Poverty, Inequality and Permeability to Globalization Effects
A Study of Select Villages in Udalguri Subdivision of Assam

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I. Introduction: Globalization is a conscious and deliberate effort of a socio-economic system to permit the factors of production, the produce and the socio-economic forces to permeate across the national boundaries and remove any obstacle to such permeance. In short, it is a deliberate decision to open up a national economy to the forces of product, factor and money markets, followed by a sequence of requisite policies and actions. In view of this definition, four considerations are of utmost importance with respect to the socio-economic system that has opened itself to Globalization: (i) the substantial content, (ii) the organization structure, (iii) the inter-componential bounds, and (iv) the strength of the flux enveloping it.

The substantial content of a socio-economic system lies in its resource base in the short run and the natural endowments in the long run. At this juncture it is pertinent to distinguish between the resource base and the natural endowments. Only that part of natural endowments, which may be harnessed by using the available technology at the disposal of a socio-economic system, can be considered as its resource base. Technological development may be indigenous or imported. When it is endogenous, it is intrinsically consistent with the components of its natal environment. However, when it is imported, its host environment may modify its effectiveness. Adoption of an exotic technology and adaptation of the host environment to its requirements and functions are time taking processes. They may call for changes in organizational structure as well as the inter-componential bounds that could be full of strife and resistance. Thus, extension of the resource base to internalize the natural endowments by using the imported technology may be sluggish and often poorly effective in the short run. Nevertheless, if such a technology can make a dent, it expands the resource base of a socio-economic system.

The well-known Heckscher-Ohlin-Vanek theorem suggests that a country exports its abundant factors through trade in goods and services. In this context, the term 'abundant' may have several interpretations. When a less developed socio-economic system undergoes globalization process, it invites (willingly or under compulsion) from without investment as well as technologies that tends to utilize the natural endowments/resources abundantly available in the host economy in the interest of the source economies. The resultant development may or may not be in the interest of the larger mass that often are the recipients of the fall out than the decision makers of the structural transformation.

In a different perspective, though, there is some sort of negative parallelism between the Indian economy set out to globalization today, and the then developing economies of Europe that embarked upon globalization of their economies in the last half of the 18^{th} and the first half of the 19^{th} centuries. In both the situations, restrictions on commodity, factor and money markets were deliberately eased out.

However, in case of the classic globalization of Europe, the institutions upholding the vigorous economic system were ripe and strong and therefore, the urge to integration and expansion was explosive. The rise of the strong national states by unification of local/regional principalities, standardization of currencies and weight systems, establishment of the law and order, etc had a strong economic and popular base. A large part of the world outside Europe was underdeveloped, but rich in menial labour power and natural endowments. On the other hand, globalization of the Indian economy began in the midst of strife and internal problems, wanton pseudo-democratic and boorishly populistic pressures, decadent public enterprises, powerful anti-unification forces creating segmented markets, restricted movement of factors of production and produce, mounting burden of external debt and adverse balance of payments. Moreover, the world outside is well developed and powerful. Therefore, the Indian economy in general and its rural segment in particular lacks in the social spirit and prowess exemplified by the globalising economies of Europe mentioned above. In short, the aforesaid globalization of Europe was *aggressive*, based on the explosive force from within; the globalization of the Indian Economy was mainly *defensive*, based on the decadence within and the pressure from without.

The fall out of globalization cannot be appreciated without understanding the structure of the economy of concern. It is possible to characterize a society, in the economic sense, by the social spirit, the organizational forms and the technique dominating it. These three aspects are interdependent and in this connection typify a society, in this way that a prevailing social spirit and the prevailing forms of organization and of technique give a society its style, its appearance, so that in their interrelation they may be called the social system, the social style or the social atmosphere of that society (Boeke, 1953, pp. 3-5). Less developed economies, especially with a history of prolonged colonial rule, often exhibit a simultaneous existence of two (or more) enclaves of socio-economic systems, characteristically and conspicuously different from each other, and each dominating a part of the society, the economy and the polity. These enclaves markedly differ in matters of ownership of resources, production relations, the social spirit, institutions, customs, mores and attitudinal structure, socio-economic and political organization, technological know-how and its application and so on. Of course, between these enclaves there exists a gray zone where distinction may not easily be perceived. This gray zone might be the crucible for integration, but it is equally likely that a colloidal admixture of heterogeneous elements persists for long and camouflages integration process. In any case, the rate of integration is extremely slow such that these enclaves persist for long. The said enclaves often resist the functioning of each other. They function not in harmony but in conflict with each other. Frictional losses are significantly large.

Traditionally, India is an instance of pluralistic society. Basic loyalties are to families, villages, or groups held together on the basis of religion, language, ethnic origin, or caste rather than to the community as a whole, whether on the local or the national level. A wider loyalty to country, backed by firm rules and punitive measures, is the necessary foundation for modern western and communist mores, by which certain behaviour reactions are kept apart from consideration of personal gain. In India, the stronger loyalty to such smaller groups invites nepotism, in itself a form of corruption, and in general encourages moral laxity. The prevalence of corruption is another aspect of the soft state and generally implies a low level of social discipline.

The nature of organization and decision-making in less developed economies is far distinct from those in the developed economies. The most fundamental unit of organization and decision-making is the household. In the developed economies places of work are separated from households. Not merely are official money and materials distinguished from the private property of the head of the enterprise and his staff, but no confusion is permitted between decision relating to the running of the enterprise and the decisions of households. That, in almost all cases, the workplace and the private dwelling-place are in different places, is the reflection of this fact. This separation is one of the important features of the developed economies. But in the less developed economies matters are quite different. These economies have not fully shed off the superstructure of their traditions. In the less developed economies even today, agricultural workers are employed, who are engaged for a fixed period of time for wages, live under the roof of the employer, are supplied with clothing as well as food by him, and are put to work of cultivating or at other tasks at the master's command. That blurs the separation pointed out above, so vivid in the developed economies. From the point of view of economics, the failure completely to separate the enterprise and the household is most note-worthy in the case of agriculture and the private business and these two make the larger part of the Indian economy. Because of the fragile basis on which the farmer and the owner of the private firm conduct their businesses, it is difficult for them to resort to the modern capital market for finance, and they must therefore supply the greater part of their needs for finance from their own savings. They differ from company officials, government officials and workers; they are not in a position to make large consumption decisions until they have considered the disposal of the funds relating to their business operations. Their household consumption plans and their business investment plans are mutually interlinked and determined simultaneously, and in this sense the household is not independent of the business. (Morishima, 1976, pp. 124-25).

A larger part of the Indian economy is yet to become fully market-oriented. The pecuniary culture has not yet pervaded the psyche of the people (in the rural area in particular) that makes the basis of savings and investment in the modern economies. In that sense, economic rationality is yet to charge the minds of the mass. Poverty is intense and widespread. It may be noted that until man has reached a fairly high level of attainment, the systematization of his varied wants and the ordering of preferences within the possibilities permitted to the individual are not possible. Where this high level has not been reached, man's behaviour will be determined entirely according to custom or impulse. In that case a person's behaviour always fits a fixed pattern, which is decided by custom. Even where it is possible for him to follow a course whose outcome would clearly be more favourable than that given by custom-dictated behaviour, being unaware of it, he will behave as he himself did in the past, and as other people are doing at present. On the other hand, in the absence of any custom, a person's conduct is subject to no rule whatsoever; from the various possibilities confronting him he simply adopts randomly whatever enters his head. In short, the decisions are made either under customs or under impulse. These are two extreme cases, but they have this in common: there is no surveying of the totality of possibilities facing a person; there is no comparative consideration taken of them. People who are unable to order their wants and to exercise self-control will probably belong either to the type which is ruled by blind obedience to custom, or to the type governed by impulse. They are unable to behave with objective rationality. In juxtaposition, developed economies have fully developed educational systems. As a result every single man is educated, at least up to the point where he can arrange his wants in his own preference order. When people are

able to order their wants, what has to be done to be best able to satisfy those wants becomes clear. A person's behaviour may change in the face of each change in circumstance, but the conclusion to be drawn from this is not that he is arbitrarily changing his mind, but that he is adopting his behaviour to changing circumstances in order to carry through the principle of maximum satisfaction of wants. (Morishima. 1976 pp. 12-13). Hence the choice between various types of wants, between the present and the future, between various avenues of investment, etc. in the less developed economies are rarely guided by the economic rationality so pervading in the developed economies. And this makes difference as to the precipitation of the forces let loose after globalization.

Globalization of the Indian economy in general and the rural economy in particular will necessarily be modified in view of the forces and structures mentioned above. It is true that the Globalization forces will also modify these structures in due course, but it is unlikely that it will occur in the short run. What is most likely in the short run is the reinforcement and streamlining of the dualistic structure, and further deepening of the hiatus between the rich and the poor and between the rural and the urban. Today, in the post-globalization era, one is not surprised if an employee (in the top rung) of a private concern (or a privatized organization in which the government has 51 percent stake) gets Rs. 3 lakh/month or more as salary plus hefty perks, but the agricultural labourer's minimum wage rates fixed by the government lie in the range of Rs. 50-100 per day, well below the subsistence wages as per the ILO criteria (ILO, 1996).

II. Globalization and the Agriculture Economy of India: The Indian agriculture has two main roles to play in the overall economy; first of providing food to the mass within the economy, and the second, to provide the commodities - food grains, fibers, oilseeds and other cash crops that make the inputs to the industries in the economy as well as the stuff that would earn the foreign exchange. In an economy where no less than the one third of the population is below poverty line, the first role of the Indian agriculture is not to be brushed aside in the dazzle of the flourishing multinationals-led industries and the drizzle of the foreign lucre.

It is estimated that nearly 40 percent Indians do not have access to regular and adequate quantities of food. Hunger, malnutrition and under nourishment are widespread. In some parts of the country many persons are stalked by death due to starvation, although the quantum of food grains in the stores or even produced annually does not warrant that. Such unusual hunger amidst plenty can be attributed to a host of reasons, many of which are direct or indirect consequences of the structural adjustment and stabilization programmes India adopted at the start of the nineties. The government set out to reduce subsidies and fiscal deficit by cutting state expenditure on rural development, cutting food subsidies, reducing priority credit to agriculture and allowing Indian agricultural prices to move closer to world prices, which led to increased food prices. All of this however meant falling rural employment and real wages for the landless, and more insecure and volatile incomes from cultivation for small farmers. Simultaneously food prices in the Public Distribution System (PDS) went up because of the reduction in food subsidies. Very few could purchase food grains at such high prices. The government was left with huge stocks, and it ran up enormous storage costs. Structural adjustment and stabilization programmes failed to reduce subsidies and fiscal deficits. The only effect has been on poverty and its consequences - hunger, malnutrition, infant and neo-natal mortality and deaths due to starvation. India now has 360 million people below

the poverty line, of which 50 million are the poorest of the poor, those living in conditions of extreme deprivation (http://www.kisanwatch.org).

In the 1990s, food grain output in India fell below the population growth rates. The last time such a situation occurred was in the 1960s. The opening up of Indian agriculture to trade boosted the demand for non-food crops for export. Although total agricultural output still rose during the 1990s, liberalization reversed the recovery the country was making in per capita food availability, undermining the food security of the country.

Within the first half of the 1990s, growth of food output had decelerated to 1.7 per cent compound every year. During the same period population grew at 1.9 per cent compound every year. The thrust on exports of agricultural produce has resulted in a significant change in cropping patterns. Indian producers have been diverting more and more cultivable land from food grains and pulses to the production of oilseeds, cotton, horticultural crops, prawn culture, animal husbandry etc.

In addition, the land on which no well-defined property rights exist (for example, the village commons) are being fenced off and export crops are being sown either directly by the agri-businesses or by farmers they contract. A rapid increase in prawn culture has made many nearby plots saline and unsuitable for cultivation, forcing their owners into the ranks of the landless labour. Rapid growth of exports of animal products implies that a greater proportion of the declining grain output is being used as fodder. Area under food grain cultivation in 1999-2000 was 4.6 million hectares less than in 1990-91. The most severe decline has been in coarse grains and pulses, which are the main food grains of the poor. Gross area under coarse grains fell by almost 6.8 million hectares between 1990-91 and 1999-2000. For pulses the area fell by 2.4 million hectares (see Table 1). However, area under rice in 1999-2000 was 1.9 million hectares higher than in 1990-91 and area under wheat went up by 4.4 million hectares during the same period (http://www.kisanwatch.org).

Table 1. Area and Production of Basic Food Crops in the Post-Globalization Decade

Year	Coarse Cereals		Pulses		Total	
	Area (million hectares)	Production (million tonnes)	Area (million hectares)	Production (million tonnes)	Area (million hectares)	Production (million tonnes)
1990-91	36.3	32.7	24.7	14.3	61.0	47.0
1991-92	33.4	30.0	22.5	12.0	55.9	42.0
1992-93	34.4	36.6	22.4	12.8	56.8	49.4
1993-94	32.8	30.8	22.3	13.3	55.1	44.1
1994-95	32.2	29.9	23.0	14.0	55.2	43.9
1995-96	30.9	29.0	22.3	12.3	53.2	41.3
1996-97	31.8	34.1	22.3	14.2	54.2	48.3
1997-98	30.8	30.4	22.9	13.0	53.7	43.4
1998-99	29.5	31.5	23.8	14.8	53.3	46.3
1999-2K	29.5	29.4	22.3	13.6	51.8	43.0

Source : Mediabase, FAO

Per capita availability of food grains decreased drastically during the 1990s. Rising population, decline in output of coarse cereals, stagnation in pulses production, rising

use of cereals for animal feed purposes, rising stocks in FCI storage, etc. are some of the most prominent reasons that led to the said decline. Besides, poverty became more widespread in intensified. During 1989-90 to 1991-92, the annual average adjusted per capita food grains availability was 173.5 kg. It fell to 159.9 kg during the period 1998-99 to 2000-01. While cereals availability fell by 11.2 kg per head, pulses fell by 2.4 kg. (Swaminathan, 2002, see Table 2).

Table 2. Per Capita Annual Availability of Food Grains (in kg.)

Item	1989-92	1992-95	1995-98	1998-2001
Cereals	159.3	156.5	156.6	149.1
Pulses	14.2	13.6	12.7	11.8
Food grains	173.5	170.1	169.3	159.9

Source : MS Swaminathan, 2002.

In India, food security for the poor is closely linked with the PDS. After globalization, the issue prices for the PDS have risen very sharply. In 1997, while the targeted PDS (TPDS) was introduced, the government reduced the off-take from the PDS quite substantially. Consumers were divided into *below poverty line* (BPL) and *above poverty line* (APL). The government calculated the economic cost as a sum of the procurement cost (Minimum Support Price or MSP) and storage, transportation and administrative costs. The economic cost thus calculated worked out to be more than the market prices in most areas. The MSP has been rising continuously and since 1998 it has exceeded the prices recommended by the Commission for Agricultural Costs and Prices (CACP). The government has also to protect the interest of the farmers as well as respond to the pressure generated by the farmers and their sympathizers in the political circles. This compulsion on the part of the government led to a rise in the economic cost of the public stocks. Under the 1997 policy, APL consumers were to purchase grain from the PDS at a price equal to the economic cost, while the BPL consumers were expected to pay half the APL price. No wonder if the prices that fully cover the said economic cost are higher than the free market prices. This led to the total withdrawal of the APL consumers from the PDS, while for the BPL consumers the issue prices were too high, making the purchase from the PDS beyond their means. The off-take of rice and wheat taken together fell by about 10 million tonnes in 2000-01, adding further to the already burgeoning grains stockpiled with the Food Corporation of India (FCI). We witness this paradox in our country - about 70 million tonnes of wheat and rice in Government stocks and over 200 million children, women and men chronically undernourished (Dev, 1996).

Under the prevailing circumstances one cannot suggest to scrap the Public Distribution System (PDS), it should rather be further extended to the rural areas. It requires creating more employment opportunities for the rural people. There is a need to ensure that the cultivators get stable prices. More strategies for water harvesting should be evolved for cultivation in rain-fed areas and agricultural research should be directed towards providing food for the masses, and not towards generating profits for the agri-multinationals. To survive, India has to look at agriculture differently as it is the very backbone of our livelihood and ecological security systems, as well as our national sovereignty (Patnaik, 2001).

III. Permeability of Rural Assam to the Effects of Globalization:

As it has been mentioned above, globalization effects will be substantially modified by the existing structure, organization, resource base, etc. in the rural areas of India. Different states of India will receive them differently. In the states where agricultural development has been accountable, agricultural infrastructure is well-developed, farmers have gone in for cultivation of commercial crops and HYV varieties, farming has been market-oriented, capitalistic forces have swayed farmers to mechanization and consolidation of land holdings and so on, globalization effects will naturally be forceful. However, in less developed regions where green revolution hesitated to come by, globalization effects too will not hold much water. Assam is an instance of the state where agricultural development lagged behind many other regions of India. It has been so partly due to lack of infrastructure, recurrence of floods and poor connectivity.

III.1. The Sample Study: We intend to report here some of our findings based on a small sample drawn from the villages of Udalguri Subdivision. We have selected seven villages by design. Some of them are closer to the nearest urban center while some others are in the remote interior. A single community inhabits some villages while some others are multi-community habitations. Households in some villages cultivate for the market while in some other villages they cultivate for home consumption. In particular, the immigrants from Bangladesh inhabit two villages. From the sample villages we have chosen 182 households randomly. From these households data were collected through personal visits in the year 2003. The details of the sample villages and the number of sample households are given in table 3.

Table 3: **Sample Villages from Udalguri Subdivision**

Sample Villages	No. of Households	Communities living in the Village	Distance from Subdivisional Head Quarters	Electrification	No. of Sample Households
Barigaon Gerua	49	Boros	15 Kms	No	30
Bhagdal Gaon	163	Assamese, Bengalis, Boros, Nepalese, Tea Gardners	35 Kms	Yes	30
Kalabari	89	Boros, Assamese	15 Kms	No	30
Sapkhaiti (ii)	46	Boros	3 Kms	Yes	30
Nizdal Gaon	236	Assamese	35 Kms	Yes	22
Baruajhar	349	Muslims	30 Kms	No	20
Sialmari	96	Muslims	45 Kms	No	20
Total	1028	-------	-------	------	182

III.2. Holding Size Distribution and Agricultural Productivity: A perusal of tables 4 and 5 reveals that there is an acute inequality in distribution of land holdings among the farm families. Many farmers are sharecroppers cultivating on very small areas of land. When farming is primitive, mostly rain-fed and meant for subsistence and the wage rates of agricultural labourers are at the subsistence level (due to over supply of labour in the rural economy), the labour coefficient of agricultural production ensures that a half of the produce is given to the landlord and the other half remains with the sharecropper. What remains with the tenant sharecropper is the opportunity cost of cultivation - the income foregone that would have accrued to him if he worked as a casual labourer for some 15 days. The surplus

over that cost goes to the landlord. This, in part, provides a tentative answer to the question regarding the most frequently observed ratio of share of the produce between the tenant and the landlord (Rudra, 1982, pp. 111-115).

Table 4.**The Land Base and Farm Size Distribution of Cultivators in the Sample Villages**

Sl.No.	Category of holdings of sample farm families	Size Group (in bighas)	Number of owners having TCL	Number of FF cultivated on purely own land	Number of FF cultivated as purely tenants	Number of FF cultivated as mixed of own and tenant	Number of absentee land owners
1	Marginal	Up to 7.5	59 (220.8)	20 (90.9)	5 (23.5)	9 (38.5)	13
		Percent	38.56%	31.25%	83.33%	14.29%	
2	Small	7.5 to 30	79 (1159.1)	37 (596.4)	1(8.0)	43 (645.7)	6
		Percent	51.63%	57.81%	16.67%	68.25%	
3	Medium	30 to 75	14 (588.5)	6 (227.5)	0 (0.0)	11(400.5)	0
		Percent	9.15%	9.38%	0.00%	17.46%	
4	Large	75 and above	1 (85.0)	1 (85.0)	0 (0.0)	0 (0.0)	0
		Percent	0.65%	1.56%	0.00%	0.00%	
	Total FF		153 (2053.40)	64 (999.8)	6 (31.5)	63 (1083.2)	19
		Percent	100.00%	100.00%	100.00%	100.00%	

Note: TCL = total cultivable land, FF=Farm Family. (Figures in the brackets represent area in bighas; The % shown below the numbers of farm families belonging to different categories are the % to the total farm families.)

Table 5. **Yield and Cost of Production of various Crops in the Sample Villages (In Rs.)**

Name of Crops	Paddy	Wheat	Potatoes	Green Vegetables	Onion	Chilies	Spices	Oilseeds	Jute	Average
Crop Yield Per bigha (in Rs.)	2934.59	2312.50	5340.98	10686.08	11377.02	7176.19	9363.64	1063.77	3908.97	6018.19
Cost of Production per Bigha (in Rs.)	912.32	1700.00	2996.82	4309.33	3574.47	2841.39	5045.45	250.00	1903.64	2614.82

Except in the last two villages (inhabited by the immigrants from Bangladesh) farmers often cultivate for consumption and not for the market. Therefore, paddy is the main crop in the first five villages. These villages appear to be impervious to the impacts of Globalization, except in matters of consumption of some petty imported durable consumer goods. However, farmers of the last two villages often produce vegetables for the market, which fetches good returns.

III.3. Negligibly Small or Near-Zero Marginal Productivity of Labour : A Cobb-Douglas type of production function is fit with land (£), family labour (LF), hired labour (LH) and other expenses (proxy for capital, K) as inputs. It is found that the elasticities with regard to family as well as hired labour are statistically not different from zero (Daimari & Mishra, 2005-a). When composite labour (family labour plus hired labour) is used as input, the elasticity remains statistically indifferent from zero. If the elasticity is not different from zero then the marginal productivity of labour as well cannot be different from zero. This finding also indicates an excessive degree of disguised unemployment in the rural economy of the sample villages.

III.4. Extent of Poverty in the Sample Villages: In view of the available information on income distribution and price rise in the area under study, one may fix the poverty line somewhere at Rs. 408 or so. A consideration of various points of concern suggests that it is unlikely that the poverty line would be below Rs. 400 and above Rs. 425 per capita per month (Daimari & Mishra, 2005-a).

Table 6: **Households below Poverty Line in the Sample Villages**

Sample Villages	No. of Sample Households	No. of Households BPL (Rs. 400 PC/Month)	Percent of Sample Households	No. of Households BPL (Rs. 425 PC/Month)	Percent of Sample Households
1. Barigaon Gerua	30	9	30.00	11	36.67
2. Bhogdal Gaon	30	12	40.00	15	50.00
3. Kalbari	30	11	36.67	12	40.00
4. Sapkhaiti (ii)	30	8	26.67	9	30.00
5. Nizdal Gaon	22	6	27.27	6	27.27
6. Baruajhar	20	7	35.00	7	35.00
7. Sialmari	20	8	40.00	8	40.00
Total	182	61	33.52	68	37.36

Table 7: **Number and Percentage of Rural Population below Poverty Line (BPL) in Assam and the Study Area**

Description	**Assam* (1982-1983)**	**Assam* (1993-1994)**	**Assam* (1999-2000)**	**Study Area**** (2002-2003)	**Study Area**** (2002-2003)
No. of Persons	73.43 Lakh	94.33 Lakh	92.17 Lakh	394 (Out of 1099)	434 (Out of 1099)
Percentage of Persons	42.60	45.01	40.04	35.85 (10.09% of Income)	39.49 (11.73% of Income)
Poverty Line (Rs. Per Capita/Month)	98.32	232.05	365.43	400.00	425.00

Our study indicates (see tables 6 and 7) that at least 35.85 percent of the population (and 33.52 percent of households) in the sample villages is below poverty line (at Rs. 400 per capita per month). On the other hand, no more than 39.5 percent of the people (and 37.36 percent households) are likely to stand under the poverty line (at Rs. 425 per capita per month). At the village level there is some variation (see table 6). Poverty is more widespread in Bhogdal Gaon and less acute in Nizdal Gaon.

III.5. Inequality in Income Distribution: The first five villages (Group-1) inhabited by the indigenous population are clearly distinguishable from the last two villages (Group-2) occupied by the immigrant population from Bangladesh (Daimari & Mishra, 2005-b). There is a more acute inequality in income distribution in the Group-2 villages than in the Group-1 villages. The Gini index for the Group-1 villages is 41.84 while it is 48.69 for the Group-2 villages. The overall value of Gini index is 44.31. This inequality is the result of agricultural growth that has come to a few resourceful and enterprising farmers in the Group-2 villages. Agricultural

development often results into enhancement of inequality. It is not scale neutral, nor does it preserve the original distribution of productive resources in its wake (see Rudra, 1982, pp. 223-234). By altering the original distribution of productive resources in favour of the more enterprising and the more rich, growth accentuates inequality. This tendency has been observed in the Group-2 villages.

III.6. Pattern of Consumption Expenditure: A perusal of consumption expenditure of the sample households (see table 8) reveals that on an average the households below the poverty line spend more than their income. Consequently, they are indebted and their productive resources (land/labour) are captivated by the lenders. Households with mean PC income of Rs. 671 (in the range of Rs. 425 - 1000 per capita per month) consume almost 96 percent of their income. However, the households with monthly per capita income larger than Rs. 1000 can save. The share (percentage) of expenditure on non-durable items and home-grown stuff (imputed) decreases with increase in income while the share of expenditure on durable consumption goods/other items and purchased commodities increases with an increase in income. The households below the poverty line consume home-grown stuff that constitutes a little over 28 percent of their total consumption outlay. Overall, the average propensity to consume (as observed for our sample households) is about 79 percent of the income. Yet, a regression analysis of the data reveals that the marginal propensity to consume is quite small (0.34). The regression equation is C= 29396.19 + 0.34Y where C is the annual household consumption expenditure and Y is the annual household income. These findings indicate that overall, the sample households are thrifty, but they must spend for the pressing necessities of life. As most of them are poor (or not so poor), a major part of their income is spent on the necessities (leading to high average propensity to consume), but as soon as they have anything beyond the necessities, they save. So consumption increases in much less proportion than does the income (leading to a small value of the marginal propensity to consume). A small value of the marginal and a large value of the average propensity to consume also suggest an acute inequality in income distribution.

Table 8. **Mean Per Capita (per month) Income and Expenditure of Sample Households**

PC Income Range	No. of House-holds	Mean PC Income	Consumption Expenditure (Total)	On Non-durables	On Durables	On Other Items	On Home-grown (imputed)	On Purchased Goods
Up to 425	68	277.31	520.63 (187.74)	405.68 (77.92)	45.41 (08.72)	69.55 (13.36)	147.35 (28.30)	373.29 (71.70)
425 - 1000	58	670.59	642.77 (95.85)	489.86 (76.21)	69.30 (10.78)	83.62 (13.01)	182.48 (28.39)	460.29 (71.61)
1000 - 2000	35	1436.88	997.42 (69.42)	646.57 (64.82)	144.72 (14.51)	206.13 (20.67)	223.36 (22.39)	774.05 (77.61)
2000 - 7000	21	3106.67	1364.38 (43.92)	830.23 (60.85)	263.34 (19.30)	270.80 (19.85)	289.81 (21.24)	1074.57 (78.76)
Overall	182	952.10	748.60 (78.63)	527.82 (70.51)	97.27 (12.99)	123.52 (16.50)	189.60 (25.33)	559.00 (74.67)

Figures in the parentheses are percentages. In case of consumption expenditure (total) percentage is to income. For other cases, they are as share percentage to total consumption expenditure.

From the regression equation mentioned above, we also find that the minimal consumption expenditure (MCE) per capita per month is about Rs. 406. A homogenous (intercept = 0) regression equation of C (annual household consumption) on Y (annual household income) and F (no. of persons in the household) is obtained as C=0.301Y+5051.476F with adjusted R^2 = 0.852 for 180 degrees of freedom. The standard errors of estimate for the coefficients are 0.0252 and 385.578 respectively. The coefficient associated with F when divided by 12 gives 5051.476/12 = 420.96, which is the mean per capita per month consumption expenditure even if income is zero. This is the consumption expenditure for mere subsistence. It again supports the MCE as the cut off income for the poverty line.

III.7. Impacts of Urban Neighbourhood on Consumption Pattern: Tables 9.a and 9.b reveal that while the household consumption expenditure varies directly with distance (as well as income), the consumption expenditure on durable consumer goods and other items decrease with distance of the villages from the nearby urban center (Udalguri township). The inclination of consumption expenditure in favour of durable consumer goods and other items in the villages nearer to the urban center indicates to the possible permeability of the rural people to the effects of Globalization. However, favourable inclination is not observed in case of agricultural productivity. It has been observed that the households buy various articles that are of foreign origin and have recently flooded the markets in Assam and other states of the North Eastern Region. On the other hand, as indicated by the figures in table 10, savings of poorer, especially BPL, households have declined during 2000-03 period, more so in the Group-1 villages.

Table 9.a. Consumption Expenditure (Rs/Year) on Non-durable goods as a function of Income (Rs/Year) and Distance (kms); R^2=0.53, df=179

Variable	Coefficient	Std. Error	t value	Probability
Intercept	19111.55	2283.569	8.369	0.000000
Income (Rs/Year)	0.19	0.014	13.860	0.000000
Distance (kms)	213.24	77.550	2.750	0.006578

Table 9.b. Consumption Expenditure (Rs/Year) as function of Income (Rs/Year) and Distance (kms)

Expenditure	Consumer Durables R^2=0.226, df=179			Miscellaneous Expenditure R^2=0.244; df=179		
Variable	Coefficient	Std. Err	t value	Coefficient	Std. Err	t value
Intercept	5473.489	1470.719	3.72	8019.140	2164.028	3.71
Income (Rs/Year)	0.061	0.009	6.88	0.092	0.013	7.03
Distance (kms)	-122.787	49.945	2.46*	-228.272	73.490	3.11
* Significant at 2% prob. Other Coefficients significant at ≤ 1% prob.						

Table 10. Annual Savings of the Households in Per Capita/Month Income Classes

PC Income Class (Rs./Month)	Group-1 Villages				Group-2 Villages		All 7 Villages			
	N	1990-95	1995-2K	2K-03	N	2K-03	N	1990-95	1995-2K	2K-03
Up to 425	53	NA	666.04	453.80	15	400.00	68	NA	519.12	441.67
425-1000	46	NA	1166.96	1850.72	12	796.30	58	NA	1041.03	1224.43
1000-1500	25	733.34	760.00	1108.90	5	1946.67	20	550.00	570.00	1318.33
1500 & above	28	21.43	896.43	847.13	8	3645.83	36	16.66	697.22	1463.90

N= No. of Households; 2K = 2000; Savings are deposits in financial institutions and exclude savings kept at home.

VI. Concluding Remarks: On the basis of our sample study it is difficult to ascertain the effects of globalization on the rural economy of Assam. Nevertheless, we may gather some hints on and indication to the same from our findings. First, the effects of globalization have not, most probably, penetrated into the rural areas of Assam so far as the production activities and relations are concerned. It is expected that the effects of globalization will pervade the rural areas through the urban links. Proximity and connectivity of the villages to urban centers are perhaps the measures of the urban links. We have found that proximity has not been effective to changing the productivity and production relations in agriculture. The two villages (Group-2) have shown functional linkage with the urban center. These villages are far from the urban center. In these villages farmers have gone in for market-oriented production. We also note that inequality in income distribution is more acute there and it is growing over time. It is difficult to assert that these changes are due to globalization since such relationship (between agricultural development and enhancement of inequality in income distribution) was observed earlier to globalization as well.

There is some evidence of change in the pattern of consumption expenditure. Expenditure on consumer durables and other items has a leaning to higher side in the villages in proximity to the urban centers. Small consumer articles of foreign origin have flooded the market and have found favour with the rural consumers. This leads to the movement of a considerable amount of money across the borders. These articles are nevertheless useful and add to the welfare of the consumers.

Acute poverty is the major structural reality that makes the rural areas of Assam impermeable to the effects of globalization. To exploit the possibilities and opportunities that globalization has opened up, one has to produce, which in turn requires investible funds, infrastructure and links to the market. Poverty cripples the very foundations of these possibilities. Therefore, under the prevailing conditions, one cannot expect the rural areas of Assam to be much permeable to the effects of globalization.

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