

GROWTH OF NON-FARM RURAL SECTOR IN WEST BENGAL

ABSTRACT

The rural non-farm sector plays an important role in poverty alleviation and providing employment opportunities to the rural labour force. The rate of employment generation for the expanding population in West Bengal countryside has led to a considerable amount of diversification in non-agricultural activities across the districts of the state. A closer look at the districts of West Bengal shows a very high proportion of non-agricultural workers in the rural areas. The non-farm activities grew at a faster rate in some districts namely Howrah, Darjeeling, Jalpaiguri and 24 Parganas (North and South). The main objective of this paper is to study the significant shift in the overall employment in the West Bengal countryside in the recent past, which is the diversification into non-agricultural activities. This will help us to explain the growth of non-farm rural sector in West Bengal over the last two decades.

INTRODUCTION

Indian economy is predominantly based on agricultural sector & activities related to agriculture. The agricultural sector has to bear the burden of more than 60 per cent of the workers while its share in GDP is less than 30 per cent. The non farm rural sector in India consists of diverse and non-homogenous set of activities.

The manufacturing activities form a large part of rural non-farm sector. Both traditional and non-traditional manufacturing units function at household level, which employs family labour force and locally developed indigenous mode of production technology to manufacture goods and articles. The carpentry, black smithy, basketry, pottery, rope making and tailoring has been the most important traditional manufacturing activity for several centuries. Almost all these activities apart require raw materials that are locally available to the rural households. Apart from these manufacturing activities, the households have been engaged in the production of various goods required for performing agricultural activities and collection of forest products. While these are some of the dominant units in the non-farm sector, the non-traditional manufacturing units- trade and commerce and services also play an important role in employment generation in this sector. The trading and commercial activities, eating and refreshment units, construction and transportation related activities are also evenly established in the state. This sector of the economy plays an important role in poverty alleviation in our country. The main manufacturing activities are found to be traditional activities. This is so because the households engaged in this sector possess rudimentary skills and have low to several inputs and technology. They do not receive enough financial aid to switch over to more profitable activities. The establishments of non farm rural enterprises in general require low levels of capital investments.

Development of infrastructure is seen as one of the most important factor in promoting rural non-farm sector activities, as it tends to lift barriers between rural areas and leads to specialization and division of labour by rural households. It

promotes the development of trade, marketing, linking non-farm sector to local towns or big cities. Equally important is social infrastructure such as educational, medical and recreational facilities. Literacy enhances the productivity of the workforce by allocating his work time efficiently among alternative income producing activities. Infrastructural development, higher level of education and increased access to credit are all factors that contribute to the growth of the rural non-farm sector. These rural non-farm sectors have been playing an important role in the process of development by providing employment to both skilled and unskilled workers. The expectation was the sector would help in increasing the income and standard of living of the households.

The numerous linkages between the rural non-farm sector and other sectors of the economy mainly the agricultural or farm sector are needed to be developed for a sustainable and productive development of the non-farm sector. Agricultural development is assumed to positively influence the growth of non-farm rural sector in general and especially the expansion of rural manufacturing activities.

The processes through which the effect of agricultural advancements is transmitted to the rural non-farm sector are popularly known as agricultural growth linkages. Production linkages of agriculture with rural non-farm sector include both forward and backward linkages. Forward linkages, which reflect the need to process, transport and trade, distribute and sale etc. of agricultural produce and backward linkages which are generated by the demand of agricultural production process itself. Consumption linkages arise when the farm households spend their earnings from agriculture on non-farm goods and services. Other linkages between farm and non-farm sector are productivity and factor market linkages. Increase in agricultural productivity may lower the price of its products which may increase the productivity of rural workers in non-farm sector. In such situations there is a shift or transfer of rural labour force from agriculture to non-farm activities.

The rate of employment generation since the early 1990s in West Bengal like the rest of India has been substantially lower than the expansion in the population. The contribution of the non-farm sector in providing opportunities for expanding and establishing different categories of non-farm activities varies on large level depending on the different locations of the districts in the state. In this perspective

the main objective of this paper is “*to study the significant shift in the overall employment in the West Bengal countryside in the recent past, which is the diversification into non-agricultural activities. This will help us to explain the growth of non-farm rural sector in West Bengal since the adoption of economic reforms.*”

LITERATURE SURVEY

The non-farm sector in rural India has gained importance since the 1970's. Though this sector has been viewed as a low productivity sector, recent years have shown a shift away from this position towards recognition that the rural non-farm sector can, and often does, contribute to economic growth, rural employment, poverty reduction and a more balanced population distribution. So far the size and structure of rural non-farm sector has not been assessed, but it has been universally recognized that non-farm sector employment in all states is consistently increasing over the years. The shift of rural workforce from agriculture sector to non-agricultural sector has been visualized in almost all states of India. Study results show slow growing agricultural regions gives rise to non-farm employment and wage rates.

Khasnabis(2008), pointed out that West Bengal has lagged behind in a few economic indicators despite better performance in agriculture. Agricultural growth rates have however declined in the last decade due to a gradual movement towards unorganized labour which has characterized working patterns in the state and the phenomenon is studied, along with the condition of living. In this context, the new economic policy of the state government is critiqued. It is suggested that a policy tha favours inclusive growth with greater emphasis on small enterorises should be followed by the government if it wants to sustain the gains made and address the shortcomings in the state.

Papola (1992), states that the rural non farm sector, which accounts for about 22 percent of rural employment have shown significant potential for absorption of rural labour. Employment in this segment of activities in rural areas has grown at a relatively high rate about 5 percent per annum. Wages and earning levels of workers in these activities suggest that the rapid employment growth is not necessarily are a result of push of workers from an overcrowded agriculture but of a positive response to the opportunities offered by the expansion of non-agricultural activities. He also states that some of these activities are getting shifted to urban location, in the rural hinterland with a view to utilize the economies of

size, marketing and services. This trend is likely to get accelerated but the employment benefits of these shifts will still accrue primarily to the rural worker. The studies of Misra (2000), Chadha (2002), reflect a disturbing picture related to decline in rural farm employment in post-reform era. In a study by Visaria and Basant (1993) there is a clear increase in non-agricultural employment in rural workforce with the trend more evident among males than that of females. Studies conducted Srinivas, (1976), rural households participate in a wide range of non-farm activities. The observation here is that there is a linkage effect between farm and non-farm sector in rural India. There is a positive relation between wages and level of education with non-farm employment. Vaidyanathan (1986) pointed out that there exist large variations in the ratio of non-farm employment to total employment in rural areas of states like West Bengal, Kerala, and Madhya Pradesh etc. The NSS estimates also show a consistent increase in the share of non-farm rural employment in rural India.

DATA SOURCE AND METHODOLOGY

The study is based upon secondary data collected on-

- 1) Non-farm employment in rural India and rural West Bengal,
- 2) Rural male- female distribution of employment in West Bengal and India,
- 3) Census data on employment in West Bengal,
- 4) Occupational diversification in the districts of West Bengal in percent total workers in rural areas.

From reports of various surveys conducted by the NSSO (National Sample Survey Organization), NSS Rounds 38, 50, 55 and 61 on Employment and Unemployment Situation in India New Delhi: NSSO, Ministry of Statistics and Programme, Government of West Bengal, District Statistical Hand Book, 2006 Bureau of Applied Economics and Statistics. Data has also been taken from Human Development Report 2004.

The data has been analyzed with the help of tables and charts. Various line charts and bar diagrams and their comparisons have been used for data analysis.

ANALYSIS

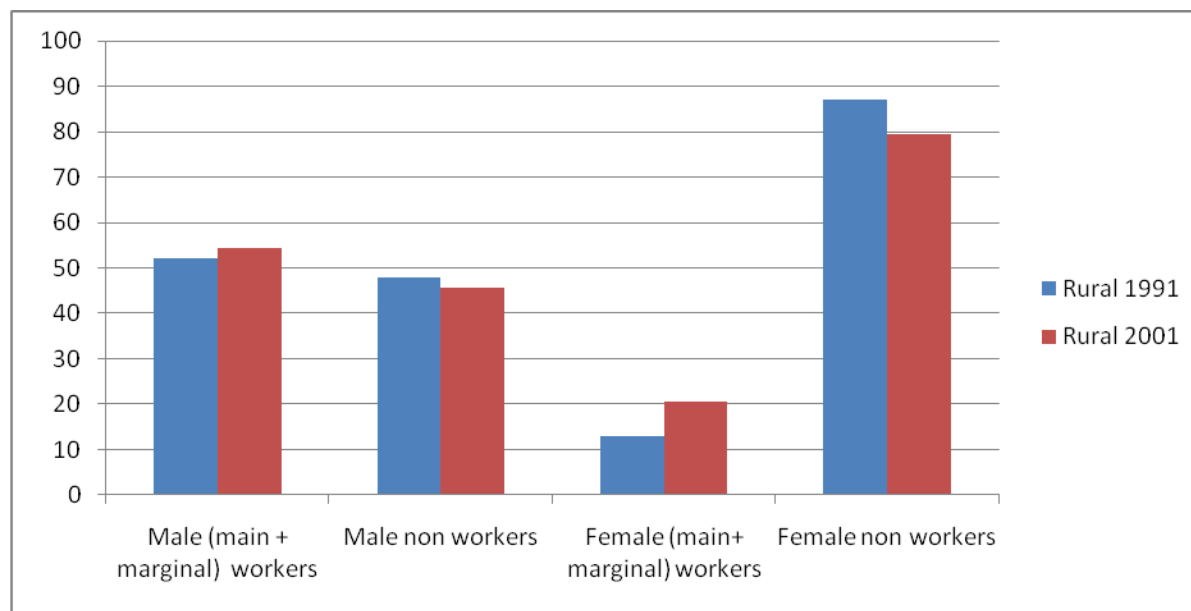
Employment is one of the most significant issues in terms of standard of living of the people in West Bengal. The rate of expansion of the population has been higher than the rate of employment generation. As a result there has been a shift towards more casual and marginal job creation. The scenario of West Bengal in this respect has been quite similar to the rest of the country.

Table:1 Employment in Rural West Bengal(as percent total population)

	Rural		
	1991	2001	Change
Male main workers	51.18	46	-5.18
Male marginal workers	0.91	8.3	7.39
Male non workers	47.91	45.7	2.21
Female main workers	8.74	8.87	0.13
Female marginal workers	4.33	11.83	7.5
Female non workers	86.93	79.3	-7.63

Source: Census of India, 2001

Chart: 1 Employment in Rural West Bengal



OBSERVATION

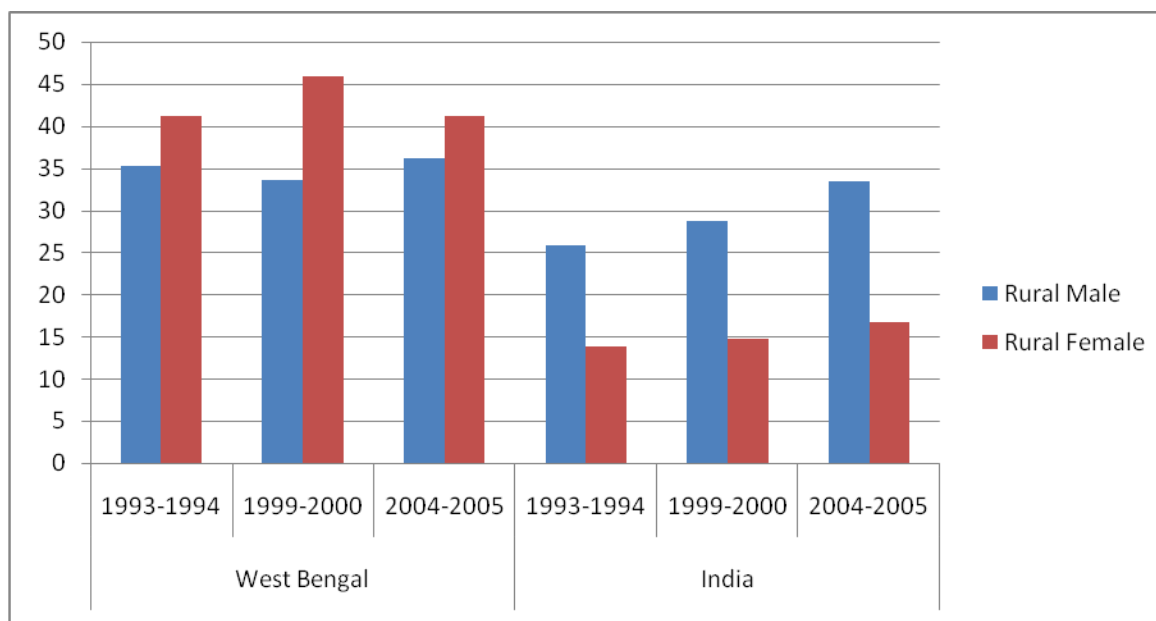
Table: 1 indicate the changes in work participation rates between 1991 and 2001. As shown by the above table West Bengal has recorded one of the lowest rates of female work participation in the country. There has been a marked increase in the number of marginal workers, both male and female. Marginal workers are those whose main activity was participation in economically productive work for less than 183 days, which is usually in the non-farm rural sector. From chart: 1 we see that the ratio of main workers to the total main population fell over the decade. This decline can be partly because more of them were in education but the main factor behind this decline is the inadequacy of productive employment opportunities. The shift from main work to marginal work among men suggests that fewer days of employment were available. The low rate of female work participation gives evidence of gender discrimination, social invisibility and lack of recognition of women's unpaid work. However female work participation rates have been rising in the recent past according to the census.

**Table:2 Rural Male-Female Distribution (Percentage) of
Employment: West Bengal and All-India, 1993-94 to 2004-05**

	West Bengal			India		
	1993-1994	1999-2000	2004-2005	1993-1994	1999-2000	2004-2005
Rural Male	35.24	33.53	36.1	25.9	28.67	33.5
Rural Female	41.16	45.95	41.2	13.89	14.77	16.7
Total	36.05	36.28	37.3	21.6	23.84	27.3

Source: NSS Rounds 38, 50, 55 and 61 on Employment and Unemployment Situation in India. New Delhi: NSSO, Ministry of Statistics and Programme Implementation, Government of India

Chart:2 Comparison of Male- Female Distribution of Rural



OBSERVATION

Table:2 shows that in West Bengal though there was an initial fall of about 1.71 per cent in the employment rate among the rural male population during 1993-1994 to 1999-2000 period, over the years it grew by 2.57 per cent. Whereas the trend was reverse in case of female rural population. There was initially high employment rate of about 4.79 per cent which declined at about the same rate during the period 1999-2000. Incidentally, the share of female non-farm employment in West Bengal is much higher than that in all-India. Further, the relative size of the rural non-farm sector in terms of employment is much larger in West Bengal than at all-India.

Table: 3 Non-Farm Employment(percentage)in rural West Bengal and rural India

	West Bengal				India			
	Male	Change	Female	Change	Male	Change	Female	Change
1987-1988	27.8		29.2		25.5		15.3	
1993-1994	35.3		41		26		13.8	
1999-2000	33.6		45.9		28.6		14.6	
2004-2005	36.1		41.2		33.5		16.7	
2009-2010	40.6		57.6		37.2		20.6	

Source: Various reports on employment and unemployment.

Chart: 3 Percentage of Non-farm employment in rural West Bengal

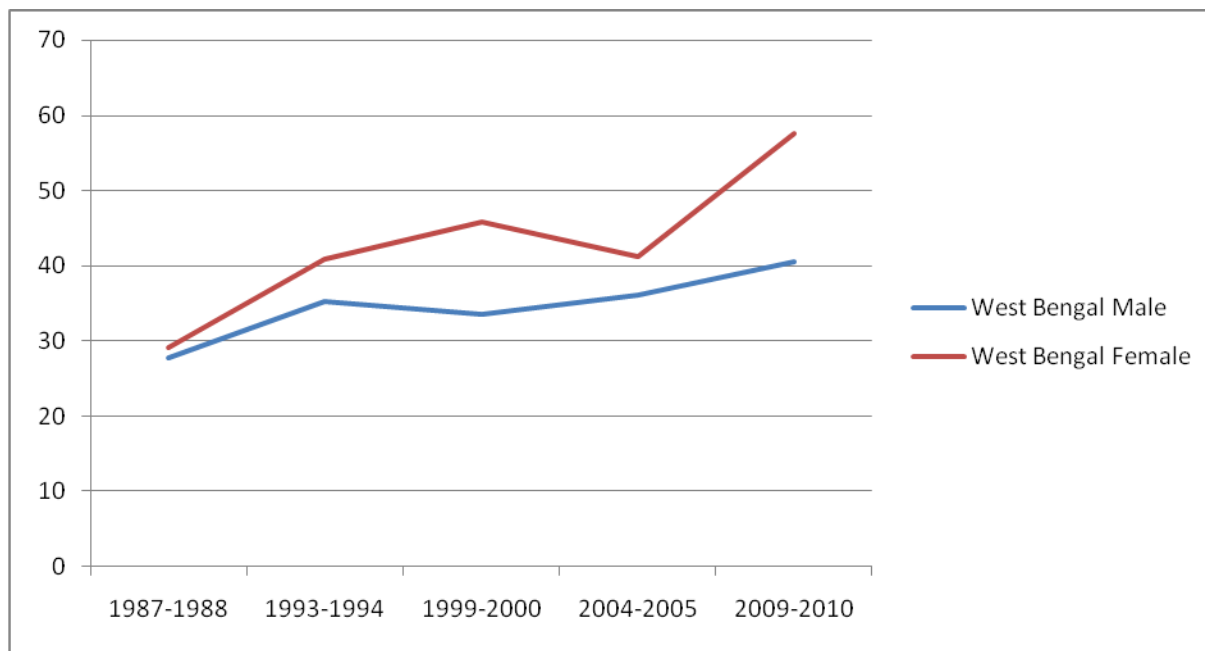
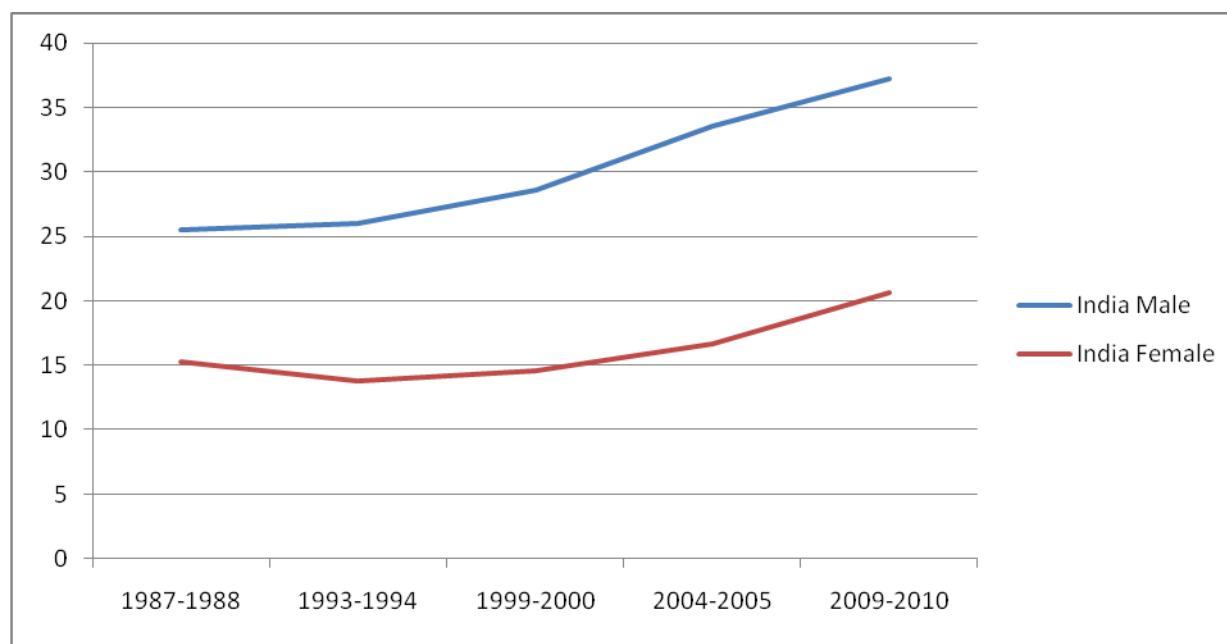


Chart: 4 Percentage of Non-farm employment in rural India



OBSERVATION

From Table:3 reveals that there has been a marked increase of about 11.8 per cent in the rate of female participation in the rural non-farm sector of West Bengal over the period 1987-1988 to 1993-1994. Employment in rural non-farm sector among male workers has also increased, but it is less than the percentage increase among female workers. During 1987-1988 to 1993-1994 period the male employment in this sector grew by 7.5 percent which declined by 1.7 percent during the period 1999-2000. Whereas considering non-farm sector of India as a whole we can observe that the rate of employment among male workers has shown an increasing trend. It declined slightly during the reform period but again gained momentum though at a very low rate.

Hence comparing the employment rate among males in India and West Bengal the study shows that the states average has been greater than the whole country's average. And there is a marked difference in the employment rate of female workers which is much greater in the state of West Bengal.

Table:4 Occupational diversification towards non-farm sector in the districts of rural West Bengal in Percent of total (main + marginal) workers in rural areas.

	Male			Female		
	1981	1991	2001	1981	1991	2001
Bankura	20.36	22.91	31.74	12.91	13.07	27.68
Birbhum	18.21	23.04	33.89	17.82	21.78	40
Bardhaman	29.16	28.78	36.7	19.43	21.35	40.44
Cooch Behar	14.51	19.78	30.09	38.68	21.92	21.92
Darjeeling	52.69	49.47	65.89	56.69	52.56	63.35
Dinajpur(N)	10.79	12.7	23.17	18.43	16.93	24.69
Dinajpur(S)	10.79	16.12	24.06	18.43	15.35	29.25
Hooghly	30.01	35.65	45.28	20.92	26.07	43.86
Howrah	50.39	50.54	68.31	74.87	52.64	83.1
Jalpaiguri	38.43	42.53	56.72	73.8	61.99	54.36
Malda	20.45	23.36	37.61	37.3	42.17	60.73
Medinipur	20.71	28.18	34.9	20.08	21.51	37.67
Murshidabad	21.13	26.64	35.83	71.78	80.74	86.04
Nadia	24.97	28.21	39.9	58.63	62.88	74.79
Puruli	21.73	23.66	34.75	7.98	7.45	19.18
24 Parganas(N)	27.8	32.08	46.72	48.28	46.83	69.39
24 Parganas(S)	27.8	33.54	50.23	48.28	36.75	53.48
West Bengal	25.06	29.08	40.24	30.9	30.42	45.37

Source: Government of West Bengal. District Statistical Hand Book, 2006. Bureau of Applied Economics & Statistics.

OBERSVATION

From Table: 5 we can observe that the share of non-agricultural labourers to the workforce increased over the past three decades, the rate of increase was particularly high during the 1990s. The average of the state in 2001 was more than 40 per cent of total rural workers being engaged in the non-farm sector. The non-farm activities grew at a faster rate in some districts namely, Howrah, Darjeeling, Jalpaiguri and 24 Parganas both North and South. The significant shift has been the diversification into non-agricultural activities. There is a considerable amount of

variation in non-agricultural employment across the districts of West Bengal. The existing rural industries comprise of both traditional and non-traditional activities. The main manufacturing activities are found to be traditional activities and are found in every geographical area of the state despite the fact that there has been a declining trend in traditional activities. This is so because the households engaged in this sector possess the skills and have access to raw materials. They do not receive enough financial aid to switch over to more profitable activities. The carpentry, black smithy, basketry, pottery, rope making and tailoring has been the most important traditional manufacturing activity for several centuries. Almost all these activities apart require raw materials that are locally available to the rural households. They do not receive enough financial aid to switch over to more profitable activities. The districts with high non-agricultural shares are those that have experienced urbanization and expansion of metropolis. Not all districts have had rapid diversification away from agriculture. Districts like Howrah and Darjeeling being suburban extensions of Kolkata and Siliguri have high prevalence of non-agricultural activity. Uttar Dinajpur, Dakshin Dinajpur, Purulia and Bankura generally considered backward showed low rates of non-agricultural employment.

RESULTS AND CONCLUSION

It is a universally accepted fact that the agricultural sector by itself is incapable of creating additional employment opportunities in the wake of increasing population. Thus the non-farm rural sector helps in providing employment to the expanding rural labourforce. The rate of growth of employment in rural non-farm sector was greater in the pre-reform period than in during the reform period. The expected growth in rural non-farm sector due to economic reforms does not seem to have materialized.

The rural non farm employment is highly diverse; therefore the returns or wages are likewise highly variable. This sector is dominated by retail trade, personal and community service related activities. The existing rural manufacturing units comprise of both traditional and non-traditional activities. The main activities are found to be traditional despite the fact that there has been a declining trend in traditional activities. This is so because the households engaged in this sector possess the skills and have access to raw materials. They do not receive enough financial aid to switch over to more profitable activities.

A closer look at the districts of West Bengal shows very high proportion of non-agricultural workers in the rural areas. The non-farm activities existing in districts like Medinipur, Murshidabad, Purulia, Dinajpur (North and South), Jalpaiguri and Cooch Behar are handicrafts like mat weaving, horn craft, bamboo crafts, wood crafts, pottery, jute products, brass and metal works etc. Other activities are sericulture, carpentry, poultry, broom making, rope making, paper and wood products, servicing and repairing. The small scale industrial establishments in West Bengal are mainly rice mills, wheat grinding units, jute processing units, tobacco products, plywood processing industry, lac industry etc. The expansion of a large proportion of these rural industries was primarily influenced by the availability of various natural resources from the nearby forests in abundance.

It should be noted that non-farm employment is not a substitute for employment in agriculture but rather a supplementary measure. The main challenge of the reforms

is to improve the incomes in the non-farm rural sector and improve the quality of employment which is needed for the enhancement of the standard of living of the rural poor. To improve the quality of RNFE public investment has to be significantly improved. The government will have to undertake policies that will allow the poor to contribute and benefit from increased growth rates in the non-farm sector. Other important considerations that need to be focused on may include human resource development, credit facilities, and women's participation with a view to making the activities self-sustaining in the changing competitive environment. Programmes to help women to improve their skills, technology and marketing have to be developed.

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