POVERTY ALLEVIATION EFFORT OF WEST BENGAL PANCHAYATS[1]

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We examine poverty alleviation effort of West Bengal panchayats, comprising implementation of land reforms and pro-poor targeting of credit, agricultural minikits, employment programs and fiscal grants. The sample includes 89 villages and covers four successive panchayat administrations. While average levels of poverty alleviation effort were high, there were significant variations both across and within villages over time. Poverty alleviation effort within villages improved when land was distributed more equally, the poor became more literate, there were fewer low caste households, and local elections were more contested. We argue that this reflects the phenomenon of limited accountability of gram panchayats to the poor in the presence of high inequality in socio-economic status and political power. The allocation bias was considerably stronger with regard to allocation of resources across gram panchayats, implying the need to incorporate need-based formulae in interpanchayat allocations instead of political discretion of higher level officials.

1. INTRODUCTION

Elected local governments (panchayats) have played an important role in the implementation of various poverty alleviation programs in West Bengal since 1978. These programs include land reform, delivery of credit, farm inputs and local infrastructure projects designed to generate employment for the poor. It is widely believed that these programs were effectively targeted in favour of the poor, due in part to the involvement of the panchayats in their implementation.[2] The West Bengal experience thus suggests that decentralization of delivery of antipoverty programs can result in reduction of targeting failures which have plagued traditional delivery mechanisms entrusted to centralized bureaucracies.

The literature on decentralization of service delivery however stresses some potential pitfalls.[3] The most important of these is the possibility that local democracy may not function well in some contexts, e.g., where the distribution of assets, literacy and social status is highly unequal, a tradition of widespread political participation does not exist, and political competition is lacking. Under such conditions, political parties may be prone to capture by special interest groups, participation in elections may not be widespread,

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[2] See, for instance, Appu (1996), Dreze and Sen (1989), Kohli (1997), Lieten (1992), Sengupta and Gazdar (1996), Swaminathan (1990) and Webster (1992).

[3] See Bardhan (1996, 2002), Bardhan and Mookherjee (2000), Bird (1995), Crook and Manor (1998), Dreze and Sen (1989), Lieten (1996), Mathew and Nayak (1996), Mookherjee (2004), Prud'homme (1995), Tanzi (1996), Manor (1999) and the 2003 World Development Report.

and voters may be swayed more by campaign rhetoric or political handouts rather than genuine policy issues. Dreze and Sen (1989) explain this concern succinctly:

> ``The extent of economic distress experienced by different individuals is, to a great extent, a matter of common knowledge within a given rural community. An apparent solution to the selection problem would take the form of making the selection process rely on local institutions to allocate public support according to individual needs.
>
> Would this method work in practice? The leaders of a village community undoubtedly have a lot of information relevant for appropriate selection. But in addition to the informational issue, there is also the question as to whether the community leaders have strong enough motivation --- or incentives --- to give adequately preferential treatment to vulnerable groups. Much will undoubtedly depend on the nature and functioning of political institutions at the local level, and in particular on the power that the poor and the deprived have in the rural community. Where the poor are also powerless --- as is frequently the case --- the reliance on local institutions to allocate relief is problematic, and can end up being at best indiscriminate and at worst blatantly iniquitous, as numerous observers have noted in diverse countries.'' (Dreze and Sen (1989, p.107))

In some earlier theoretical work we have explored some of these issues and their implications for the effect of decentralizing delivery of antipoverty programs.[4] However there is relatively little detailed empirical evidence available about how targeting performance in a decentralized system varies with local asset inequality, literacy or political concentration.[5]

In this paper we report the results of our recent research concerning this issue in the context of the West Bengal panchayats. It is based on a dataset we have assembled for a sample of 89 villages spread through 15 districts of the state (which exclude only Kolkata and Darjeeling). Our data includes the extent of land reforms implemented, and the proportion of benefits of various antipoverty programs that accrued to landless and small landowners, across four different panchayat administrations spanning two decades since the late 1970s. We examine how these varied with land inequality, literacy among the poor, proportion of scheduled castes and tribes in the local population, and political concentration (i.e., the proportion of panchayat seats secured by the dominant Left Front). Our results are based on examining variations in land reform effort and targeting of antipoverty programs with respect to variations in land inequality, literacy and political concentration *within* these villages over time. This enables us to control for unobserved village or district characteristics that may give rise to spurious correlations in a cross-sectional analysis. The West Bengal experience is uniquely suited for this purpose because it provides a long enough experience with devolution to local governments to permit such an analysis.

Such an exercise is aimed at understanding determinants of effectiveness of local democracy in implementing antipoverty schemes. The data does not permit us to compare the performance of the decentralized system with the centralized system that preceded it in West Bengal prior to the late 1970s, nor relative to other Indian states. The results reported here are based on a more detailed analysis which interested readers seeking further clarification of the data, econometric methodology or regression results can refer to.[6] The purpose of this paper is to provide an overview of the main results, without going into

[4] See Bardhan and Mookherjee (2002, 2003a).

[5] There are of course numerous case studies in the literature, many of which have been cited above. Available literature on experience of different developing countries is surveyed in Mookherjee (2004). Econometric evidence on targeting of a decentralized education program in Bangladesh is studied by Galasso and Ravallion (2000), and of a land reform program in Vietnam by Ravallion and van de Walle (2002). Banerjee (2003) examines the allocation of infrastructure, education and health services across Indian villages.

[6] See Bardhan and Mookherjee (2003b, 2003c).

excessive technical detail. Accordingly we present the results in terms of the impact of a hypothetical *ceteris paribus* change in land distribution, literacy or political concentration (of a magnitude comparable to changes observed over the sample period).

Section 2 describes the nature of the data set and its construction. Section 3 then evaluates the land reform experience, and Section 4 the targeting performance of farm input delivery and various antipoverty schemes. Finally Section 5 concludes.

2. DATA

Our data is based on a stratified random sample of villages originally selected by the state Department of Agriculture for the purpose of estimating costs of cultivation.[7] We use a subsample of these villages, based on our ability to locate original records of data concerning individual farms. There are 89 villages, whose distribution across districts is given in Table 2.1. The second column gives the average fraction of seat proportion secured by the Left Front in the concerned gram panchayat (GP) over the period 1978—98.

TABLE 2.1: DISTRICT-WISE ALLOCATION OF SAMPLE VILLAGES

DISTRICT	NUMBER OF VILLAGES IN SAMPLE	LEFT FRONT PERCENT OF SEATS IN GP (average 1978-98)
24 Parganas (N)	6	54
24 Parganas (S)	8	54
Bankura	5	80
Birbhum	5	60
Bardhaman	9	78
Cooch-Behar	8	84
Hooghly	6	71
Howrah	4	75
Jalpaiguri	5	69
Malda	2	38
Midnapur	8	75
Murshidabad	6	46
Nadia	5	72
Dinajpur	4	53
Purulia	8	61
WEST BENGAL	**89**	**66**

We conducted an `indirect' survey of these villages in order to collect data on changes in land distribution, literacy, occupational structure and caste. A number of village elders provided relevant details of households in the village, based on a voter list from the most recently conducted panchayat elections in 1998, and one from an earlier year at the beginning of the sample (1978 in most cases, and 1983 in a few instances where the 1978 list was not available). Data on farm wage rates and farm yields (value added per acre) for different size classes was obtained from the cost of cultivation surveys. Rainfall data for neighbouring recording centers was collected from the state metereological office. Data for missing or intervening years were computed on the basis of interpolation assuming constant rates of growth within the period in question.

[7] The purpose of these surveys was to provide a set of cost estimates to regulatory bodies in the central government (e.g., the Agricultural Prices Commission). They have not been used by the West Bengal state government to estimate agricultural production levels.

Sample averages of relevant characteristics for 1978 and 1998 are provided in Table 2.2. There was a sharp increase in the number of households within villages, resulting in increased population density relative to cultivable land area. In computing the land distribution we use only statistics pertaining to cultivable land, excluding what households received from the land reform program. As we shall see later these changes were substantially larger than the extent of land distributed through the land reform program. The average fraction of landless households rose from 45 to 49%, accounting for almost half the population by the end of the period. At the same time big landholdings were subdivided into smaller ones. In terms of the demographic weight of different land classes, the proportion of medium and big landowners declined by 2.5% and 0.7% respectively. The shift to small landholdings below 5 acres in size involved about 12.5% of cultivable land, operating through household division and market sales. Even within the small landholding category there was an increase in the proportion of land in the marginal category ranging from 0 to 2.5 acres. Our working paper shows that these changes in our dataset parallel corresponding changes in the distribution of operational holdings between 1980 and 1995 in the state Agricultural Censuses.[8]

TABLE 2.2: ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS IN SAMPLE VILLAGES

	1978 AVERAGE	**1998 AVERAGE**
Number of Households	219	388
Operational Land-household ratio	1.75 acres	1.07 acres
Per cent households landless	44.8	48.7
Per cent households small landowners (0-5 acres)	51.3	50.5
Per cent households medium landowners (5—12.5 acres)	4.9	2.4
Per cent big landowners (12.5 acres--)	1.1	0.4
Per cent land in small holdings	67.3	79.9
Per cent land in medium holdings	23.6	15.2
Per cent land in big holdings	9.1	4.9
Per cent of poor (landless+small landowners) that are illiterate	50.5	38.4
Per cent of households belonging to scheduled castes/tribes	32.8	34.4
Per cent households with head in nonagricultural occupation	38.7	47.4
Farm yield (value added in Rs/acre)	1995	6483 (in year 1996)
Hourly male wage rate (Rs/hour)	2.11	4.43
Cost of living index	.80	6.50

Apart from the change in the land distribution, there were also significant changes in education and occupational structure. The illiteracy rate among the poor (henceforth defined as the sum of landless and small landowning households) dropped from one half to one third. Medium and big landowners were almost entirely literate at the beginning of the time period, so did not encounter any significant change in this respect. The proportion of households belonging to scheduled castes and tribes (SC/ST) remained stationary at about one-third. The importance of non-agricultural occupations grew substantially. Farm yields and male wage rates rose in nominal terms, though most of these were outweighed by increases in the cost-of-living index.

[8] They are also consistent with the findings of the WIDER survey carried out by Sengupta and Gazdar (1996) for six villages.

3. LAND REFORMS

Table 3.1 provides averages of the land (patta) distribution and sharecropper (barga) registration programs achieved by 1998. Data on land titles distributed and sharecroppers registered for the relevant villages in the local block land records office (BLRO) were collected directly from those offices. An alternative estimate was provided by the village elders in the indirect survey, while accounting for the nature and sources of land belonging to different households. As Table 3.1 indicates, the survey estimates lie considerably below the BLRO estimates. Since the survey estimates are based on third-party non-legal evidence (and also subject to recall biases concerning land reforms carried out upto twenty years ago), we prefer to use the BLRO estimates which are firmly based on legal records.[9]

TABLE 3.1 LAND REFORMS IMPLEMENTED: SAMPLE AVERAGES

	PATTALAND		**PATTADAR**		**BARGALAND**		**BARGADAR**	
	% CULTI-VABLE LAND AREA	**% CULTI-VABLE LAND AREA**	**% HOUSE HOLDS**	**% HOUSE HOLDS**	**% CULTI-VABLE LAND AREA**	**% CULTI-VABLE LAND AREA**	**% HOUSE HOLDS**	**% HOUSE HOLDS**
	1998	**1998**	**1998**	**1998**	**1998**	**1998**	**1998**	**1998**
	BLRO	**Survey**	**BLRO**	**Survey**	**BLRO**	**Survey**	**BLRO**	**Survey**
Outside North Bengal	3.7	3.0	13.8	5.5	8.0	3.0	5.3	1.9
North Bengal	21.1	4.3	18.5	13.5	2.5	2.2	3.4	1.6
West Bengal	9.0	3.4	15.3	8.1	6.2	2.8	4.7	1.8

The following facts are worth noting from Table 3.1. Particularly outside North Bengal, the proportion of cultivable land area distributed in the form of land titles was below 4%. This is considerably less than the change in the cultivable area into small holdings from medium or big holdings that occurred through household division or land sales. Second, the proportion of households that were issued land titles was of the order of 15%. This amounted to approximately one in every three landless households. The land reform program was thus more significant in terms of the number of households that benefited, rather than cultivable land area transferred. Third, in demographic terms the land title program was far more

[9] However it should be noted that some of the discrepancy may involve failures in the delivery of actual landtitles to the concerned recipients, so the BLRO records may represent an overestimate of the actual distribution of benefits to households. Moreover the BLRO land title statistics pertain to all land titles issued, including both cultivable and noncultivable land, whereas the village elders involved in the survey ended to discount titles to barren, noncultivable land. This partly accounts for the large discrepancy in the land areas estimated to have been transferred in North Bengal villages, many of which reportedly involved abandoned fruit orchards that could not be used for cultivation. Our survey estimate of the cultivable fraction of distributed land was 70% in north Bengal, compared with 90% in the rest of the state.

significant that the barga program, which benefited less than 5% of households on the basis of the BLRO records. A similar estimate of the relative magnitude of the two programs is provided by the survey data.

Our regression analysis examined the covariation of these four different land reform measures (proportion of cultivable land area and of households under the two different programs) with the village land distribution, literacy among the poor, proportion of SC/ST households, and proportion of seats in the local GP secured by the Left Front. These span four successive five year timeblocks, each corresponding to a given panchayat administration (1979-83, 1984-88, 1989-93, 1994-98). The regression controlled for village fixed effects, time dummies and substantial censoring in the data (wherein a majority of villages did not carry out any land reforms at all in any given timeblock). The regression coefficients can therefore be interpreted as the extent to which deviations in the land reform measure from a common time trend were associated with changes occurring in any regressor within any village, while controlling for all other regressors, for a village in which land reforms were being undertaken at all.

We found that a significant determinant of land reform activity was the extent of Left control over the local GP. Specifically, land reform was declining in the extent of political concentration. The relationship with the Left share of GP seats represented an inverse-U, with a turning point well below the mean Left share of 68% (as well as the median share of 74%). In other words, for a majority of villages in the sample, there was a tendency for land reform effort to decline as the Left Front gained increased control of the local government.

Our working paper explored possible explanations for this finding. While in principle the Left share of GP seats is endogenously determined along with land reforms, we provide evidence there that the Left share was driven principally by swings in voter loyalty, based on events at the district or state level, combined with historical patterns of incumbency within the village. In particular they do not seem to have been influenced either by the existing land distribution or past land reforms carried out in the village. Hence the inverse-U pattern cannot be explained by a possible correlation of Left electoral success with a perceived need (or lack of it) for land reform by voters within the village.

Proceeding on the assumption that changes in political control were exogenous with respect to the land reforms or the nature of the local land distribution, the inverted U pattern can be explained by a tendency for the dominant party to slacken its effort to satisfy voter demand for land reform when it faced less electoral competition from its political rivals (owing to a swing of voter sentiment in its favor). Conversely officials from rival parties exerted greater land reform effort in an effort to woo voters back. The incentive of the dominant party to slacken land reforms may be the result of various factors, such as the cost of the required effort by the concerned officials, campaign contributions or influence exerted by other means by medium or big landowners to limit the reforms.

Local land inequality or prevalence of SC/ST households played a less important role, relative to political composition of gram panchayats. On the other hand, higher literacy among the poor were strongly and positively correlated with the land distribution program, though not with the sharecropper registration program. The significance of different factors in explaining the land reform effort is depicted in Table 3.2, which displays the effect of a hypothetical *ceteris paribus* change in different aspects of the land distribution, literacy, and caste on different land reform measures as predicted by our regression results. The latter are of an order of magnitude comparable to those actually observed over time (e.g., in the average across different villages), with the exception of the SC/ST proportion which changed very slightly (less than 2 percentage points).

An increase in the Left share of GP seats from 68% to 75% was associated with a statistically significant drop in land areas covered by either land distribution (patta) or sharecropper registration (barga) programs, and in the proportion of households receiving pattas. The predicted changes are quantitatively significant, e.g., relative to the mean value of the concerned land reform measure. The same is true in relation to the standard deviation as well, excepting the case of land area distributed.[10] The effect of a 12% increase in

[10] They are between a third and one sixth the standard deviation reported in the first row of Table 3.2, which include variability both across and within villages. The appropriate benchmark however is the within

literacy among the landless and small landowners is even more dramatic. A 10% shift in the share of cultivable land area from medium to small landowners has a statistically significant effect only on the proportion of households receiving pattas, but this effect is large (amounting to almost twice the standard deviation of the dependent variable). In summary, villages with a more egalitarian land distribution, higher levels of literacy among the poor, and more evenly contested between rival political parties experienced significantly higher land reform. From a normative (equity) standpoint the `need' for land reform is more pressing the more unequal the land distribution and the less literate the poor are. The fact that the actual pattern was the opposite of this suggests that differences in political accountability of the local governments played a key role, with greater equality in land, literacy and political competition inducing greater accountability.

TABLE 3.2: LAND REFORM ASSOCIATED WITH CHANGES IN LAND DISTRIBUTION, LITERACY, CASTE AND POLITICAL CONCENTRATION

	PATTALAND	**PATTADAR**	**BARGALAND**	**BARGADAR**
Mean (s.d.) fraction of land/hh's per timeblock	.016 (.119)	.048 (.142)	.032 (.421)	.013 (.051)
EFFECT OF:				
2.5% households switch from medium to landless category	i	i	i	i
10% cultivable land shifts from medium to small category	i	.24	i	i
12% rise in literacy among poor	.54	.22	i	i
5% households switch from non-SC/ST to SC/ST category	i	i	i	i
Left share of GP seats rises from 68% to 75%	-.008	-.031	-.068	-.018

i: denotes statistically insignificant effect (at 10% level)
Entries reported only for statistically significant effects at 10%
s.d. denotes standard deviation.

village standard deviation (over time), which were approximately a half of the overall standard deviation. The predicted changes are thus between one third and two thirds of the within-village standard deviations, with the exception of land area distributed (where it was one eighth).

4. DELIVERY OF FARM INPUTS AND ANTIPOVERTY PROGRAMS

The West Bengal panchayats played an important role in delivery of farm inputs and implementation of poverty alleviation schemes. This included selection of beneficiaries of credit under the IRDP program, agricultural minikits, and employment generation programs aimed at creating and maintaining rural infrastructure such as roads and irrigation (e.g., the Jawahar Rozgar Yojana (JRY) program). Besides these major programs, they implemented hundreds of minor earmarked programs handed down from upper level governments. In most cases, the aggregate quantum of the resource in question was handed down to the panchayats through a hierarchical budgeting process, and their capacity to supplement these with additional local revenues was limited. Most of the grants received from higher level governments were tied to specific programs, offering them little flexibility with respect to their allocation across different sectors. The only possible exception is the allocation of JRY funds, which the gram panchayats could allocate across different kinds of local projects (though we have been told by panchayat officials that even this was restricted in certain periods). The employment programs typically stipulate the proportion of expenditures across wages and material costs, further limiting flexibility with respect to their implementation. Accordingly the main responsibility devolved to the gram panchayats was the selection of beneficiaries of limited amounts of resources within specified sectors within the village.

Accordingly the analysis of targeting of these programs involves two distinct but interrelated components. First, each resource was allocated across different districts and villages, a decision made at higher levels of the government, such as the District Rural Development Agency (DRDA) of the state government allocating them across districts, zilla parishads at the district level allocating their allotments across different blocks, and panchayat samities at the block level allocating theirs in turn across different gram panchayats. We refer to the outcome of this as the *intervillage allocation*. Second, each gram panchayat allocates the amounts it receives across different villages under its purview, and across beneficiaries within each village. We refer to the latter as the *intravillage allocation.* It is made by a different set of officials (elected officials of the gram panchayat, rather than upper level bodies), motivated by different kinds of electoral pressures (winning local rather than district or state elections), informational bases and resource constraints. Accordingly the intra and intervillage allocations need to be analyzed separately, and reveal something about responsiveness of the panchayat systems at different levels. The intra and intervillage allocations are likely to be linked, owing to attempts made by the state government since the mid-80s to involve lower levels of the panchayat system in expressing their needs to higher levels. In addition, the intervillage allocation is likely to incorporate expectations by higher level panchayat officials concerning the nature of intravillage targeting achieved by different gram panchayats within their jurisdiction. For instance, if a given gram panchayat is not expected to target any significant portion of the resource to the poor, a higher level government may decide not to allocate much to that gram panchayat on the grounds that most of the resource will not reach the intended beneficiaries. This does not necessarily indicate that the higher level government officials lack a commitment to the poor.

Additional problems arise in making inferences about accountability from targeting performance, which are elaborated more fully in our working paper. A panchayat may allocate less farm inputs to small landowners relative to large ones if the former are likely to make less productive use of these inputs. An accountable government may be motivated by considerations of the overall productivity of agriculture in the village, which may benefit the poor indirectly: e.g. by generating more farm employment for the landless, more revenues for the panchayat which could be used to fund low-income benefits. Such productivity considerations (rather than lower levels of panchayat accountability) may induce lower targeting performance when land shares are skewed in favour of big landowners. Our analysis of targeting therefore controls for productivity differences between small and large landowners in the intravillage allocation, and between villages in the intervillage allocation.

A more revealing way to infer patterns of accountability is to examine variations of targeting shares with the demographic weights of the poor, since demographic weights are less likely (than their land shares or literacy) to directly affect relative productivity of small and big farms in the use of distributed resources. Villages with greater proportion of landless households for instance thus ought to target its resources more

intensively in favour of the poor. This is the outcome one would expect from a functioning local democracy when landless and small landowners comprise 95% of the population. If the observed pattern is the opposite --- i.e., if a rise in the proportion of landless or low caste households is associated with poorer targeting to those groups, it is more likely to have been caused by an accompanying decline in government accountability to the poor.[11]

A third way to evaluate accountability on the basis of targeting performance is to examine leakages in programs earmarked exclusively for the poor, such as the IRDP credit program. We also examine the proportion of panchayat expenditures allocated to developmental expenditures rather than salaries and administrative costs, which reflect the allocation of public revenues between panchayat officials on the one hand and both poor and nonpoor residents on the other.

IRDP Credit Program

The IRDP program which started in 1978 replaced a number of different programs with a single integrated package of technology, services and assets aimed at improving the earning capacity of the rural poor. The most important component was a loan offered to the recipient, a certain fraction of which was a subsidy which did not have to be repaid. The target groups were scheduled castes and tribes, agricultural workers, artisans, marginal and small farmers not owning more than 5 acres of land. The subsidy rate was highest (50%) for scheduled castes and tribes, and lower (ranging from 25 to 33%) for others depending on how much land they owned. A certain fraction was earmarked for women and scheduled castes and tribes. The loans were usually given to enable recipients to invest in assets required in service professions (such as artisan tools, retail shops or rickshaws), livestock and agricultural implements. The loans were channeled through `lead' commercial banks located in the vicinity of the villages. The panchayats usually selected a number of applicants from within each village and forwarded their applications to the local lead bank, with the ultimate loan decision made in consultation between panchayat officials, officers of the bank, block officials, and DRDA officers.

Table 4.1 provides some descriptive statistics concerning disbursement of loans in our sample villages. Data was collected for selected years (usually one or two years within any given five year timeblock associated with a given panchayat administration) from the corresponding lead bank, who furnished details of IRDP loans advanced during that year. Matching the names of the borrowers with our indirect survey enabled us to identify their landholding status. However the coverage of the data was limited in the first time-block 1979-83, possibly because the IRDP program was slow to start in the beginning (Lieten (1992, Chapter 7)). A complete enumeration of landholding status of all loans advanced was possible for over 90% of the village-years that we sampled, and our analysis is based on this subsample. We also estimated the extent of the loan subsidy involved by incorporating the direct subsidy component, and imputing the indirect subsidy on the rest under varying assumptions about the difference between the interest charged and informal interest rate. Since the results did not turn out to be affected by alternative assumptions concerning informal interest rates, we report the results corresponding to the assumption of a 50% difference between the interest charged on the loan and the rate on the informal market.

Table 4.1 indicates that by the mid-80s, virtually all villages were participating in the program. Within participating villages the total volume of credit subsidy in any given year was Rs 6700 (in 1980 prices), amounting to about Rs 30 per household. The average size of subsidy in an individual loan was Rs 826, with eight out of three hundred households on average receiving a loan. Hence participation within the village was highly selective.

The share of credit subsidy of the target population comprised of the landless and small landowners was .96, averaging across all villages and years. The corresponding average share of the landless was

[11] In addition, a negative correlation of targeting with demographic weight of the poor cannot be accounted by potential endogeneity of the demographic weights arising from migration of the poor. If at all the poor move between villages and districts in order to be eligible for the benefits of these antipoverty programs, it would induce a positive correlation between targeting and landlessness.

approximately half of this, amounting to .46. As Table 4.1 indicates, these were above their respective demographic weights and land shares. The average level of targeting to the intended beneficiaries was thus quite high. However, this high average was accompanied by substantial variations within the sample, especially with regard to the targeting share of the landless.

TABLE 4.1 IRDP CREDIT: SAMPLE VILLAGE AVERAGES

	1979-83	**1984-88**	**1989-93**	**1994-98**	**ENTIRE PERIOD 1978--98**
Number of Village-years in sample	10	100	160	165	425
Number of village-years with positive credit flow	10	96	159	165	420
Average subsidy per household in villages with positive credit	130.61	38.58	28.27	18.19	29.10
Landless share of credit subsidy (s.d.)	.40 (.46)	.49 (.40)	.44 (.38)	.45 (.40)	.46 (.39)
Upto Small: share of credit subsidy (s.d.)	.73 (.40)	.96(.16)	.97(.11)	.98(.10)	.96(.14)
Landless: ratio of subsidy share to demographic weight	.81	1.59	1.42	1.23	1.37
Upto Small: ratio of credit subsidy to demographic weight	.82	1.05	1.03	1.01	1.02
Upto Small: ratio of credit subsidy to land share	1.57	1.57	1.41	1.32	1.41

All amounts expressed in 1980 prices. `Upto Small' indicates category comprising landless and small landowners (all households owning 5 acres or less of cultivable land). s.d. denotes standard deviation.

TABLE 4.2: INTERVILLAGE TARGETING OF IRDP CREDIT SUBSIDIES

Mean (s.d.) at 1980 prices IRDP Credit Subsidy per household received by a village	29(66)
EFFECT OF:	
2.5% households switch from medium to landless category	-37
10% cultivable land shifts from medium to small category	12?
12% rise in literacy among `upto small'	15?
5% households switch from non-SC/ST to SC/ST category	-21
Left share of Zilla Parishad seats rises from 86% to 96%	-4

`Upto Small' indicates category comprising landless and small landowners (all households owning 5 acres or less of cultivable land). s.d. denotes standard deviation.
i: denotes statistically insignificant effect (at 20% level), ?: denotes statistically significant at 20% but not at 10%; Entries reported only for statistically significant effects at 20%

TABLE 4.3: INTRAVILLAGE TARGETING OF IRDP CREDIT SUBSIDIES

	Share of Landless	**Share of `Upto Small'**	**Share of Medium Landowners**
Average (s.d.)	.46(.39)	.96(.14)	.015
EFFECT OF:			
2.5% households switch from medium to landless category	i	-.06	.011
10% cultivable land shifts from medium to small category	i	.02	-.06
12% rise in literacy among poor	i	i	i
5% households switch from non-SC/ST to SC/ST category	i	-.02	.06?
Left share of Zilla Parishad seats rises from 86% to 96%	i	i	.02

i: denotes statistically insignificant effect (at 20% level)
?: denotes statistically significant at 20% but not at 10%
Entries reported only for statistically significant effects at 20%

Table 4.2 indicates substantial biases in the intervillage allocation of IRDP credit operating against landless and SC/ST households.[12] Relatively small increases in their demographic weight were associated with large decreases in credit allotted to the village. On the other hand increases in land share of small landowners and their literacy were associated with large increase in credit allotments. While the latter can perhaps be rationalized by productivity considerations, the former fact is less easy to rationalize on that basis, particularly for a program whose objective is to help the rural poor and low caste population invest in assets in order to reduce their poverty. It is more plausible to interpret these as reflecting variations in the political weight of the poor, which fell when there was greater poverty within the village. Table 4.1 also indicates that political concentration at the district level affected the intervillage allocation. An increase in the Left share of the Zilla Parishad by ten percentage points from its mean was associated with a decline in the allocation to villages in that district by about one seventh of the mean allocation.

Table 4.3 shows similar biases operating in the intravillage allocation as well. Increased landlessness, prevalence of SC/ST households in the village and a rise in political control of the Left over the Zilla Parishad beyond the mean was associated with increased leakages to medium and big landowners at the expense of the intended beneficiaries (the `upto small' category). Conversely, increased land shares of small landowners were associated with improved targeting. These effects are however small in comparison with the high average level of targeting. Moreover, no statistically significant effects on the share of the landless emerged, suggesting that the results reflect a conflict between small landowners on the one hand and medium and big landowners on the other. Especially striking is the fact that the magnitude of the biases in intravillage targeting pale in comparison with the intervillage allocation. For instance, if we calculate the combined effect of increased landlessness or proportion of SC/ST households in the village on the flow of the credit subsidy to its intended beneficiaries, the intervillage biases dominate by far. Credit to the village as a whole declined by 140 and 75% respectively, while the intravillage share of target groups declined by less than 5%.

Agricultural Minikits

An important component of agricultural policy during this period comprised the distribution of minikits containing seeds of high yielding rice varieties, potatoes, mustard, sesame, vegetables, fruits and lentils, besides fertilizers and pesticides. These were distributed by the block offices of the state's Agriculture department, in consultation with panchayat officials. In the sample villages the bulk of these were accounted by HYV rice seeds, potato seeds and oilseeds. Table 4.4 provides some of the relevant descriptive statistics for the number of all kits distributed, as well as those kits containing rice seeds, potato and oilseeds specifically. The spread of kits of any single category was limited to a relatively small fraction of villages in any given year, and this is even more true for other categories of kits. So it makes sense to focus mainly on the allocation of all kits. Since the kits cannot be used by non-cultivators, we examine the targeting share of the `upto small' category rather than of the landless households.[13]

Similar to the allocation of IRDP credit, the target share of small and marginal landowners was high on average, amounting to approximately 87%. The same average prevailed within the category of kits

[12] Apart from village and timeblock dummies, the underlying regression controls for the average credit flow in the state as a whole, population-bank branch ratio in the district, and the following village variables: number of households, average farm yield, wage rate, rainfall, and percent household heads in nonagricultural occupations.

[13] Landless households may however use the kits on homestead land, or on plots they may lease in. Moreover even if they could not use a kit they could conceivably sell it. So it does not make sense to exclude them either in the target group. It turns out that a nontrivial fraction of the kits were indeed allocated to landless households.

containing rice seeds and potato/oilseeds as well. These shares significantly exceeded their demographic weights and land shares.

Table 4.5 provides estimates of how intra and inter-village targeting varied with village characteristics. Again, increased landlessness is associated with a significant decline in the number of kits received by a village, and in turn the fraction of these allocated to small landowners or landless within the village. And again the magnitude of the variation associated with the intervillage bias is proportionately much greater than the intravillage bias. In case one wonders whether the intervillage bias can be rationalized by the inability of the landless to use the kits productively, note that similar results obtain for demographic shifts between medium and small landowners which are unlikely to impact relative productivity the same way that landholdings or literacy might. Parallel to the credit results, we again see a positive effect on targeting associated with rising land shares of small landowners (at the intravillage level), and a negative effect with rising proportion of SC/ST households. Rising literacy among the poor was associated with a significant rise in the allocation received by the village. All these results are consistent with the hypothesis that the variations are driven by political weights of the poor that declined as they became poorer and less literate. The alternative hypothesis that productivity considerations dominated the allocation decisions is additionally undermined by the fact that the effects reported here control for productivity differences (between villages in the intervillage analysis, and between size classes within the village in the intravillage analysis).

TABLE 4.4 MINIKIT DISTRIBUTION: SAMPLE AVERAGES

	1979-83	**1984-88**	**1989-93**	**1994-98**	**ENTIRE PERIOD: 1979-98**
Number of Village Years in Sample	73	84	94	97	358
Number of Village Years with positive number of kits	61	73	85	89	308
Number of Village Years with positive number of rice kits	24	45	29	16	114
Number of Village Years with positive number of potato/oilseed kits	38	36	37	57	168
Average number of kits per household in villages receiving kits	.19	.17	.12	.12	.14
Average number of rice kits per household in villages	.15	.08	.04	.02	.08

receiving rice kits					
Average number of potato/oilseed kits per household in villages receiving such kits	.15	.08	.04	.02	.08
Upto Small: share of all kits	.91	.84	.87	.87	.87
Upto Small: share of rice kits					.87
Upto Small: share of potato/oilseed kits					.85
Upto Small: ratio of all kits share to demographic weight	.98	.91	.92	.89	.92
Upto Small: ratio of all kits share to land share	1.43	1.38	1.32	1.17	1.33

TABLE 4.5 MINIKIT INTERVILLAGE AND INTRAVILLAGE TARGETING

	Intervillage All Kits (kits/household)	**Intravillage All Kits (share of `upto small')**
Average (s.d.)	.13(.24)	.87 (.27)
EFFECT OF:		
2.5% households shift from medium landowners to landless	-.09	-.06?
2.5% households shift from medium to small landowner category	-.075	I
10% shift of land from medium to small category	i	I
12% rise in literacy of `upto small' category	.06	I
5% rise in proportion of SC/ST households	-.05	I
Left share of Zilla Parishad rises from mean by 10%	i	I

i: denotes statistically insignificant effect (at 20% level)
?: denotes statistically significant at 20% but not at 10%
Entries reported only for statistically significant effects at 20%

Employment Programs

Employment programs were probably the single most important instrument for generating incomes among the poor. In 1980 the Food for Work program as replaced by the NREP and RLEGP, whose objectives were to generate employment for the landless, with a preference for scheduled castes and women. The projects usually involved construction of rural infrastructure. In 1989 these various programs were merged into the JRY, which existed until the late 1990s. The programs were sponsored by the central government, with matching contributions from the state government. In West Bengal responsibility for implementation of the programs were devolved to the panchayats. However numerous restrictions concerning utilization of funds were imposed, especially with respect to proportion of labour and material costs, and sometimes concerning the nature of projects to be selected. While allocation of these grants were formula-based, their actual utilization often varied from the sanctioned amounts owing to delays in disbursements.

The scale of these programs were considerably larger than the IRDP. From the budgetary records of the GPs in our sample we computed the total grants actually received and spent for all employment programs for selected years. Approximately one in ten GPs did not receive any grants in any given year. For those that did receive grants, the average amount received was about Rs 60,000 per year at 1980 prices, or about Rs 850 per household. This was ten times the average allotment of credit subsidies under the IRDP.

To examine the nature of targeting of these employment grants, we examine variations in grants received per household by any given village for the intervillage analysis, and mandays of employment generated per rupee of grant money received for the intravillage analysis (since employment generated best represents the benefits of the program to the landless). [14] Our regression results indicate that the targeting of employment programs varied far less with respect to changes in the land distribution, literacy or caste than in credit or minikits.[15] None of these village characteristics had a statistically significant effect on either intervillage or intravillage targeting. The only significant correlate of employment generation from allotted grants to the GP was the fraction of local GP seats secured by the Left, with respect to which an inverted-U relationship emerged, parallel to our results for the land reform program.

Table 4.6 provides estimates of shifts in land distribution, literacy, SC/ST proportion and Left control of the GP on targeting of employment programs. The results are qualitatively similar to those of the credit, kits and land reform programs, though most of these effects are statistically insignificant owing to large standard errors. Increased landlessness and higher illiteracy among the poor worsened targeting at both intervillage and intravillage levels, while caste had a negligible effect. The intervillage effects of changing land distribution were quantitatively more significant than the intravillage effects. However the opposite was true for changes in literacy and political composition of the GP.

The fact that the effects of changing land distribution and literacy were similar to those seen for the other programs, and that these employment programs were intended mainly to increase incomes of the landless, adds credence to the hypothesis that targeting variations responded to changing political weights of different classes (rather than productivity differences). However the employment program exhibited less variability with respect to these village characteristics. This is perhaps the effect of being more formula-bound than the credit or kits program, allowing less discretion to panchayat officials over their implementation. Our regressions found that the intervillage allocation of employment grants was also

[14] We do not have access to data concerning the landholding status of those employed in these programs, so cannot assess intravillage targeting on that basis.

[15] The intravillage regression uses a tobit with district (rather than village) fixed effects in order to incorporate substantial censoring in the data, i.e., villages that did not generate any employment at all in a given year. Some of the statistical imprecision may have resulted from this.

insensitive to variations in rural wage rates, farm yields or rainfall. This is the flip-side of a formula-bound program: a lack of sensitivity to variations in local need.

TABLE 4.6 EMPLOYMENT PROGRAMS: INTERVILLAGE AND INTRAVILLAGE TARGETING

	Employment grant received by GP (Rs/household), 1980 prices	**Mandays employment generated per rupee of employment grant received**
Average (s.d.)	315 (511)	.018 (.095)
EFFECT OF:		
2.5% households shift from medium landowners to landless	-150[i]	-.004[i]
10% shift of land from medium to small category	27[i]	.001[i]
12% rise in literacy of `upto small' category	78[i]	.007?
5% rise in proportion of SC/ST households	-6[i]	-.000[i]
Left share of gram panchayat rises from mean by 20%	-5[i]	-.002

i: denotes statistically insignificant at 20%, ? denotes statistically significant at 20% but not 10%

Fiscal Performance

Finally we consider the fiscal performance of the panchayats in some respects which had a bearing on the share of benefits from government programs accruing to the poor. Apart from employment grants which comprised approximately 50---60% of the resources available to gram panchayats in any given year, a number of other fiscal grants tied to specific projects collectively accounted for approximately 25% of panchayat revenues. The rest was raised by the gram panchayats from local sources, mostly in the form of schemes involving sale of assets and collectively produced goods (e.g., fish produced in community ponds). Taxes and fees accounted for a miniscule fraction of panchayat revenues, less than 4% on average. Over three quarters of panchayat revenues were accounted by fiscal grants received from higher level governments.

Table 4.7 provides estimates of the effect of variation in land distribution, literacy, caste and political composition on the volume of aggregate fiscal grants per household received by a GP. The only statistically significant effect arises from an increase in proportion of landless households: a 2.5% increase in this proportion was associated with over 20% decline in fiscal grants. The other effects are statistically insignificant, though the effects or rising literacy or political competition are quantitatively quite large. The direction of change is the same as in all previous contexts studied: villages received larger grants per capita when they had fewer landless or low caste households, when the poor became more literate and owned a larger share of cultivable land share, and when political competition between the Left and the Congress was more keen.

TABLE 4.7 INTERVILLAGE TARGETING OF FISCAL GRANTS

Average grant received per household by gram panchayat at 1980 prices (s.d.)	579 (1780)
EFFECT OF:	
2.5% households shift from medium landowners to landless	-128
10% shift of land from medium to small category	43 [i]
12% rise in literacy of `upto small' category	152 [i]
5% rise in proportion of SC/ST households	-23 [i]
Left share of Zilla Parishad rises from mean by 10%	-157 [i]

i: denotes statistically insignificant at 20%

Since most of the fiscal grants (excluding those in the employment program) were associated with a large variety of minor welfare and infrastructure programs, it is difficult to perform a detailed analysis of how well they were targeted within the village. Instead we examine the fraction of the overall gram panchayat budget allocated to nondevelopmental expenditures, i.e., to salaries and administrative costs. As Table 4.8 indicates, on average about 36% of panchayat budgets were devoted to nondevelopmental expenditures, with a standard deviation of 19%. A rise in this proportion meant that less was available for spending on welfare and public works programs that would benefit the poor. It is apparent that there was considerable variation in this proportion within the sample. Our regressions (which control for the scale of the grant received and the village population in order to capture the fixed overhead cost nature of administrative costs, besides other village characteristics) reveal that a significant part of this variation was associated with changes in the land distribution within the village. Increased landlessness and inequality of land shares raised the proportion allocated to nondevelopmental expenses. Literacy among the poor or caste did not have a significant effect, but were qualitatively similar to the patterns observed in other contexts.

TABLE 4.8 PROPORTION OF GRAM PANCHAYAT EXPENDITURES SPENT ON SALARIES AND ADMINISTRATIVE COSTS

Average Proportion (s.d.)	.36 (.19)
EFFECT OF:	
2.5% households shift from medium landowners to landless	.09
10% shift of land from big to small category	-.12
12% rise in literacy of `upto small' category	-.02 [i]
5% rise in proportion of SC/ST households	.01 [i]

i: denotes statistically insignificant at 20%

5. CONCLUSION

We first summarize our main findings.

First, average levels of targeting and land reform effort were quite high. Leakages of the IRDP credit program to ineligible households was small, only about 4%. 87% of the minikits were given to landless and small landowning households. The land distribution program benefited one in seven households on average, and one in three landless households. The land areas involved in the land reform program were not high (of the order of 3—8% of cultivable land), though significantly higher than reported for most other Indian states (e.g., Appu (1996) reports that most states have distributed less than 2% of land). This confirms what many others have remarked – that the West Bengal panchayats directed a significant portion of benefits of different developmental and poverty alleviation programs to the poor.

Second, this high average masks significant variability in targeting and land reform effort. Our analysis focused on the extent to which changes in these over time were associated with changes in local land distribution, literacy among the poor, prevalence of low caste households, and contestability of panchayat elections. We consistently found that targeting performance was poorer when the land distribution became less equal, the poor were less literate, when there were more low caste households, and local elections were less contested. From a normative standpoint, the opposite should have happened: poverty alleviation effort should have increased when there was greater poverty, illiteracy or inequality. This suggests that the outcomes reflected variations in government accountability owing to a decline in the political weight of the poor when they became more vulnerable.

Some of the patterns could conceivably be rationalized by productivity considerations, wherein the poor were allocated less when they would be expected to be less productive. We argued that such an explanation did not seem satisfactory for many reasons: it does not pertain to explicitly redistributive programs (such as the IRDP credit program) or measures of fiscal performance (such as proportion of panchayat expenditures devoted to salaries and administrative costs) that affect all categories of residents in a similar fashion. Moreover, the regressions underlying our analysis controlled for differences in farm yields. Finally the sharpest results obtained with respect to increases in demographic weight of the landless and small landowners, which are unlikely to be driven by productivity considerations. In a well functioning democracy these demographic changes ought to have improved targeting. The fact that the opposite was true thus suggests that there were significant distortions in government accountability that were accentuated with greater landlessness, illiteracy and prevalence of low caste households.

Third, the political biases were more significant in the allocation of resources across villages, rather than within villages. The findings reported here are similar to those of Galasso and Ravallion (2000) for a decentralized education program in Bangladesh. Most of the literature stressing the pitfalls of decentralization in contrast have stressed the danger of poor intravillage targeting owing to capture of local governments by local elites. Considerably less attention has been devoted to the process by which resources are allocated across villages by higher level governments. In Bolivia and South Africa, decentralization to local government has been accompanied by formula bound transfers across jurisdictions and levels of government. The available evidence suggests that this was instrumental in increasing interregional equity in those countries.[16] In West Bengal with the possible exception of the employment generating programs, most others were based on political discretion of higher level governments. Even in the context of employment program grants, we found some evidence of similar patterns, though these were considerably weaker. This suggests that incorporation of need-based formulae in intervillage allocations could significantly improve pro-poor targeting.

[16] See Faguet (2003) and Wittenberg (2003).

We now mention a number of qualifications to our analysis. Our use of the indirect survey inevitably gives rise to measurement error in the key village characteristics, a problem which can be rectified only if direct household surveys are carried out to estimate changes in landholding patterns, literacy or caste more precisely. Moreover, we analyzed targeting on the basis only of landholding status of recipients, rather than gender, caste or political affiliation. In other words, we examined the fraction of resources reaching the poor (defined in terms of landholding status), but not the fraction reaching other minority groups. It has been argued that targeting performance of the West Bengal panchayats on the other dimensions was far weaker.[17] Further research is needed on both these issues.

Second, our results could be criticized for assuming that variations in land distribution, literacy, caste or political concentration were exogenous with respect to targeting. Instead they could be subject to reverse causality, or the outcome of unobserved factors that simultaneously affected targeting. In the absence of any truly exogenous source of variation in these village characteristics, such concerns are difficult to confirm or dispel in any conclusive fashion.

Yet one can attempt to rule out a number of possible channels of reverse causality or omitted variable bias. Unobserved village characteristics fixed over time have been controlled for with village fixed effects in the underlying regressions. The scale of most of the programs was quite small, and unlikely to have a significant impact on the distribution of land or literacy within the village. For instance the land reform program involved no more than 3-4% of cultivable land area outside North Bengal, a small fraction of the overall change in the land distribution. IRDP loans amounted to about Rs 30 per household per year, and employment programs to about Rs 300 per household per year. Given an average daily wage of Rs 40—60 for farm labour, these programs were small, amounting to no more than ten days wages. On this scale they were unlikely to make a significant dent in the local land distribution or other assets of the poor.

Endogeneity bias could conceivably arise from migration and resulting `welfare magnet' effects, wherein the poor or low caste groups migrate to regions with superior targeting performance. It seems to us unlikely that migration among the poor could have been motivated by considerations of eligibility for services delivered by the government --- outsiders are hardly likely to be recipients when there are so many poor residents of long standing in proportion to the benefits being offered. Participation within the village was highly selective: with the exception of the land distribution program the average proportion of households receiving any benefits in any given program was typically less than 5%. Moreover, welfare magnet effects should give rise to a positive correlation between targeting and demographic weight of the poor, whereas we observed exactly the opposite. If at all significant, the bias resulting from this effect ought to be positive, in which case our results understate the true effects.

Another source of endogeneity bias may be the impact of poor targeting on yield of small landholdings, which discourages purchase of small plots by the landless, causing greater landlessness. We think this is unlikely for two reasons. One is that we controlled for productivity of small plots relative to others in the village in our regressions. Second, the results of changing demographic weights with respect to caste paralleled those with respect to landlessness. Since caste is inherited by birth and cannot be acquired, such an explanation cannot work for explaining the patterns with respect to caste.

Political competition for panchayat seats is undoubtedly jointly determined along with antipoverty policies of the panchayat. However our working paper documents that the electoral success of the Left Front in gram panchayat elections were driven primarily by wider shifts in voter loyalties (as gauged by vote shares at the district level in elections to the state legislature occurring around the same time) and pro-incumbency bias among voters, rather than local patterns of land distribution, literacy or caste.

One could continue to examine whether the evidence fits any other hypothesis of endogeneity bias. Instead we conclude our discussion by noting that the hypothesis of lower political accountability of local governments to the poor when they are more vulnerable provides a parsimonious explanation of the observed targeting patterns in a wide variety of programs.

[17] See Webster (1992, p.117) for instance, who finds in case studies of two gram panchayats that benefits of developmental programs were not reaching women in general, and poor women in particular.

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