RURAL DEVELOPMENT AND POVERTY IN SOUTH ASIA

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I. REINVIGORATING RURAL DEVELOPMENT?

A. An overview

For the predominantly agricultural economies of South Asia rural development is the core issue of development. Unfortunately in the rush to achieve other political and economic objectives, it has received a generally low priority in national development. As a result, South Asian rural societies have suffered a steady erosion in their living conditions and productive infrastructure, as evidenced by the high incidence of poverty¹. The continuing outmigration from rural areas, especially of the younger, more skilled and enterprising sections of the population is also a sign of the declining attractiveness of the rural habitat. Indeed there has been a serious and unremitting haemorrhaging of resources from the rural areas without any commensurate restitution of the damage incurred over many decades.

The problematique of rural development is, however, changing and has been undergoing a continuing metamorphosis in recent decades. The idyllic vision of rural areas in South Asia, as self-contained units with a progressive democratic structure and a self-sufficient, diversified and self-sustained

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¹ Poverty is a persistent and widespread problem in South Asia with the bulk of the poor in most countries living in rural areas. Thus the percentage of the poor living in rural areas is 82 per cent in Bangladesh, 78 per cent in India, and 73 per cent in Pakistan (See Alderman, and others, 2001).
economy, tends to be exaggerated and fantasized as a “paradise lost”\(^2\). Few, if any, especially among the present rural inhabitants, still hanker to bring back that vision, which has vanished from their collective memory, if, indeed, it ever existed.

The increasing contact with the outside world made possible by improved communications has considerably reduced the isolation of the rural areas. As and when transport costs fall further, imports from the urban economy (including those from abroad) will make the idyllic notion of a self-sufficient village economy even more mythical. The invasion of the electronic media and the increasing impact of urban and overseas migration and other conjunctural developments have further strengthened this trend, notwithstanding the continuing lack of development in rural areas. This has led to a corresponding change in the aspirations of the rural population, as well as public responses and the mechanisms for articulating such responses over time.

Although the rural areas in most South Asian countries are inhabited by more than two thirds of the population, national economic development efforts continue to be skewed in favour of urban areas, which tend to attract disproportionate amounts of all forms of resources other than those that are immobile, namely land and other resources.\(^3\) This situation is becoming untenable and political pressures are building in South Asia to redress the balance before it leads to a social explosion. The agenda of rural development itself is determined by those who do not live in the rural communities and often have little concern for the well being of those who live in them.

The decline in the importance of, and the public policy attention paid to, rural areas also stems from the rapid rise in urbanization in most developing countries of South Asia. The population in the urban centres has been doubling almost every decade, propelled both by the push of rural poverty and the elusive hope of finding a better livelihood in urban areas. The growth of urban areas during the process of industrialization has an inevitable economic logic based

\(^2\) The most famous articulation of this stereotype of the village as ‘a little republic’ is recorded in a minute of Charles Metcalfe of the House of Commons Select Committee for the East India Company in 1830, which reads partly as follows:

“The village communities are little republics, having nearly everything themselves, and almost independent of any foreign relations. They seem to last where nothing else lasts. Dynasty after dynasty tumbles down, revolution succeeds revolution; Hindoo, Patan, Mogul, Mahratta, Sik, English are all masters in turn; but the village community remains the same ...” quoted in David Ludden, The Agrarian History of South Asia, The New Cambridge History of India, IV.4, Cambridge.

\(^3\) Even land is mobile in the sense that the urban areas continue to encroach on contiguous rural areas which become urban peripheries and are ultimately sucked into urban areas.
on economies of scale and the positive externalities generated by clusters of enterprises. However, the pattern of industrialization chosen in most South Asian countries was unbalanced and tended to exacerbate rather than bridge rural-urban disparity. As a result, in the face of a lack of progress in rural development, a negative externality manifested itself in overburdening urban services such as housing, water supply, electricity and sanitation and in the profusion of urban slums which stand out as festering sores in the landscape of urban affluence and a breeding ground for crime, hate and terror.

Table 1. Urbanization trends in South Asia

<table>
<thead>
<tr>
<th></th>
<th>India</th>
<th>Pakistan</th>
<th>Bangladesh</th>
<th>Nepal</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urban population</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1980</td>
<td>158.8</td>
<td>23.2</td>
<td>12.5</td>
<td>0.9</td>
<td>3.2</td>
</tr>
<tr>
<td>- 1999</td>
<td>280.1</td>
<td>49.1</td>
<td>30.6</td>
<td>2.7</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Urban population</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(per cent of total population)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1980</td>
<td>23.0</td>
<td>28.0</td>
<td>14.0</td>
<td>7.0</td>
<td>22.0</td>
</tr>
<tr>
<td>- 1999</td>
<td>28.0</td>
<td>36.0</td>
<td>24.0</td>
<td>12.0</td>
<td>23.0</td>
</tr>
</tbody>
</table>


While it may be premature to lament that “rural development is in serious trouble” (Moreland, 1968) there is a serious need to examine what went wrong and to highlight the little that has proved right in the pursuit of rural development in South Asia in the past five decades. There is a strong need not merely to reinvent its raison d’etre but also to reassess its performance, reinvigorate its programmes and reconstruct its agenda. This paper is a modest effort in that direction.

**B. A brief excursion into history**

The antecedents of the modern project of rural development in South Asia can be traced back several centuries. According to William Moreland, an erudite British agricultural officer the “idea of agricultural development was already present in the fourteenth century.” There is considerable evidence to show that ancient and medieval rulers in South Asia invested to increase productivity, especially in organizing irrigation. By the fourteenth century, the state was engaged in expanding markets and manufacturing by building transportation infrastructure. However, as Moreland has argued, the political
and social environment during the period before the British was “unfavourable to [modern goals of development],” because, military and political struggles undermined investments in farming, manufacturing, and banking, as pillage and plunder fed destructive armies and rapacious taxation fattened unproductive ruling elites.

The rural development project received further impetus under British colonial rule, although its agenda was dominated more by concerns about the maintenance of law and order and of ensuring the stability of the state and the acquiescence of the governed, as well as ensuring the supplies of cheap raw materials and cash crops for British industries.

During the colonial period the rapacious exploitation of the countryside to suit colonial economic interests resulted in the destruction of much of the rural infrastructure and institutional framework and their replacement by the modernization of the enclave economy, including railways and irrigation networks, along with the imposition of new property relations on the land, which did little to regenerate rural societies and marginalized large sections of the rural population. Unlike western Europe and the United States of America where railways played a leading role in bringing about industrial transformation, in India they were instrumental mainly in the completion of colonization. Colonial rulers attempted the commercialization of agriculture and expansion of the politico-legal system to transform the agrarian economy through new land tenures. The main objective of their rural development strategy was increasing agricultural production that could be used (as raw material) for metropolitan industrialization and by bestowing the patronage of large land ownership to those trusted for delivering both political and economic favours in return.

The commercialization of agriculture along with higher land revenue imposed by the colonial administration had a fissiparous effect on rural society and sowed the seeds of dualism in agriculture. On the one hand, it created a need for more working capital funds, which compelled the subsistence farmers to fall into debt. In consequence, widespread impoverishment and recurring famines in poorly endowed and unirrigated areas became a feature of the British period owing to increasing cultivation of cash crops in preference to food crops and the needs of the growing population.

On the other hand, those who had land and other resources became wealthier by taking advantage of the demand for cash crops. The wealthy farmers and traders encouraged poor peasants to incur debt both for productive and unproductive purposes, snaring them into the debt trap, from which they could save themselves only by selling their land to the lenders. The usurers had an eye on
the debtors’ lands. When the debts reached breaking point they insisted that the
debtors dispose of their lands. This was facilitated by legalizing the sale of land
to pay off the debt, a practice which was prohibited before the colonial rule.4

On the whole, the cumulative impact of British imperial rule, while
providing the basic appurtenances for the modernization of the rural economy,
widened social disparities, without bringing any real improvement in rural
livelihoods. As pointed out by Scott (1976), the imposition of capitalism and the
development of the modern state under colonialism had a profound effect on
Indian agriculture. The first disrupted the agrarian order by transforming land
and labour into commodities for sale; the second did so by enforcing the
imposition of a market economy and by creating a new environment for
the generation of peasant income. The privileged and the affluent remained in
an advantageous position to consolidate their socio-economic position, and the
lower rungs of the peasantry led miserable lives.

The post-independence Governments tried to reverse the collateral
damage on the rural economy and society caused by colonial exploitation but
continued to pursue the objective of higher growth, albeit tempered by concern
for social justice through state-led planned development. Although many
nationalist Governments in South Asia tried to undo the iniquitous agrarian
structure introduced during the colonial period through land reforms, their
efforts were largely thwarted by feudal and semi-feudal elements that became
influential in national politics.5 Their role was further enhanced by the need
to accelerate the rate of growth in the agriculture sector and to convert the
marketable surplus of large farmers into exports to finance the industrial
development programmes.

The role of the rural sector in the initial stages of development in most
South Asian countries was seen largely as one of generating surpluses of physical
(including human) and financial resources to step up the industrialization process,
concentrated in a few urban centres, which was adopted as the chief means of
promoting economic growth and development. But nationalist leaders in South

4 Due to this exploitative money lending system agrarian riots broke out in some parts of
India during the last quarter of the nineteenth century.

5 That all the problems of the Indian people were not attributable exclusively to colonial
exploitation was explicitly recognized by Indian nationalist leaders. For example, as far back
as 1930, Nehru wrote: “the great poverty and misery of the Indian people are due, not only to
foreign exploitation in India but also to the economic structure of society, which the alien rulers
support so that their exploitation may continue. In order, therefore, to remove this poverty and
misery and to ameliorate the condition of the masses, it is essential to make revolutionary
changes in the present economic and social structure of society and to remove the gross
inequalities.”
Asia were cognizant of the need to eradicate widespread poverty in the rural areas and to undertake comprehensive plans for removing it. Pandit Nehru, the first Prime Minister of India, articulated this in one of his first speeches to the ruling Congress party soon after independence:

“Though poverty is widespread in India, it is essentially a rural problem, caused chiefly by overpressure on land and a lack of other wealth-producing occupations. India, under British rule, has been progressively ruralised, many of her avenues of work and employment closed, a vast mass of the population thrown on the land, which has undergone continuous fragmentation, till a large number of holdings have become uneconomic. It is essential, therefore, that the problem of land should be dealt with in all its aspects. Agriculture has to be improved on scientific lines and industry has to be established in its various forms ... so as not only to produce wealth but also to absorb people from the land ... Planning must lead to maximum employment, indeed to the employment of every able-bodied person”.

The post-colonial regimes in South Asia - often with assistance from foreign aid agencies - launched ambitious programmes of rural development to rebuild the physical and institutional infrastructure in the countryside. However, these programmes often came to grief as a result of the multiple, often contradictory, goals they tried to achieve. The domestic and external policy milieu that emerged after the independence of these countries concentrated political and economic power in the hands of elites that were alienated from or had little empathy with the rural population. These factors contributed to an inordinate urban bias in the post-independence pattern of development and the consequent neglect of the rural sector (Lipton, 1977).
II. CHANGING ROLE AND OBJECTIVES OF RURAL DEVELOPMENT IN SOUTH ASIA

A. The post-independence scenario

In the half century or so of independent existence, South Asian states have given varying degrees of attention and priority to rural development. Moreover, the motivations and objectives of public policies have varied over time and among countries owing to a complex combination of political, economic and social factors as well as opportunities for development provided by foreign assistance and global economic trends. Nevertheless, there have been some uniformities in the rural development policies of South Asian countries because of the similarities in their social and cultural milieu and a shared legacy of their colonial past which included institutions of governance and an agrarian structure suited to the needs of the colonial rulers.

The objectives of rural development followed and implemented by the various Governments have also been influenced by the overall plans for development and the performance of the economy in its global setting during this period. In particular, they have been conditioned by the international economic environment, especially for foreign assistance. Although rural development has been a priority area for external donors its importance has increased in the second half of the last 50 years as concerns about food security, the population explosion, environment and climatic changes, as well as poverty, equality and social justice have come to be increasingly perceived as being in the purview of global, rather than national policy agendas. Rural development stood at the cross-cutting path of these concerns. However, the multiplicity of the objectives which rural development was expected to achieve often deprived it of a central focus and often contributed to its failure.

The South Asian countries have, in recent years, tried to achieve some combination of the following major objectives, whose importance has differed both over time and among countries.

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6 For a recent extensive survey of the changing themes of rural development and their interaction with the parallel debates on development strategies (albeit mainly from the donors’ perspective) see the special issue of ODI’s Development Policy Review, December 2001, 19(4), especially the articles by Caroline Ashley and Simon Maxwell (Rethinking Rural Development) and by Frank Ellis and Stephen Biggs (Evolving Themes in Rural Development 1950s-2000).
1. Raising agricultural productivity

This has been – and to a large extent continues to be – the primary objective of and the principal motivation for most rural development programmes, which were undertaken in the wake of rising population pressure on the land and the need for transferring resources for the pursuit of economic diversification. Before the advent of the green revolution in the 1960s most South Asian countries faced chronic food shortages, in some cases actual famine, and had to import substantial amounts of foodgrains, often financed from PL 480 imports from the United States of America and assistance from other countries.

It needs to be recognized that while raising agricultural productivity is an essential goal, it is a means for achieving larger development goals, such as increased welfare and the alleviation of poverty of the population. While increased agricultural productivity may ensure abundance of food availability for a given population, it may well not provide an adequate nutritional food intake for the majority of the population or, much more important, it may not provide sufficient access to those who need food, despite large surpluses of foodgrains. A striking example of this paradox is Brazil, which despite being one of the leading exporters (especially of soybeans and orange concentrate) is one of the most ill-fed nations in the world (Souza Silva, 1994).

The paradox is no less evident in India, where as a result of the Government’s successful drive to raise food production and stocks about 70 million tonnes of wheat and rice lie in Government godowns while over 200 million children, women and men remain chronically undernourished. Pregnant women are the worst affected, since maternal and foetal undernutrition results in the birth of children with low weight (less than 2.5 kg). Such children are handicapped at birth in mental development (Swaminathan, 2002).

Also, as pointed out by Rao (2002) in the context of India, foodgrain security, though essential, cannot be equated with food security. The share of consumer expenditure on cereals now accounts for a little less than 40 per cent of total consumer expenditure on food in the country, the remaining 60 per cent being incurred on items such as edible oils, sugar, milk, eggs, meat, fish, vegetables and fruits. Even for the poor these non-foodgrain items account for as much as half the total expenditure on food but in order to bring the intake of these items to adequate levels their consumption by the poor has to increase at least threefold. The demand for these items of food will therefore rise at a high rate due to population growth as well as the rise in per capita income. The goal of food security, therefore, goes far beyond attaining self-sufficiency in foodgrains.

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and should aim at attaining physical as well as economic access to a balanced food basket, especially for the poor. However, achieving economic access to non-foodgrain items would require a much stronger effort to raise the purchasing power of the poor than ensuring the necessary supplies.

There is an urgent need for diversification of South Asian agriculture from its current focus on foodgrain and cash crop production to the production of non-cereal products, which will also serve to raise employment and increase the purchasing power of the poor, to a considerable extent. This is because the potential for employment generation in dairying, horticulture, etc. is much greater than in cereals. These activities also have the potential for greater human resource development which would in turn result in higher wage rates and provide the necessary purchasing power for both foodgrains and non-foodgrain consumption of the poor.

The objective of raising agricultural productivity in the context of rural development programmes is often postulated without any reference to the agrarian structure prevailing in a country. However, there seems to be a persistent bias in such programmes towards the larger farmers. As pointed out by Banerjee (2001), few historical phenomena share this remarkable tendency in the history of agrarian relations. “The state, it appears, has intervened always and everywhere in the markets for land, agricultural labour and other inputs into and outputs from agriculture to make life easier for larger farmers”.8

Such a bias could be defended as a means of achieving food security if it could be demonstrated that large farmers were in fact more efficient than small farmers. On the contrary, however, there exists a large body of evidence to show that small farms in developing countries, including South Asia, tend to be more productive than larger farms.9 The logic of the argument about the higher

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9 For India, this has been found by a series of farm management studies going back to the 1950’s. A summary of more recent evidence from a range of countries, both in Asia and Latin America, is given in Berry, R. A. and W. R. Cline, Agrarian Structure and Productivity in Developing Countries, Baltimore : Johns Hopkins University Press, 1979, showing much the same pattern. Similar studies are cited in Binswanger, Deininger and Squire (1995), op.cit. In Rosenzweig, M. R. and H. P. Binswanger (1993), “Wealth, weather risk and the composition and profitability of agricultural investments”, Economic Journal, vol. 103, pp. 56-78, the authors using data from the semi-arid ICRISAT region of India, report that profit/wealth ratios are always at least twice as high for the farmers in the smallest category as they are for those in the largest.
productivity of smaller farms is quite simple and is based on the higher costs of supervision of hired labour in larger farms and the relative scarcity of land in relation to the availability of family labour virtually at zero opportunity cost (Bhaduri 1997). The smaller farms are also able to grow additional crops and engage in subsidiary activities to supplement their incomes and for the survival of their family while the larger farms concentrate on only one major crop.\footnote{For an interesting link of the inverse relationship between farm size and productivity and Chyanov's theory of the peasant economy, see Shanin, 1986.}

\section{Alleviating poverty and providing employment opportunities to landless labour}

At the beginning of the twenty-first century there is general agreement, at the global as well as national level, that poverty is unacceptable as part of the human condition. The global family has come to recognize that the coexistence of pervasive poverty, with the affluence of a much smaller segment of the population, is ethically unacceptable, economically inefficient and politically unsustainable. Most developing countries put poverty alleviation as their primary development goal, at least in their official plans and pronouncements.\footnote{The recent UNDP Poverty Report 2000 on Overcoming Human Poverty, records that 69 per cent of all developing countries have prepared explicit poverty plans or have incorporated poverty alleviation into their national plans. However, preparing plans on poverty alleviation is not always reflected in national policies or allocative priorities.}

The various global commitments to eradicate poverty have been endorsed, first at the World Summit for Social Development in Copenhagen in 1995 and then at the Millennium Summit in New York in June 2000, where the international community committed itself to halve extreme poverty by 2015. Such commitments to alleviate poverty are not new and have been reiterated in various forums for at least a quarter of a century, if not longer.

However, until recently, poverty alleviation was part of a broader agenda for development and viewed as a by-product of rapid growth. But now poverty has been prioritized as the primary objective of the global development agencies and many Governments. The international donor agencies, in particular, appear quite categorical in defining poverty reduction as the immediate priority of their various aid programmes.

The eradication of poverty, notwithstanding its prioritization in the global development agenda, however still remains a subsidiary concern of domestic development policy of most South Asian Governments whose focus is limited, at best, to alleviate poverty to a given target level.
For South Asia, which is home to about half of the 900 million poor people in Asia (with 450 million in India alone),\(^\text{12}\) along with high rates of unemployment, this is undoubtedly an overarching objective for rural development programmes, especially since the bulk of poverty is in the rural areas. However, until recently rural development programmes did not pay much direct attention to the task of poverty alleviation. Most of the programmes, which were statist in character and were run by the Government adopted a top down approach.

### Table 2. Poverty in South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>1990 Based on less than US $1 a day (percentage)</th>
<th>US $1 a day Millions of poor</th>
<th>Latest year Based on less than US $1 a day (percentage)</th>
<th>US $1 a day Millions of poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>35.9 (1992)</td>
<td>-</td>
<td>29.1</td>
<td>37.9</td>
</tr>
<tr>
<td>India</td>
<td>52.5</td>
<td>438.4</td>
<td>44.2</td>
<td>442.9</td>
</tr>
<tr>
<td>Nepal</td>
<td>-</td>
<td>-</td>
<td>37.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>11.6</td>
<td>12.5</td>
<td>31</td>
<td>42.6</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3.8</td>
<td>0.7</td>
<td>6.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: ADB, Growth and Change in Asia and the Pacific (2001).

### 3. Promoting a suitable environment for the uplift of the rural community

Among the most fundamental changes in the evolution of rural development programmes is the continuing debate about the need for a change in their ethos and the way the protagonists of these programmes (who are often outsiders) relate to their beneficiaries. Most of the earlier programmes were either paternalistic in nature or were run by self-serving bureaucrats who were often closely allied to elite groups. There are still very few programmes of rural development which live up to the motto of being of the poor, by the poor or for the poor. The induction of NGOs in poverty alleviation and rural development programmes has to some extent brought them closer to the ideal but the empowerment of the poor is still more rhetoric than reality in the South Asian context.\(^\text{13}\)

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\(^{13}\) For a discussion of empowerment in the Indian context – with wide applicability in other parts of South Asia – see, Andre Beteille, “Empowerment” in Economic and Political Weekly, Perspectives, 6-12 March and 13-19 March 1999.
In order to empower rural communities, the rural development programmes along with the Governments and institutions of civil society need to focus on a number of interrelated areas, particularly on human capital development. Most South Asian countries are already committed to goals such as education or health for all, which should remain on every agenda. What is needed is not only the speeding up of the implementation of these goals, but also of moving beyond them in the direction of ensuring some affirmative action in favour of the poor. The priority should be to move towards substantially enhancing investment for the purpose of upgrading the quality and governance of rural schools and health care facilities to a level where the rural poor do not feel disadvantaged compared to the urban middle class.

Such a goal carries formidable implications as to costs and governance and may need some deployment of resources from non-priority projects. However, the resultant effect of such a process of quality enhancement efforts could enable the younger generation of poor households to compete on the basis of equality with the children of the elite for places in the universities and in employment. This would transform the competition between the children from poor and elite households into a more level playing field and would have “an empowering effect” on the poor to demand more rapid democratization of opportunities for human capacity development.

4. Providing and helping access to basic facilities and the management of the rural commons

A common critique of most rural development programmes is that they fail to cater to the needs of the more vulnerable groups such as women, the landless, minorities and other deprived groups of South Asia. To reach and include them requires a deeper understanding of poverty and its underlying causes; an emphasis on building critical human, social and physical assets; and more effective delivery of basic services. For example, despite improvements, access to education and health care remain, along with other social indicators, below desired levels, especially in rural areas and among women and female children. Such poor delivery of basic services works to limit progress in human development.

Besides rural-urban differences in the availability of services, the country averages also disguise variations based on caste and geography. In Nepal, for example, “untouchables” have a life expectancy of 45 years, 15 years less than upper-caste Brahmins. In India adult literacy rates among women of scheduled