes, specially when managed by NGOs, have been successful in many places including Bihar. The PRIs and SHGs are two of the most potent strategies for promoting structural changes in the rural society, which could enable the rural poor to help themselves.

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