



High Growth Trajectory and Rural Development in India

Sujeet Prasad

Research Scholar

Department of Economics

Veer Kunwar Singh University, Ara(Bihar)

Abstract-

Tracing trends of rural employment in India, both labour force participation rate (LFPR) and work participation rates (WPR) picked up during the period 1999-2000 to 2004-05 after the period of jobless growth. RNFS employment among males increased from 23 per cent in 1983 to 34 percent in 2008-09. It is suggested that development efforts targeting rural areas should be done in decentralized manner, land reforms be enforced, greater access to credit be ensured and other basic inputs should be provided . Unorganized sector should not be left behind while making efforts towards betterment of socio economic conditions of rural people.

INTRODUCTION

The year 2009 has been one of the toughest and most challenging year for the Indian Economy. Despite severity of the global downturn and doomsday forecasts, Indian economy has shown marked resilience and has emerged as a respectable and matured economy , which can wither any storm unaided. World has come to respect India as never before.

Indian economy showing the signs of recovery, grew by 7,9 percent during the 2009-10. This is the highest GDP growth which Indian economy obtained since the beginning of global financial recession in September 2008. This growth rate makes India the second fastest growing economy among major countries after China which recorded 7.9 percent growth in April-June 2009 period. As per World Bank's projection India could return to 8-9 percent growth rate by 2011.



This paper attempts to examine the high growth rate in the Indian economy in the context of different sectors of rural development. In section-1, I have discussed the impact of high growth rate on rural employment in India. In section-2, discussed the sustainable high growth in agriculture. In section-3, examined the impact of high growth on Socio-Economic conditions of informal workers, and lastly in section-4, analyzed the problems of urbanization and migration in India.

1. Employment Growth in Rural India

The agricultural sector is passing through a complex crisis of low productivity, poor competitiveness and adverse climatic conditions. The compound annual growth rate of agriculture and the allied sector from 2000-01 to 2004-05 was 2.02 percent, the lowest annual growth recorded in the sector since 1980-81. They have also shown the widespread decline in the sector, covering all sub-sectors.

How does employment growth pick up when output growth is stagnant? Under normal circumstances, this trend should have further reduced the employment in the rural economy. However, further probing reveals that the acceleration in rural employment growth is probably a response to the crisis that is gripping the sector. Under conditions of distress, when income levels fall below sustenance then the part of the normally non-working population is forced to enter the labour market to supplement household income. It is argued that it is probably the distress in the agrarian sector that has led to the growth of employment in rural India. In other words, it can be argued that the recent growth in rural employment is “distress-driven employment” or “earnings capacity poor” driven employment.

The new classical framework of analyzing labour supply starts with the premise that labour supply decisions are entirely done by individual decision makers. The neoclassical theory presume that individual decision-makers maximize their satisfaction based on a division of time between leisure and work, which generate the typical backward bending labour supply curve (Robbins, 1930). However, there is little truth in such an analytical structure, when it comes to traditional agriculture-based families living at subsistence levels. A choice between leisure and



work based on one's earnings becomes pertinent only when an individual is trying to maximize his marginal utility, and he is well above the subsistence level. When, at subsistence level, the earnings level declines then the individual may need to work more hours per day and more days per week to keep his income levels constant.

However, some argue that individual decision-making at subsistence income levels does not attempt to optimize the individual utility levels does not attempt to optimize the individual utility levels under conditions of poverty. Rather, members in households at subsistence level try to acquire the basic subsistence income for all members in the family. Thus the labour supply of a house-hold is a joint utility function of the household. When the earnings of the working members of the poor household do not meet the subsistence level of the family, the workers may increase their total time of work, cutting down on leisure.

TRENDS IN RURAL EMPLOYMENT

After the decline in labour force participation and work participation rates (WPR) during 1993-94 to 1999-2000, both the indicators recovered, during the period 1999-2000 to 2004-05 marking the resurgence of employment growth after the period of jobless growth. This was true in the case of both males and females. The male labour force participation rates (LFPR) in the rural sector increased from 533 per thousand to 546 per thousand while for females it increased from 235 to 249. Similarly, the male WPR increased from 522 to 535, and for females it increased from 231 to 242 per thousand, Prima facie it looks encouraging that both male and female participation rates have increased. Yet, the sudden spurt of females LFPR and WPR casts doubts on these encouraging trends. Since 1983, the highest recorded female LFPR was in the period 1987-88 at 254 per thousand. It is common knowledge that 1987-88 was a year of severe drought in the economy, when the female LFPR peaked. Since the peak the female LFPR had continuously declined to reach the lowest in 1999-2000 at 235, thereafter, it suddenly shot up to 249 per thousand in 2004-05, the highest since 1987-88 peak of female LFPR. Similarly, the female WPR, which had a secular decline from 1983 to 1999-2000, the lowest 231, increased in 2004-05 to 242.



One cannot argue that this rise in female participation rates is due to cracking up of the traditional patriarchal system in India. Institutional changes in traditional social system do not occur in a short period, but they involve over a long period of time. A more plausible reason seems to be the distress related feminization of work. It is the submission of this paper that the new peak in female LFPR in 2004-05 is a phenomenon similar to the 1987-88 surge in female LFPR that occurred due to the drought. Women previously engaged in domestic work joined the primary income earner, mainly as unpaid family

TABLE 1

LEPR and WPR in Rural India

Year	<u>Labour Force participation Rate</u>		<u>Work Participation Rate</u>	
	Male	Female	Male	Female
1983	540	252	528	248
1987-88	532	254	517	245
1993-94	594	237	538	234
1999-2000	533	235	522	231
2004-05	546	249	535	242

Source : NSS reports on Employment and Unemployment situation in India.

Workers in the agricultural farms, replacing hired labour, as the farm output declined to subsistence level.

However, the male LFPR and WPR had also increased during the latest period, unlike the period 1983 to 1987-88 when in declined. This rise in male participation rates also, as argued later, is a sign of the distress-related employment. The stagnation in rural agricultural wages and low productivity has forced the male workers to search for employment in non –farm sector, while otherwise non-working males such as aged dependents have joined the workforce for subsistence.



RURAL NON-FARM EMPLOYMENT

The total share of employment in the agriculture sector had declined from 77 percent of the workforce in 1983 to 66 percent in 2004-05. The largest decline was in the period 1999-2000 to 2004-05, where a reduction of 5 percent point was recorded. Correspondingly, the rural non-farm sector (RNFS) employment share among males increased from 23 percent in 1983 to 34 percent in 2008-09. This increase in RNFS employment was spread within the manufacturing sector, construction sector, trade, hotel and restaurant, transport, storage and communication. Such a rise in RNFS employment is to be suspected for its quality. The sudden spurt in RNFS is a distress driven strategy of households to seek employment in other sectors. Such a shift in industrial composition, owing to agrarian distress would make the RNFS a residual low value adding, low productivity sector. The trends broadly suggest the agrarian distress has driven male workers out of agricultural sector in search of employment in the RNFS sector, while women substitute men in their previous agricultural employment.

1. Achieving Sustainable High Growth in Agriculture

India agriculture is the back-bone of our economy. About 65 percent of India population is dependent for employment and income on agriculture and it continues to play a vital role in the country's economy. The Indian agriculture, since independence, has achieved tremendous progress. The food-grain production has increased from a mere 15 million tones during 1950's to more than 230 million tones now.

After all in India the situation is worse because our average productivity also lies below the optimum level, and compares poorly with that of many countries. During the post green revolution period, agricultural production has increased rapidly. But since the last 10 years, India has witnessed a fatigue in the green revolution with the growth. The growth rate of food-grain production decelerated to 1.2 percent during 1990-2007, lower than annual population growth rate averaging 1.9 percent. Vanguard states like Punjab and Haryana are among the first to be hit by this stagnation.



How to raise the agricultural productivity is, therefore, a major concern with agricultural policy planners today. The Government set-up a National Commission on farmers in 2005 under the Chairmanship of Prof. M.S. Swaminathan. Many of the recommendations made by the Commission have already been implemented and others are in various stages of implementation.

One key strategy to raise farm production was to identify districts in which there was scope of significantly improving productivity of major food grain crops by focused intervention from the government. The Rs. 5000 Crore National Food Security Mission (NFSM) was started with this assumption. This mission focuses on making available quality seeds and fertilizers, credit and extension support in about 300 identified districts. The resultant increase in productivity of rice, wheat and pulses would result in additional productivity of rice, wheat and pulses would result in additional production of additional 10 million tones of rice, 8 million tones of wheat and 2 million tones of pulses per year by 2012. NFSM has yielded satisfactory results in the first year of its implementation.

Another major scheme, the Rashtriya Krishi Vikas Yojana (RKVY), was launched to encourage states to invest more on agriculture and allied activities. The Centre is providing funds to the tune of Rs. 25,000 Crores to states during the 11th plan to invest in agriculture, with additional funds coming from states, this will lead to substantial investment in agriculture. This will result not only in higher production of food grains, other crops and animal products, but will also lead to generation of assets and contributes to long terms growth of the sector.

The government has waived the debt of Indian farmer in 2008-09. In one stroke, over Rs. 71,000 crore has gone in to loan accounts of about four crore indebted farmers. While debt relief was a one-time intervention, the government had been encouraging banks to lend more and more to the farming sector. Kisan Credit Card have also been introduced to make borrowing easy and more transparent. Loans up to Rs. 3,00,000 Lakh are given at a low rate of interest of 7 percent a year.

Raising of the minimum support prices (MSP) for major crops successively in the last four years has had a very favourable impact on farming, it has insured remunerative prices to farmers. It has also led to record procurement of food grains which has in turn made ample



availability and stable prices of food commodities. Recently. The government has modified the formula for fixing MSP and thus compensate farmers better for their produce. The investment being made now will lead to better technology adaptation, higher use of inputs and establishment of marketing facilities. Along with rural development and employment schemes, these will result in sustainable growth in agriculture in the 11th plan and beyond.

Seeing the emerging economic opportunities in the farm sector, private companies and individual entrepreneurs have also been entering with investments and services. Some areas in which they have shown interest include marketing, storage and logistic facilities, weather information, insurance, credit, food processing, fish farming, dairying, poultry, floriculture, herbal medicines and exports.

It cannot be denied that there are problems that need to be addressed quickly and firmly to harness the full potential of agriculture and allied sectors. Some, such as dependence of a large number of farmers on rains and small farm holding, make it difficult to bring about fast transformation of agriculture. The only way to tackle them is to adopt focused strategies, and the government is doing just that. These strategies have been rigorously tested in the last three-four year and they have succeeded in achieving a fast growth, better prices to farmers adequate availability of food grains and reasonable stable food prices.

2. Socio-Economic Conditions of Informal Workers

The term informal sector was first initiated by Keith Hart (1970) in a study of urban Ghana. He describes the informal sector as that part of the urban labour force, which falls outside the organized labour market. The concept has been further refined by a mission of International Labour Organization in 1972, which studied the employment situation in Kenya within the framework of the World Employment Programme. The study reveals that informal sector has the characteristics like easy entry for the new enterprises, reliance on indigenous resources, family ownership, small operations, unregulated and competitive markets, labour-intensive technology and informally acquired skills of workers.

Most of India's workforce is unorganized in nature. While almost the entire



farm sector can be characterized as informal, roughly 80 percent of the workforce in the non-farm sector is informal. Over half of India's national output from the unorganized sector, while employment in the formal sector has been stagnant in the last decade, employment in the formal sector has been stagnant in the last decade, employment creation in the informal segment is tremendous. Out of 399 million workers in 1999-2000, it is estimated that 371.2 million workers are employed in the unorganized segment of the economy, whereas only 27.8 million workers are engaged in the organized sector.

The informal sector plays a major role in Indian economy. It is providing gainful employment opportunity to millions of people and is also contributing significant share to the nation's output. It is estimated that about two-fifths of India's Gross Domestic Product generate from the informal sector and about 90 percent of the families are depending on this sector directly and indirectly for their survival. Despite this, a large number of workers engaged in this sector in both rural and urban areas are illiterate, poor and vulnerable. They live and work in unhygienic conditions and are susceptible to many infectious and chronic diseases. These workers have neither fixed employer-employee relationship nor do they obtain statutory social security benefits. They do not have the bargaining power to fight discrimination and victimization for protect their rights to a desired standard of living. In the last few years, socio-economic conditions of workers have become more deplorable.

The emergence of informal sector is a major source of employment and income generating sector in developing countries in the recent years. It is primarily a manifestation of increasing pressure of burgeoning population, immaturity of employment market and insufficient alternative income generating sources for rural labour. The rising inflation rate and growing poverty further aggravated the situation and force of labourers to enter into the informal sector for their living.

CONCLUDING OBSERVATION

The Indian economy is passing through a phase of socio economic and political changes. Due to rapid urbanization, growing industrialization, unprecedented rural-urban migration and



tremendous population explosion, the entire gamut of human life has changed drastically. In the recent years, there has been tremendous increase in prices, and increases in the pay structure and service conditions of the workers, belonging to the organized sectors. But it is surprising and a pity to learn that no such corresponding improvement has taken place in the wages and working condition of the workers in the unorganized sectors; the workers who are working under the umbrella of unorganized nature, they do not have strength to fight for their survival due to illiteracy, inadequate alternative sources. The welfare authorities should take necessary policy steps to enhance their livelihood status.

3. Urbanization and Migration in India

India is undergoing radical changes in demographic patterns as streams

of people migrate to regions which offer better opportunities than their homes. Migration from rural to urban areas is of different types. One is to settle down permanently in the urban areas of one's choice. This is called translocatory migration. Other is one in which migrants hang on to the rural base and migrate repeatedly and for varying durations, either to the same urban area or to different ones. This is termed circulatory migration.

Migration is a positive phenomenon and if regulated and managed

properly can reap benefits for both the sending and receiving regions. Employment is one of the main reasons for migration. Migration from rural to urban areas also follows a certain patterns. One, it depends upon the "pull" factors at the urban and "push" factors at the rural end. Thus, migration of agricultural labourers from Bihar to Punjab during the harvest season is of this type. Then there is migration which is caused by rural poverty and urban opportunity of getting work.

The rural to urban migration and the urbanization are associated with a

vertical shift in the labour force from the agricultural sector to the urbanized-industrial sector. In Indian migration is from rural agricultural sectors to urban informal sectors as well. The total urban population of India has grown from 62.44 million in 1951 to 286.12 million in 2001. Thus, the urban population has increased very fast. Although the realization is bitter, their arrival



causes undue stress to the urban system which has to deal with pavement dwelling, slums, disease, crime and ultimate degeneration. The urban system breaks down often due to this stress. Water shortage, electricity, transportation, education, housing security and other services fail.

SUGGESTIONS

Government should take measures to enhance the basic facilities to the rural population. Rural development and poverty alleviation programmes should implement on a decentralized basis throughout the country. Rural development implies both the economic betterment of rural people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of them in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit are envisaged. Connectivity of villages providing economic opportunities to all the segments of people is an urgent need. Finally, the Governments should take effective steps to provide health facilities, power supply and water supply to reduce the rural urban migrants.



REFERENCES

- 1.The Economic Times, July 2009 to December 2000.
- 2.Government of India (2007), Report of Expert Group on Agricultural Indebtedness.
- 3.Sundaram, K. (2007), Employment and poverty in India, 2000-05, E & P Weekly, 28 July.
- 4.Abraham, V. (2009), Employment Growth in Rural India, E & P Weekly 18 April.
- 5.Kurukshetra, Ministry of Rural Development, April 2009 to December, 2009
- 6.Southern Economist, January 2009 to November 2009.
- 7.Sakthivel, S. and Joddar, P. (2006), Unorganized Sector Workforce in India E & P Weekly, May 27.
- 8.Abraham, V.(2007), Growth and Inequality of Wages in India, Indian Journal of Labour Economics, Vol. 50, No. 4
- 9.Economic Advisory Council to the Prime Minister (2009), Review of the Economy, 2008-09, January.