

Understanding Livelihoods in Rural India: Diversity, Change and Exclusion

METHODS OF ANALYSIS

These guidance sheets aim to help policy-makers and practitioners increase their understanding of complex rural livelihoods in India. Policy choices in a range of areas – such as employment, enterprise development, social protection, rural infrastructure and agriculture – have major impacts on rural livelihoods. In turn, the outcomes of such policies are affected by the choices, preferences and constraints of the poor. Thus effective policy-making requires an understanding of rural livelihoods.

We focus on three livelihood issues in particular: the dynamics of livelihood change; diversification of livelihoods; and issues of exclusion and access to livelihood options and resources.

The sheets are grouped in four sections. Section 1 *summarises* the issues. Section 2 covers the key *concepts* of household economics, livelihood change, diversity, and exclusion. Section 3 reviews useful *methods*. Section 4 reviews the key *linkages* between livelihoods and policy change.

These sheets draw on the experience of ODI's 'Livelihood Options' project in Madhya Pradesh (MP) and Andhra Pradesh (AP) though also aim to give insights into livelihood analysis and policy issues elsewhere in India. Livelihood Options is a 1999–2002 research project in India, Bangladesh and Nepal that aims to identify how policies can support positive exits from poverty via diversification.

3.5 Assessing Exclusion, Markets and Power

To understand poor people's livelihood options, we must appreciate the extent of their access to markets and political resources, whether they are excluded, and how. Some methods for assessing these involve directly addressing sensitive issues, such as corruption or perceptions of exploitation, but much of the necessary information can be gathered in less sensitive and apolitical ways and then analysed with a specific focus on issues of access and exclusion.

Market access and exclusion

Markets are key institutions for the buying and selling of goods and services, as well as assets. They are also key institutions through which different groups wield power or are excluded. Methods for assessing markets need to assess both the economic transactions and the power relations. An important issue in both of these is the terms of exchange under which buyer and seller operate.

Markets include those for goods and services, and above all for the poor, markets for food. But equally important can be markets for assets (or 'factors of production'). So, for example, poor households are also involved in land markets through which land is bought and sold, or leased in and out. They participate in markets for agricultural labour in their home or neighbouring villages or in markets for agricultural and construction labour much further afield. There are financial markets through which people get access to loans and credit and become liable to pay varying rates of interest on their loans. In some cases, transactions in one market may be inter-locked with those in another market, as, for example, when a storekeeper offers foodstuffs to a farming household on credit against a commitment to sell the harvest to the storekeeper. The credit may appear to be interest-free, but the purchase price for the harvest may be discounted, so that the price of the loan is recovered in a separate, but inter-linked transaction.¹

Exclusion and power

People's capacity to participate fully and willingly in different markets is highly differentiated. People of different caste, gender, age, class, or location may participate in a given market on unequal terms. For example, women are excluded from many formal credit markets but they are targeted as beneficiaries of other government and NGO micro-credit schemes. In many rural areas of India, women are still excluded from owning or inheriting land and thus cannot participate in land markets.

Bearing in mind the need to explore the wide range of markets and the different basis upon which people participate in them, the key issues that need to be explored are shown in Table 1.

Tools to gather data

To unpick these issues there are two main approaches. One is to incorporate questions about market transactions within other standard research tools to gain mainly quantitative data. The other is to focus specifically on buyers and sellers in markets, using commodity chain analysis, for more detailed discussion of how those markets work. The Livelihood Options study did both.

Key informant interviews were done with buyers and sellers in a range of markets. Through this it was possible to understand who controlled different markets and to get some sense of the level of freedom in different markets. Key informants were identified in the following groups:

- Landlord-lessee (of leased and share-cropped land);
- Employer- employee (for casual labour and salaried labour);
- Moneylender-borrower (including institutional lenders);
- Trader- buyer (of different products – agricultural, forest based etc.).

Table 1 Key issues to assess for different markets

Factor markets			Product: goods and services
Land	Labour	Capital	
Categorising the market 'sectors'			
Different kinds of land and terms: <ul style="list-style-type: none"> Type of land: high/low value, irrigated/rainfed Contract type (share, lease, usufruct) Property rights: private/common 	<ul style="list-style-type: none"> Formal / informal sector Skilled/semi/un-skilled Economic sub-sector Security of tenure Location of work 	Credit differentiated by: <ul style="list-style-type: none"> Amount Term Collateral needs Use of loan Savings Formal insurance Other financial services, such as money transfers (for remittances) 	Different physical commodities by: <ul style="list-style-type: none"> Product type and quality Means / place of collection or supply, Private/government market
Number of market participants			
Number of buyers and sellers. When buyers or sellers are few, it is likely that they will exercise power over the market.			
Information			
Are the participants equally well informed about the market, above all on prevailing price levels? Is it possible to observe the terms of other deals in the same market? (In some vegetable markets, deals are made 'under the blanket'.) Do participants know the prices paid in other, similar markets for the region? Where buyers or sellers lack information, it is difficult for them to make fair deals.			
Differentiation and Segmentation			
<ul style="list-style-type: none"> How does participation differ by class/gender/age/caste between supplier and buyer? How do rates / terms differ by class /gender/age/caste between supplier and buyer? 			
Price or share-crop ratio, inter-locking?	Wage rates and benefits, living and working conditions	Interest rates and terms, transaction costs	Price, and transaction costs of sale, seasonal variations
Degree of government intervention/control			
Land ceilings, pattas, reforms, land disputes, Tribal PESA, Panchayat	Government services, minimum wage acts, social security	Government banks, regulations, dispute settlement	Government marketing, distribution, MSP, PDS, Co-ops, mandi
Degree of reciprocity, barter, moral economy			
Sharing commonly owned land among kin groups	Group labour	Small loans within gender, caste, kin groups	Barter, exchange
Political economy: Free market or manipulated by elites?			
<ul style="list-style-type: none"> Actual value of 'product' compared to market price? Freedom to move in and out of market? To pick and choose? 			

Acronyms: PESA – Panchayat Extension to Scheduled Areas; MSP – Minimum Support Price; PDS – Public Distribution System.

Box 1 Examples of market-related questions in the household survey

- *If you sell any of your crops, which is the main place?* From this question it was possible to identify which households or people had access to government-supported markets or open markets, to formal and informal markets, to local and more distant markets.
- *What has been your source of finance for spending on funerals, marriages, agricultural equipment, domestic equipment, etc.?* From this question it was possible to find out which households relied, for example, on selling land, livestock and jewellery, and which depended on government subsidised loans, credit societies or money-lenders.
- *Where and from whom do you buy the bulk of your food grains, those that you don't grow yourself? How many kg of rice do you purchase from the PDS shop per year?* These two questions are examples of those that enabled researchers to consider differential access (by caste, landholding and livelihood class, and by gender) to markets for consumption items, including the state-controlled PDS.

The household sample survey and questionnaire also contained several questions about how respondents engaged in markets. These covered, for example, sale of agricultural crops, sources and terms of credit, and engagement in wage labour markets (Box 1). These provided robust data on prices and on which types of household access which markets. This data revealed how markets are segmented, with different households able to access quite different returns (see examples in Sheet 2.4). A pertinent example is how agricultural wage labour rates are lower for women than men in villages in AP and MP.

Further information on markets emerged from analysis of trajectories of change which was done through household surveys and oral histories, combined with village and macro-level data. In some cases this showed how terms of exchange had changed (Box 2), how households had increased or decreased their engagement in specific markets, and why.

Box 2 Changing market terms over time

Investigation in two villages in Andhra Pradesh demonstrated how agricultural labour markets had changed considerably over the decades owing to structural economic change. Wage rates were very low in the 1970s but increased eight or ten-fold by 2001. In 1975, agricultural labour was a buyer's market controlled by landlords because labour supply exceeded demand. By 2001, labourers were migrating to urban areas to find work or to other agricultural regions where the wages were higher. The acute shortage of labour in certain seasons forced the price of labour up.

The analysis enabled researchers to develop an understanding of the costs, profit margins and income at each stage in the production process, the spatial flows of commodities, the social relations of trade and the resultant distribution of income and profit.

Finally, commodity chain analysis highlighted the means by which social actors maintained control over key points of economic power within the commodity chain. For example, in credit markets, local moneylenders in MP often borrowed from banks and then loaned this money out at a higher rate of return to others.

Exclusion from state entitlements and political decision-making**Issues**

The other main area of exclusion which can curtail the livelihood prospects for the poor is exclusion from state-related institutions – whether these are specific services, government-run markets, or political decision-making fora.

Two aspects are worth study, thus:

- Access to government provision: e.g. PDS, welfare benefits, subsidised credit, etc.; and,
- Voice and influence within local decision-making at village, *Gram Panchayat*, or Block level.

Tools

As for the market analysis, Livelihood Options used two broad approaches to explore both of these:

- Incorporating factual questions in the household survey relating to access to government resources and participation in meetings; and,
- Key informant interviews to discuss governance issues.

The questions in the household survey were asked in a factual apolitical manner and generated invaluable information on who actually receives key services or attends meetings which could be disaggregated by caste, income-group, etc. Box 3 provides examples of some questions asked and findings (see also Sheet 2.4, Box 4).

Understanding access to state entitlements requires a combination of closed factual quantitative questions and open-ended qualitative

Box 3 Examples of survey questions on access to state resources and decision-making

- *How many kg of rice/wheat/kerosene/sugar do you purchase from the PDS shop each year?* This enabled the researcher to find out which caste, land holding and livelihood classes used the PDS shop most frequently. Invariably the poorest are not the main beneficiaries of the PDS system because most card holders have to pay for food, albeit at subsidised rates, so households with no money cannot benefit.
- *Does your household receive regular benefit from widows pensions/old age pensions/handicap pensions/educational scholarship/etc.?* The study identified people who were entitled to state support (for example people over 65) but did not get it.

Further questions were raised about voice and influence. Households were asked if they attended local meetings or fora, whether they participated in elections and had any contact with government officials. This enabled the researchers to understand the level and nature of people's participation, disaggregated by caste, landholding class, gender and livelihood class.

The key informant interviews (Table 2) focused more on the processes and power relations that underpin access. The important issue here was to interview at three levels – government officials, elected *Panchayat* members, and villagers. The three sets of interviews are needed to build a more complete picture of the relationships between actors, who has power, and how livelihood needs of the poor are considered.

In analysing the data on exclusion and access, it is important to link to analysis at other levels – such as on policy process and the broader policy context (see Sheet 4). It is also important to trace the implications of political access or exclusion down to specific impacts on livelihoods. These may be very tangible, for example determining access to certain assets or sources of income that support livelihoods, such as credit training. Or impacts may be less tangible in terms of creating a sense of a source of empowerment (or disempowerment), optimism (or disillusion), or building more (or less) informed decision-making. Although these cannot easily be quantified, they need to be recorded.

Table 2 Key informant interviews on governance issues in MP and AP

Respondents	(Non-elected) Government Officials	Elected <i>Panchayat</i> Members	Villagers
Number of interviews	2-3 with current or recent employees involved in the implementation of poverty schemes.	2-3 interviews with the sarpanch, ward representatives and upa-sarpanch	8 interviews – stratified by gender and caste
Themes, Aims, Questions	<i>Panchayat Powers</i> Who makes decisions about the allocation of money to programmes?	<i>Panchayat Powers</i> Who has responsibility for the allocation of funds and budgets for programmes?	<i>Impact of Credit and labour schemes</i> Who benefits from programmes locally (especially in terms of gender and caste)?
	<i>Beneficiary Selection:</i> How are beneficiaries selected for labour and credit programmes? What is the role of the GP?	<i>Beneficiary Selection:</i> How are beneficiaries selected for labour and credit programmes? Who has authority for these decisions?	<i>Beneficiary Selection:</i> What is the process of selection or application? What documents are required? Who decides?
	<i>Accountability and Participation:</i> What consultation is made with local people? What is the role of the respondent in resolving disputes and conflicts?	<i>Accountability and Participation:</i> Does respondent consult with villagers about plans? How? How do people complain? To whom?	<i>Accountability and Participation:</i> Are respondent's needs, concerns taken into account in projects? How do people complain? How is the <i>Panchayat</i> rated?

Summary of key issues for exploring exclusion, markets and power:

- Recognise that markets are key institutions through which different groups wield power in the pursuit of livelihoods and that people's capacity to participate fully and willingly in different markets is highly differentiated;
- Explore a wide range of markets including land, labour and capital markets and assess the degree of government intervention or control;
- Recognise that issues of power and exclusion are highly sensitive and use a range of different forms of questioning to identify the extent of people's access to markets and political resources;
- Trace the implications of political access or exclusion down to specific impacts on livelihoods, for example in determining access to certain assets or sources of income.

Endnotes

¹ This example comes from the Sudan. That there is apparently no interest charged on the credit side of the deal is particularly useful for Muslims who are expected not to charge interest.



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