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## **RURAL INDIA 1970–2005: AN ARDUOUS TRANSITION TO WHAT?**

**Staffan Lindberg\***

*What are the central features of the ongoing social transformation in contemporary rural India? Is it a repetition of earlier transitions from agrarian to industrial societies in the West or is it a special transformation, which keeps the majority in exploitative work relations and miserable living conditions at the bottom of an international division of labour? On the basis of a panel study in rural Tamil Nadu, some analytical and comparative studies across India, and the ARIS-REDS surveys (the Additional Rural Income Survey, 1969–71, and the Rural Economic and Demographic Survey, 1982 and 1999), I discuss the changing scenario of rural transition, the growth of non-farm activities and income, and State interventions until the first decade of the twenty-first century. The overall conclusion is that there are strong evidences of a slow but stable growth of income with non-farm income now being as important as farm income, and a slow reduction in relative poverty. There seems to be certain stability in terms of the distribution of income and the area of operation, while there has been an increasing inequality in the ownership of land and other productive assets. Thus, rural India has been undergoing a transformation not unlike earlier such changes seen in other countries, but with its own special characteristics.*

### **I. INTRODUCTION**

How can we understand and synthesise the world's perhaps most complex and incongruous society and its change over time? Neat summations are most often misleading. Still, we have to try and understand the significant social structures and the process of change over time. This is a modest attempt in that direction based on my own fieldwork undertaken in Tamil Nadu over a period of 40 years, and on comparative research of various kinds.

The theoretical background to this paper stems from the perspectives on the great transformation in Europe from the eighteenth century onwards offered by Karl Polanyi (2001). This transformation is described as a simultaneous process of industrialisation of agriculture and the transfer of labour power to a growing and inclusive industrial and tertiary sector. In this way, rural areas are linked with growing urban industrial centres, both small and large. Various contemporary studies testify to this as an ongoing process worldwide (Potter, *et al.*, 2008, pp. 115–116, and Chapters 9 and 10; Timmer, 2005).

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As per Polanyi's understanding, the driving force is capitalism, which 'strives' to create an autonomy of the market, but there are strong compulsions for embeddedness in various forms, since, if unfettered, capitalism would destroy both men and nature, and thus eventually itself. A dynamic of disembedding and re-embedding can be seen in the actual historical development in the West and now in East Asia, and consequently, it would be natural to expect a similar process in India too.

The important question is: how are the people of India faring in this process? As we know, India is a high-growth economy today, but the benefits of this growth are very unevenly distributed: in rough proportions, 23 per cent of the population belongs to the elite and middle classes with a rich and modern consumer culture, whereas 77 per cent of the population consists of either low-income, poor or very poor households (Kannan and Raveendran, 2011). The population below the poverty level is slowly decreasing in relative terms, but there are still around 350-400 million people in the country who live below the poverty level as defined by the World Bank (1 PPS \$/day as per 2005 prices).

The rate of urbanisation is slow, with only about a 2 per cent increase in urbanisation per year being recorded up to the year 2001, when rural areas were still home to 72 per cent of the population. The productivity in agriculture is comparatively low, accounting for only around 15 per cent of the Gross national Product (GNP). Simultaneously, there is a threatening stress on natural resources, water and soils. Many people understand the rural scenario as one of a huge surplus population, which survives either on distress employment in the service sector or as self-employed petty traders. The growth of an inclusive non-farm labour market is sluggish (more for male than female workers) but difficult to measure (Joshi, 2010; Himanshu, 2011).

There are widely divergent views on what is really happening. The two most extreme perspectives are, on the one hand, an 'agrarian crisis', and on the other, a slow but stable progressive transformation.

The *agrarian crisis perspective* is perhaps most dramatically exposed through the large number of suicides among farmers occurring during the last two decades. Agriculture is believed to have stagnated after the success of the Green Revolution due to the advent of neo-liberal policies with dwindling public investments in rural and agricultural development (Patnaik, 2003). The dominant trend seems to indicate a pushing out of destitute landless labourers and poor peasants, who work in low-paid non-farm employment or in petty self-employment.

In this view, the rural economy is dominated by a raw capitalism and a primitive accumulation of land and commons. This is symbolic of a dirty small-town capitalism observed in labour-intensive workplaces with no technological upgrading (Harris-White, 2003; Gupta, 2010). There is often a strong nexus between local business and politics, which is lubricated by corruption. Corrupt political brokerage is common in various government development schemes.

Parts of small industry are linked to global value chains at the bottom ladder. Petty commodity production is dominant (for example, in the garment industries) through

various putting out systems, which keeps the labourers in persistent poverty (Harris-White, 2009). Almost all new jobs are in the informal sector, which does not offer any security of employment or regulation by labour legislation.

In sharp contrast to this perspective stands a view which holds that there is a *progressive transformation*, that is, a slow but steady growth in both agricultural and non-agricultural activities. Agricultural productivity grows by mechanisation. The non-farm sector grows with the establishment of new factories and services in the rural areas, employing unskilled labourers on a full- or part-time basis. A continuous technological development is taking place. Labour markets are tightening with an upward pressure being exerted by non-farm wages on agricultural wages (Foster and Rosenzweig, 2004; Rao, 2009). This process is helped by the growth in infrastructure (roads, power supply and irrigation), and education, and by increasing social welfare provisions, even if in a rudimentary manner.

Is it possible to adjudicate the dispute between these starkly contrasting perspectives with empirical evidence? Is one of them more empirically accurate than the other, or can, in fact, both of them hold true for various parts and sections of the vast continent that is India?

On the basis of a panel study in rural Tamil Nadu, some analytical and comparative studies across India, and the ARIS-REDS survey, this paper discusses the changing scenario of agricultural development, growth of non-farm activities and income, and state interventions. The paper also presents data on income and inequality as well as a discussion on changing social relations.

## II. TWENTY-FIVE YEARS OF CHANGE IN RURAL TAMIL NADU

To start with, an example of social change in a rural area over the past 25 years has been cited, which exemplifies a 'progressive' transformation in Polanyi's terms. It is based on primary data from a panel study that I carried out along with four colleagues in six villages of in 1979-80 and 2004-2005 (Athreya, *et al.*, 1990; Djurfeldt, *et al.*, 2008; Lindberg, *et al.*, 2012).

The survey covered 213 agrarian households in three canal-irrigated (wet) villages and in three adjacent rain- and tank-irrigated (dry) villages in the Kaveri delta of the Karur and Tiruchirapalli districts of Tamil Nadu. This means that our study covered only households that had some relation to agriculture as owners, cultivators and agricultural labourers. The non-agrarian population in those villages was not covered in the study.

The three wet villages were traditionally dominated by Brahmin landlords, who owned the land and drew rent for the land through its cultivation by lower caste and Scheduled Caste (SC) tenants and labourers. Over the past 40 years, most of these lands have been taken over by the former overseers belonging to the intermediate caste Muthuraja, and by the SCs, who constitute 35 per cent of the population. This was due to the advent of a strong tenants' movement and land reform legislation, which drove the landlords to sell most of their land to their former tenants. As a result, caste discrimination has diminished to some extent.

The other villages are dry and have a sizable proportion of lands under rain-fed irrigation, which is interspersed with tank- and well-irrigation. Most of the land is owned by the

intermediate castes of Udaiyars, Gounders and Muthurajas, who farm the land along with wage labourers, a large section of whom are SCs (comprising 20 per cent of the population). Here, caste discrimination is still widespread.

Originally, this region was selected in order to study the roles of traditional landlordism and merchant-usurious capital as obstacles to agricultural development. In 1979-80, a dramatic transformation had already taken place here, driven by the Green Revolution. Massive state intervention along with land redistribution in the wet area had broken down the resistance to change earlier posed by land rent and perhaps also by merchant-usurious capital. Yields and income had also doubled for the poor peasants and landless labourers, since the new technology was neutral to scale and relied on short duration crops, which allowed for double cropping.

What we witnessed in the study areas was State-driven development with the State subsidising the provision of various inputs, carrying out research into new varieties, providing extension services, and investing in infrastructure in terms of irrigation, electricity and roads. The system of public procurement of paddy at guaranteed minimum prices by the State was also critical to the success of the Green Revolution as was the provision of credit on reasonable terms. The nationalised banks and rural cooperatives fulfilled about half of the credit needs of the farmers, which also had a civilising effect on private moneylenders and their interest rates.

As regards the study we undertook 25 years later, we noticed a slightly less dynamic picture for agriculture, even though yields and income had continued to increase over the 25-year period. Part of the reason for this increase was water scarcity in the canal-irrigated villages of Tamil Nadu due to an ongoing dispute over water-sharing with Karnataka. Another reason was a marked decrease in State activities in terms of public investments in irrigation and power supply, and a decreasing proportion of institutional credit, which led to a return of the practice of usurious money-lending at the interest rate of around 30 per cent.

However, the weakening of State support programmes had not deterred farmers from investments. The number of irrigation wells had tripled in the wet area (due to water scarcity in the canals) and doubled in the dry area. Most dramatically, however, there had been a massive mechanisation of agricultural operations. Tractors had completely replaced bullocks for ploughing and transport, and machines had replaced manual threshing. Weedicide was also commonly being used instead of the practice of manual weeding. This had resulted in a reduction in the demand for female *coolie* work in agriculture, since many of the operations earlier undertaken by female workers are now being carried out with the help of machines and chemicals. The mean number of working days per year for female agricultural labourers has decreased from 171 to 134 in the wet villages, and from 129 to 113 in the dry villages. The number of working days for male agricultural labourers has, however, remained stable at around 150 days per year.

We also discovered a tendency towards a strengthening of medium-seized farms, that is, family farms, though our evidence for this is inconclusive and demands further studies.

Small farmers and landless labourers appeared inclined to leave agriculture for work in the non-farm sector. However, the household status in relation to land has remained more or less stable over the 25-year period: 30 per cent of the agrarian households were landless in the wet villages, while only 10 per cent were landless in the dry villages in 2004.

At the same time, the non-farm sector has grown quickly. In 2004, 69 per cent of the agrarian households had at least one member working in the non-farm sector, with 34 per cent of the total income being derived from that source (as compared to 22 per cent in 1979-80). In 22 per cent of the households, there was at least one woman working outside the agriculture sector.

Most of these jobs were in the construction sector, garment industry, stone quarrying, gem-polishing, and in the tertiary sector of trade and services. Many landless labourers and small farmers were pluri-active and straddled between part-time work in and outside the agriculture sector. We could also discern an upward pressure on wages: the increase in non-farm work and wages implied an upward pressure on agricultural wages.

Real wages had doubled over the period of 25 years under study. The mean annual household income per capita had increased from around Rs. 3,800 in 1979 to Rs. 20,500 in 2004 (at 2004 prices). This development had gone hand in hand with a halving of the Gini indices for the size of land cultivated and of household income (from about 0.8 to 0.4 in both cases). At the same time, there had been a slight increase in inequality in land ownership. (For more detailed figures and statistics, see Lindberg, *et al.*, 2012.) We could also record a rather dramatic improvement in the sphere of education in terms of both attendance and achievement, over the 25-year period studied. Secondary data also confirmed health improvements, for example, in terms of a lowering of the infant mortality rate.

Our data on poverty reduction are very crude and based on per capita income and the official definition of poverty level. They do not reflect levels and changes in actual consumption over time (for a discussion on this, see Lindberg, *et al.*, 2012). They do, however, give a rough indication of progressive change: in 1979-80, 53 per cent of all persons in the wet villages and 69 per cent of all persons in the dry villages were below the poverty line, while in 2004-05, the corresponding figures were 31 and 21, respectively.

Remarkably, we could not see any differences in the average total household income between the SCs and other castes. One reason for this could be that SC workers, both men and women, more than members of other castes, have left agriculture for work in the non-farm sector, resulting in an increase in their incomes. However, there was still a marked

Table 1  
Caste and Ownership of Major Household Assets (in per cent)

<i>Major Household Assets</i>	<i>Scheduled Castes</i>	<i>Other Castes</i>
Cement house	40	66
Electricity in house	56	81
TV	25	48
Motorcycle	7	22
Phone	6	17

*Source:* Our own Socio-economic Household Survey, conducted in 2004-2005.

difference among the castes in terms of ownership of well-irrigated land in the dry villages. This inequality could also be seen in household assets, as indicated in Table 1.

Our survey data and cases studies also show that households consisting of elderly and illiterate landless labourers and women-headed households, often those of SCs, are clearly the losers. Such households, which constitute around 20 per cent of the agrarian population, seem to suffer from persistent poverty despite the overall development that our study recorded. All in all, this limited panel study over 25 years shows a rather stable and progressive pattern of transformation from an economy based on agriculture to an increasingly urban-industrial linked rural economy. The driving forces in this transformation appear to be mainly five distinct processes, which are discussed in detail below.

1. *Redistribution of land based on social mobilisations and land reform legislation (indirect land reforms)*: In the Tamil Nadu Kaveri delta areas, including the wet villages covered in the study, there were strong tenancy movements led by the Communist and Dravidian parties, which managed to achieve the registration of leaseholds and regulation of rents. Anticipating land redistribution, most of the Brahmins sold out their lands to their tenants or other intermediate castes.
2. *The Green Revolution as a State-driven programme*: This thoroughly transformed agricultural production into a modern and progressively mechanised form. Although this development slowed down during the last 15 years, it is still discernible.
3. *Industrialisation, urbanisation and growth of the non-farm sector*: These have not only taken place rapidly in this area but have also led to alternative employment and higher income for most households. The study area is situated in the textile belt with expanding knitwear production for export. Many of the new jobs are in small factories and workshops equipped with modern gadgets like sewing machines and gem-polishing machines.
4. *State investments in infrastructure*: These have played a crucial role in providing roads, electricity, and water for growth in both the agriculture and non-farm sectors.
5. *State social policy interventions*: Such interventions in terms of basic education (including nurseries and noon meals for all children), preventive health programmes, and a functioning public distribution system (covering above 70 per cent of the population) have led to an improved though far from perfect provision of welfare and social protection for the poorer groups.

It is well known that Tamil Nadu has a comparatively good record as regards the state of administration, which explains the combined presence and effectiveness of these driving forces. One of the strong reasons for the efficiency of this State intervention is popular mobilisation by the Dravidian and Left political movements.

Is this a unique case of progressive social transformation in rural India or would we find similar patterns all over the country?



### III. COMPARATIVE PERSPECTIVES

Our hypothesis is that comparable studies of other rural localities and regions in India would help in locating similar dynamic areas and lead to similar conclusions about transformation and social change that our study has produced. Some recent studies also lend support to such a hypothesis. The comprehensive anthology *Rural Transformation in India—The Role of the Non-farm Sector* (Nayyar and Sharma, 2005) highlights the important role of the rural non-farm sector both in generating employment and in reducing poverty. Likewise, in a macro analysis, Bhalla, *et al.* (2006) find that wherever there are growing opportunities for agricultural labourers to procure work in the non-agricultural sectors, their real wages and material well-being increase significantly (also see Eswaran, *et al.*, 2009; Rao, 2009, who stress the importance of this process). Other studies point to the close connection between investments in infrastructure, industrial growth and agricultural development in and around bigger and smaller urban centres (Sachs, *et al.*, 2002; Fan, *et al.*, 2000; Krishna, 2004; Nayyar, 2005; 2008; Virmani, 2008). These studies also indicate the close inter-relationship between general levels of education and overall rural development (see Drèze and Sen, 1997).

However, an important research finding is that growing urbanisation *per se*, whether in big cities or in small towns, is not the reason behind the growth of the non-farm sector in rural areas (Kundu, *et al.*, 2005, p. 151). It is rather the capacity of the economic growth process to create non-farm employment for rural people, that is, to create inclusive growth, which spurs pluri-activity and increased non-farm income in rural areas. This process is discussed by Jha (2006). He notes the importance of this dynamic but cannot prove that the process has really accelerated during the 1990s and early 2000s. However, he notes that “[the] real wages for rural workers increased consistently and disparity in the rural urban wages also reduced towards the end of [the] 90s” (Jha, 2006, p. 55).

In the villages studied by us, this capacity is generated from continued, even if slower than earlier, growth of agriculture, and the growth of non-farms jobs created in and around the Karur textile industries and the growing city of Tiruchirapalli. Another crucial pre-requisite appears to be State investment in physical infrastructure and welfare.

Meanwhile, on revisiting two villages near Panipat town in Haryana in 2009 (which were first studied in 1988-89), Jodhka finds a dynamic of change that bears a strong resemblance to what we have found in rural Tamil Nadu (Jodhka, 2011). There has been a marked increase in non-farm employment due to the setting up of a thermal power station and an oil refinery, wherein villagers have managed to get both regular and casual wage employment. At the same time, these households had stayed back in the villages while commuting to work every day. As compared to 1989, there was greater diversification of occupations as a result of which labourers and regular service and government workers became as important as cultivators. The SC workers had shifted from agricultural labour to various forms of non-farm work. Many of them were pluri-active with a secondary occupation either within or outside the village. The number of shops in the villages had tripled and a variety of castes had entered into such small businesses reflecting a growing consumer culture. Interestingly, agricultural

production had also grown considerably through the expansion of the area cultivated, and through mechanisation, along with a dwindling demand for manual labour.

An analysis of studies focusing on South India and on changes in rural areas during the recent period indicate a highly complex pattern (for an overview of many studies, see Rao and Nair, 2003). Some areas have definitely seen considerable progress through the diversification of their economies in terms of industrialisation, trade, work migration and the continued development of agriculture. Other less urban linked areas have experienced stagnation in agriculture and remain in severe poverty. State intervention in these areas is also very uneven both in terms of the creation of physical infrastructure and the implementation of general welfare measures.

It is striking as to how other researchers studying recent changes in Tamil Nadu have found similar dynamics to the ones that we have unearthed. In a study in north Tamil Nadu, which in some ways is parallel to our study, Harriss and Janakarajan, *et al.* (2004) report and discuss several of the changes that we have seen, but with less intensity and force since the pace and level of industrialisation is weaker in that area. Kajisa and Palanichamy (2006) find a positive correlation between income, education, farm development and non-farm work in a panel study of a large sample of agricultural households in Tamil Nadu over the period 1971 to 2003.

A third study has been conducted by Harriss, *et al.* (2010) in one of the 'Slater' villages, which have a record of systematic studies since 1916. The authors find a similar process of structural transformation in this village, Iruvelpattu, with an increasing part of the village population being pluri-active and straddling the agricultural and non-agricultural sectors. Social policy interventions have led to an improvement in the material well-being of the people, which is similar to the one that we found in the Kaveri delta. Moreover, this structural transformation took place without the dramatic land redistribution that we recorded in the wet villages along the Kaveri delta. Iruvelpattu was and is still dominated by one big landlord household controlling close to one-third of its cultivable land. The slow changes in land control in Iruvelpattu are more like the pattern that we found in the dry villages and may be more representative for Tamil Nadu as a whole. This notwithstanding, the other features of a transition to an urban-industrial linked system are clearly discernible.

What is the overall picture with regard to rural change? Can we find evidences of a progressive transformation at the all-India level?

### **All India Panel Data**

I will very briefly present and discuss some data from the ARIS-REDS panel studies conducted in the following three rounds: 1969-1971, 1982, and 1999. This data covers 99 districts and 250 villages in 12 States, including Andhra Pradesh (AP), Bihar, Gujarat, Haryana, Himachal Pradesh (HP), Karnataka, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, and Tamil Nadu (TN). We have screened these data and arrived at reliable cross-sectional samples (1971:  $n=4121$ ; 1982:  $n=4983$ ; 1999:  $n=5933$ ) and panel data (1971-1982:  $n=2859$  and 1982-1999:  $n=2790$ ). (The source of these statistics is Djurfeldt, *et al.*, Forthcoming).

All the samples include both agrarian and non-agrarian households (as compared to the micro study reported above, which only included agrarian households). The rate of attrition was fairly high (with the figure for the first panel being 31 per cent and for the second one, 47 per cent) but when the lost households are compared to the remaining ones, it can be seen that the two are fairly similar, except when it comes to non-farm income: households with higher non-farm income are less represented.

An assessment of the results shows that there has been a strong growth of non-farm activities and income, as a result of which the proportion of non-farm income grew from 21 per cent in 1971 to 28 per cent in 1982, to 57 per cent in 1999, which means that rural households now derive more than half of their income from non-farm activities. In view of the bias in the rate of attrition mentioned above, this seems to be a very solid conclusion.

Household income grew at the rate of 0.5 per cent per year between 1971 and 1982, and at 1.2 per cent per year between 1982 and 1999. This implies slower growth during the early period of the Green Revolution than during the later one, and if compared to the overall growth of income in the country, lower growth during both periods than in the urban economy.

An examination of the distribution of total household income among households indicates that there has been some increase in inequality. The Gini index changed from 0.46 in 1971 to 0.52 in 1999. Behind these movements lies a pattern of a sharp increase in inequality in farm income (the Gini index changed from 0.53 in 1971 to 0.78 in 1999) while income from non-farm sources became more equal (the Gini index moved from 0.77 in 1971 to 0.52 in 1999). At the same time, the distribution of the total cultivated area among farming households remained fairly stable: the Gini index was 0.50 in 1971 as against 0.53 in 1999.

If we compare this with our very limited panel study from rural Tamil Nadu, we find a less dynamic and progressive overall picture. How should this be interpreted?

#### **IV. TRANSFORMING RURAL INDIA**

It is now possible to list some significant features of the social transformation of rural India during the last 2–3 decades.

The most striking feature is the growth to a position of dominance of the non-farm economy and the simultaneous tendency of the rural households to remain in the rural areas. The rate of urbanisation was slow up to at least the beginning of the 2000s, but due to the growing population density and increased communication infrastructure, people chose to stay in their villages and commute to jobs nearby, in other villages as well as in nearby towns. Rural households have thus become pluri-active in both farm and non-farm jobs (with many of these being part-time seasonal jobs). After the Green Revolution, it is the growth of the non-farm sector which is the most dynamic force in the development and structural transformation of rural India.

The slow growth of urban areas may have been broken during the period 2001 to 2011. The Census figures from 2011 point to an increased growth of the urban population, which has been overtaking rural growth (Sainath, 2011). However, it remains to be seen if this

new development is due to a dramatic increase in the number of villages now classified as towns or if it reflects a qualitative change in the urbanisation pattern.

There seems to be a certain stability in terms of the distribution of both income and the operated area, while the ownership of land and other productive assets has tended to grow more unequal. Most evidences point to a slow but stable growth of income with the non-farm sources of income now being as important as farm income, and a slow reduction in absolute poverty. The situation strongly reminds one of the plight of the rural and urban working class during the corresponding transition in Europe—it was an arduous process wherein most people suffered from extreme poverty. Nevertheless, it still represents a movement away from stagnant poverty.

The growth of small manufacturing units and services in many rural areas and nearby towns has created a new and dynamic situation. Landless labourers and small farmers among the SCs tend to leave agriculture for work in the non-farm sector, which signals a breakdown of local caste hierarchies, with the '*jajmani* systems' fast disappearing. Many areas have also seen a tightening of labour markets with a scarcity of agricultural labourers and upward pressure on rural wages. This has also spurred mechanisation in the spheres of ploughing, harvesting and irrigation.

A highly problematic aspect of the above-mentioned transformation pertains to the character of the new jobs created in the non-farm sector. According to almost all studies and statistics, these jobs are created in the informal sector without any regulation of the conditions of work, be it in the form of employment or self-employment (Gill, 2011; Srivastava, 2011). There is, however, need for some reflection on this before one arrives at far-reaching conclusions. Since long, most agricultural wage labour has been casual day labour, though agricultural workers in many areas are organised into gangs working on contract. In this background, most regular employment in a small workshop, factory or service business, or in a middle class home, would appear to signal an improvement over the volatile and lowly paid work of a casual agricultural worker. It is true that working conditions for these workers are poor and the payment they receive meagre as compared to workers in the organised sector. But employment for the former may be available more than seasonally and wages paid regularly, even if meagre by all standards, may still be higher and more regular than in agriculture. Women factory workers, for example, also appear to appreciate this because they get the wages in their own hands from their employers and can use at least part of them at their own discretion.

*Two emerging characteristics that merit close attention are discussed below.*

Rural women now increasingly work in small industry and the services sector. It appears that some of this labour power is released through the mechanisation of agriculture in many regions, wherein female tasks are now performed by machines operated by men. This is a 'masculinisation' of agricultural labour which counters the so-called 'feminisation' of agriculture observed in many recent studies (Vepa, 2005; da Corta and Venkateshwarlu, 1999). A strong hypothesis that this leads to is, therefore, that women get and have to take

more responsibility in traditional farming, performed at low levels of technology, whereas men get employment in the non-farm sector, but tend to lose their jobs in mechanised farming. It is also likely that women would find a greater role in more intensive cultivation of, for example, vegetables. This development needs to be studied more comprehensively.

Another interesting feature is the tendency towards a strengthening of middle farmers/family farmers noticed in our case study above. We discovered a new inheritance pattern, whereby one of the sons takes over the land while the other sons and daughters are educated and settled in non-farm jobs. This would imply that the average land ownership tended to stabilise rather than continue to decrease. We also observed the increased participation of family labour in agricultural operations, involving both men and women, which may reflect a scarcity of agricultural wage labourers. Small farmers, on the other hand, face difficulties since farming requires more capital investment, and may eventually be compelled to lease out to the bigger operators, that is, a process of so-called reverse tenancy.

However, the all-India panel study quoted above provides evidence of higher profitability for big farmers, especially after 1982, and an increased Gini index for farming income. Thus, the really interesting research challenge today is to identify the evolving distribution of landownership and area cultivated among rural households in various parts of the continent. This issue is also at the core of the agrarian question in India today, and needs to be researched in greater detail in further studies.

## V. INTERPRETATION

It is clear that the overall complex features observed in our study illustrate a rather diversified panorama of different trajectories. The casual patterns behind these different trajectories need to be studied in detail. What are the driving forces in rural India's social transformation?

A regional analysis shows that there are stark differences between regions (Kannan and Raveendran, 2011). A geographical analysis shows that villages close to towns have undergone a much more positive transformation and development than villages located further way from the towns (Krishna and Bajpal, 2011). Thus, behind the overall average panorama, we find regions with a dynamic diversification and increased income as well as stagnant regions, where agriculture is stuck at a low level of productivity and where non-farm activities are slow to emerge, if at all.

If the major driving forces in the Tamil Nadu case study above have been correctly identified, we can say that agricultural and industrial development, as well as effective state interventions in terms of investments in infrastructure and social programmes, are clearly very important for ensuring positive development, but these forces vary a great deal across rural India. Land reforms, which in themselves are powerful engines of redistribution and growth, also vary a great deal from Punjab in the north to Tamil Nadu in the south.

Does this mean that there is room for both the two extreme theoretical interpretations of India's transformation, discussed in the introduction to this paper, depending on the particular area and region being referred to? Does a 'progressive transformation' somehow co-exist with a painful 'agrarian crisis' and a 'race to the bottom'? I think the answer is 'yes'.

This is not to say that the exploitative relations of production that we can identify with the Indian rural and small town economy have disappeared in the more progressive areas and regions of development. In my understanding, it is rather a question of embedding in Polanyi's terms, in the sense that land rent, merchant and usurious exploitation, and corrupt political brokerage are gradually being more regulated and restrained in those areas which have seen a better level of development. This implies that increased competition and technical development are possible in more market-integrated areas characterised by expanding agricultural and industrial production, a process which facilitates a reduction in the power of exploitative small-town businesses and landlord-based agriculture. One such powerful new embedding was the Green Revolution, which broke through the stranglehold of land rent and merchant usurious rent through massive State interventions in infrastructure and organisation.

A variety of forces are at work in regulating and restraining exploitation within a capitalist market economy in a democratic society. It is primarily the freeing of labour from various forms of bondages which makes the difference in the first stage (see Wood and Gough, 2006; Wood, 2003). Alternative employment opportunities and social entitlements (food safety, education, healthcare, etc.) make it possible for workers to escape exploitative relations as has been seen in the case of SCs opting out of agricultural wage labour.

Some of these regulations emerge from the market itself. Greater integration with national and international markets makes room for strong consumer and corporate pressure on product quality, labour conditions and production standards. This can be seen in the garment export industry, which is labour-intensive but still uses modern technology and creates more remunerative job opportunities, especially for women. There is a more or less constant surveillance today of child labour, contract labour, and other human rights violations. Indian capitalists have so far managed to dodge many of these controls through various forms of sub-contracting and putting out systems, but the pressure still persists, especially when compared to the alternative of an insulated local small-town economy. As seen most recently in the general strike all over India on 28 February 2012, trade unions now also increasingly oppose the unbearable working conditions in the informal sector. It is true that most of the export industries are located at the bottom of the global value chain. Yet, these industries offer real opportunities of the building up of a dynamic industrial mass base in the Indian economy, as it has done in East and South-east Asia.

Democracy holds a strong potential link to social protection (Spicker, 2008). In the Indian rural economy, so far it has not been primarily the activities of strong local labour unions but rather a broad variety of processes and interventions which promote this regulation and control. A strong force in controlling exploitative work relations has been the combined effects of State regulation, on one hand, and social and political mobilisations, on the other, in what has proved to be an increasingly inclusive democracy like India, wherein the lower classes are organising and demanding various social rights.

State social policy interventions like an effective public distribution system for essential food items, educational programmes including mid-day meals, preventive health programmes,

public work programmes, etc. can prove to be very powerful measures (Chatterjee, 2008). Many of the emerging social rights programmes are still mostly on paper, like labour security laws for the unorganised sector, health insurance schemes, and pension schemes. However, the very fact that they have been enacted provides a public basis for popular struggles to bring about better implementation in the years to come.

## VI. CONCLUSIONS

Rural India has been witness to a slow and arduous transformation from an agriculture-based economy to one that is based on industries and services, and with agriculture serving an important but secondary role. The change is uneven and the problem of poverty is still the overwhelming social question. In this paper, I have identified what I think are important driving forces and social mechanisms in a progressive development.

It is important to note that the processes identified here do not symbolise any guarantee for a smooth transformation to an industrial welfare society in India or elsewhere. The strain on natural resources, the changes now under way in agriculture, the future of labour-intensive export industries, military conflicts, and the volatility of political democracy itself, to mention some important factors, may cause severe disorder to any positive development trajectory in the near future.

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