

**ALLOCATION OF SUBSIDIES
AND
THEIR IMPACT ON RURAL DEVELOPMENT
A MICRO LEVEL STUDY**

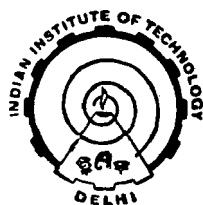
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By

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Submitted
in fulfilment of the requirements of the degree of
DOCTOR OF PHILOSOPHY



to the

INDIAN INSTITUTE OF TECHNOLOGY, DELHI

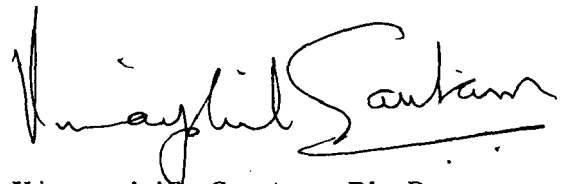
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C E R T I F I C A T E

This is to certify that the thesis entitled, "Allocation of Subsidies and their Impact on Rural Development: A Micro Level Study", submitted by Mr. Ravindra Kumar, to the Indian Institute of Technology, Delhi for the award of the degree of Doctor of Philosophy in rural management is a record of bonafide research work carried out by him. Mr. Ravindra Kumar has worked under my guidance and supervision and has fulfilled the requirements for the submission of the thesis.

The results contained in this thesis have not been submitted to any other University or Institute for the award of any degree or diploma.

Observations received from the examiners have been accounted for in the thesis.



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A C K N O W L E D G E M E N T S

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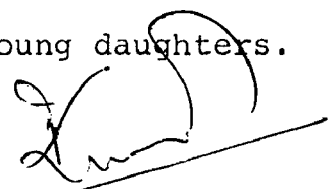
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(RAVINDRA KUMAR)

A B S T R A C T

Over the years, inspite of the intervention of planned developmental efforts, there has been a growing realisation that planning process has failed in accruing the productive asset of permanent nature with the poor. Not a sufficiently large number among them gets regular income available to cross the poverty line. To improve the situation, subsidy has been conceived as an important component of the Integrated Rural Development Programme (IRDP). Introduction of subsidy under IRDP has not been new to the Indian economy as they are being given to the various sectors of economy on the grounds of equity and long term needs.

With every successive Five Year Plan, subsidies, a non-plan revenue expenditure, have grown substantially in magnitude as well as in diversity. Due to their phenomenal growth, sometime subsidies are considered a strain on national resources, while on the other hand, they can also be a useful input in developmental planning. Yet administration of subsidies is characterised by poor management, leakages and lack of complementary developmental strategies. It has been felt that subsidies also tend to have a snowball effect and to become sticky so that

they begin to generate inefficiency and complacency. These two relevant but diametrically opposite views expressed about the subsidies necessitate a thorough investigation in order to strike out a suitable mix at a micro level.

In the present investigation, an attempt has been made to study the allocation of subsidies and their impact on rural development. The study conducted at a micro-level i.e. block focussed on subsidies provided under Integrated Rural Development Programme (IRDP) and their impact on the target groups in terms of increase in income (incremental income), creation of productive assets of permanent nature and utilisation of their idle time. It has also been attempted to find out the schemes/occupations which the block under reference need most and how can they be best restructured, and the schemes/occupations financed which are marginally useful/counter - productive for basic development activities. The impact of a set of exogenous variables like caste, land ownership, family size, sufficiency of loan advanced, monitoring by implementing agency and availability of complementary factors of production have also been studied.

The study covered 430 IRDP beneficiaries (67.6 per cent of the universe) spread over in 25 villages of Gurgaon block

in Haryana who were advanced loan/subsidy by the banks/ District Rural Development Agency (DRDA) during 1981-82 for undertaking nine different schemes/occupations. The beneficiaries were identified on the basis of a two-stage stratified sampling technique. The first stage consisted of selection of villages and the second stage comprised selection of sample units. The beneficiaries were interviewed with the help of a self-constructed interview schedule. The reliability and validity of responses given by the beneficiaries during the interview phase have been cross-examined through case studies. Thirteen case studies, covering beneficiaries of both - the higher and lower castes (where-ever applicable) - under all the nine schemes/occupations, were conducted. Adequate sampling pattern was adopted in selecting the beneficiaries for the case studies and the collection of information was guided by the research problem. Secondary data were collected from the Vikas Patrikas (Identity-cum-monitoring cards) maintained by the District Rural Development Agency (DRDA) for each of the IRDP beneficiaries and the concerned banks' records. Central tendencies statistical tools like average, frequency distribution, percentage etc. have been utilised for analysing the collected data. The validity of various inferences drawn was tested with Chi Square.

The study establishes the importance of subsidy in relation to incremental income, creation of productive asset of permanent nature and generation of additional work. The findings of the study strongly support the significance of the availability of complementary factors of production other than institutional credit, land, and labour; and monitoring by the implementing agency on the attempt of enabling the beneficiary to cross the poverty line on a lasting basis.

The study recommends, among other things, increasing involvement of local bodies in ensuring proper selection of beneficiaries. Setting up of 'Service Centres' or 'Single Window Services' so as to ensure availability of complementary factors of production; assured marketing facilities has also been recommended. It further recommends restructuring of schemes/occupations in the light of the beneficiaries' skills, resources and needs and closer monitoring to hammer out the optimal return. The study makes a contribution in designing meaningful and effective developmental strategies aimed at mitigating poverty.

The subject matter of the thesis has been presented under six Chapters. Chapter one presents introduction, objectives and hypotheses designed for the study; Chapter two presents allocation and administration of subsidies;

Chapter three presents literature surveyed and gaps in the present status of information; Chapter four presents methodology which includes profile of the area, description of the sample, variables, instrument, data collection and their analysis; Chapter five presents analysis of findings, these have been presented with reference to each hypothesis; and Chapter six presents summary and conclusions inclusive of recommendations and scope for further research.

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