

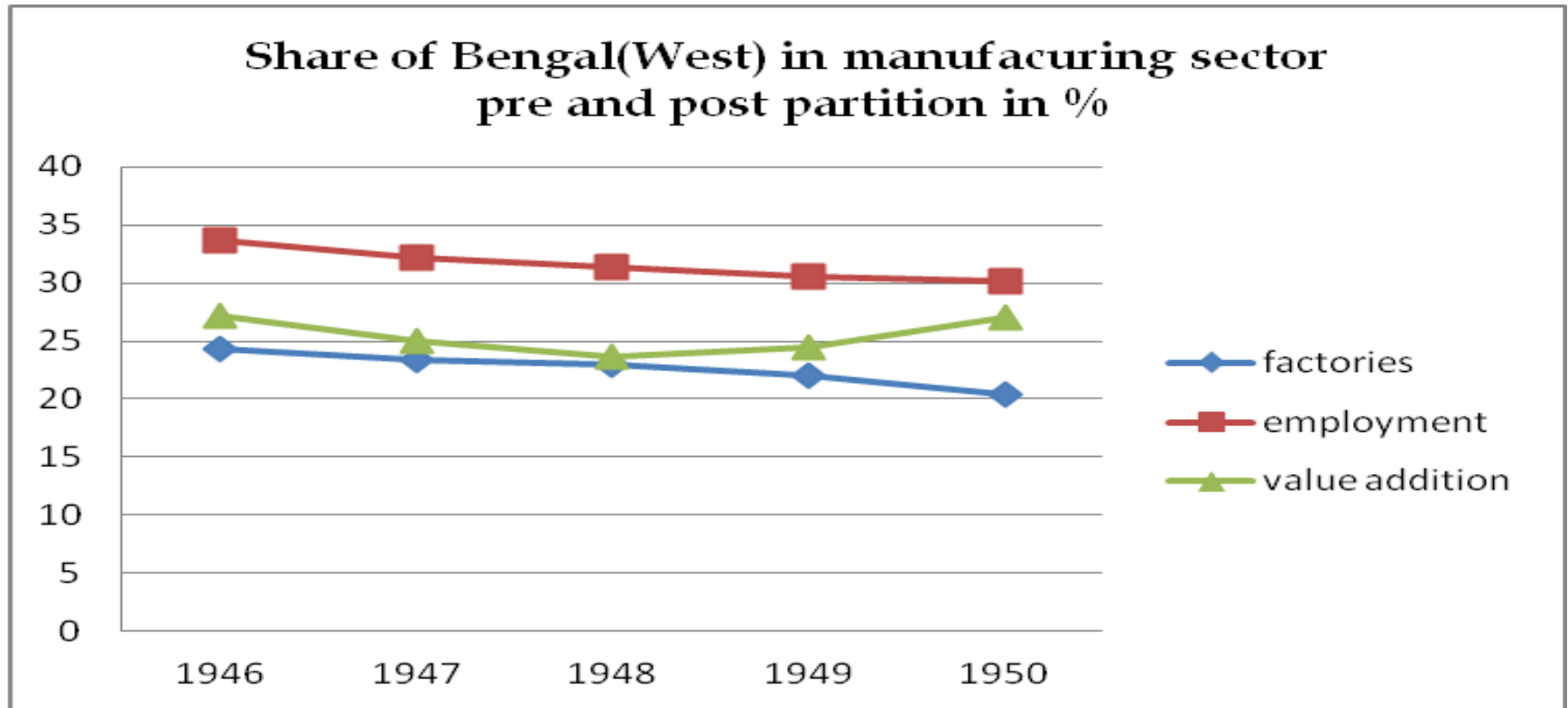
The problems in industrialization of West Bengal

Dr. Bivas Chaudhuri, ISS
Saikat Sarkar, IES
Dr. A K Panigrahi, ISS

Outline of the presentation

- A statistical study on manufacturing sector of West Bengal for three distinct periods ruled by three different political parties
- A comparison with Gujarat with last thirty years data

Share of Bengal (West) in manufacturing sector during pre and post partition

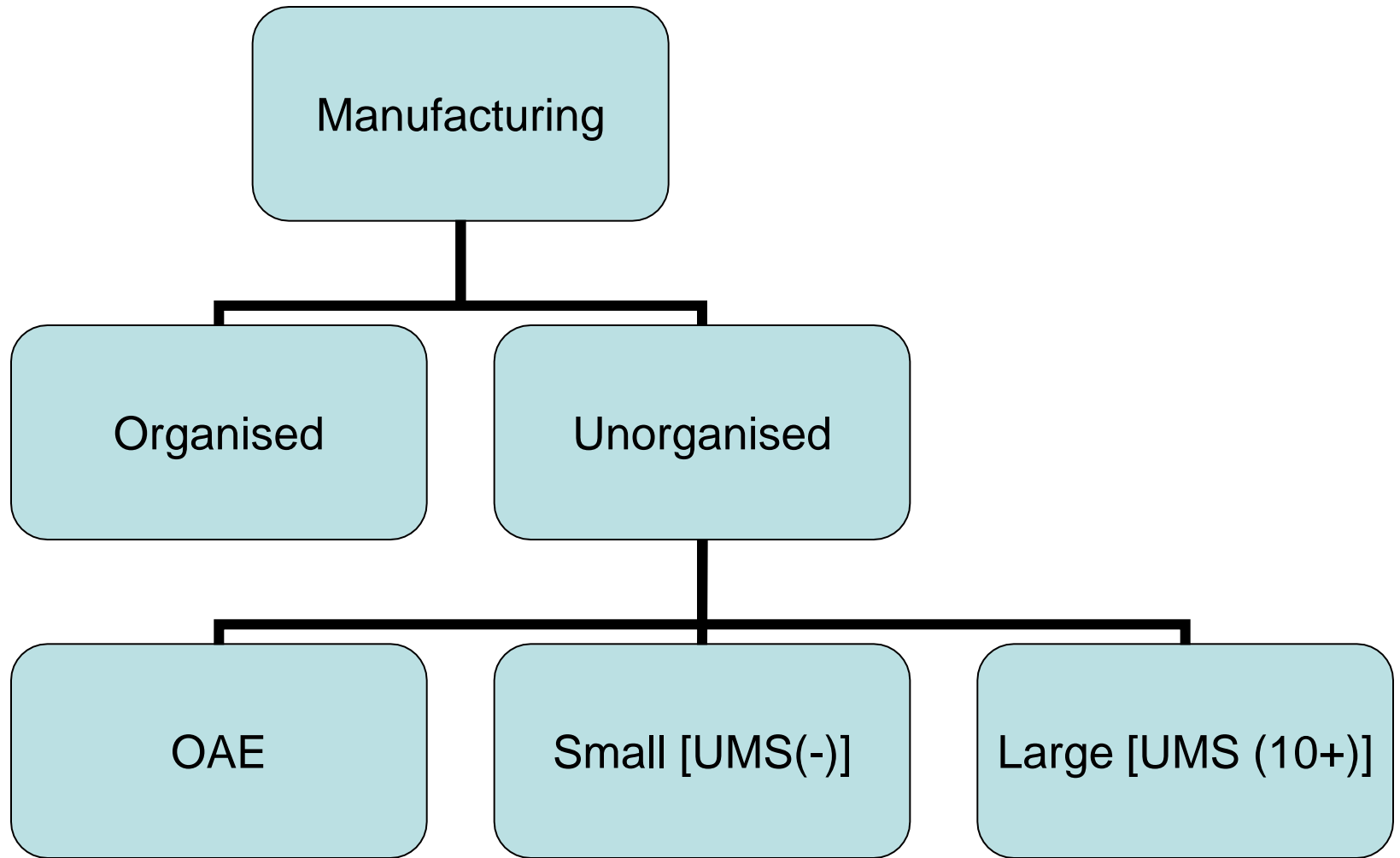


• **Current Share** [ASI 2011-2012]

: # **Factories** : 4% , **employment** : 5% and **MVA** : 2 %

Data Source

- CMI, SSMI, ASI and NSS
- manufacturing sector of West Bengal has been stratified into three mutually exclusive and collectively exhaustive strata viz.
 - small [employees < 10]
 - OAE [no hired worker]
 - ASI

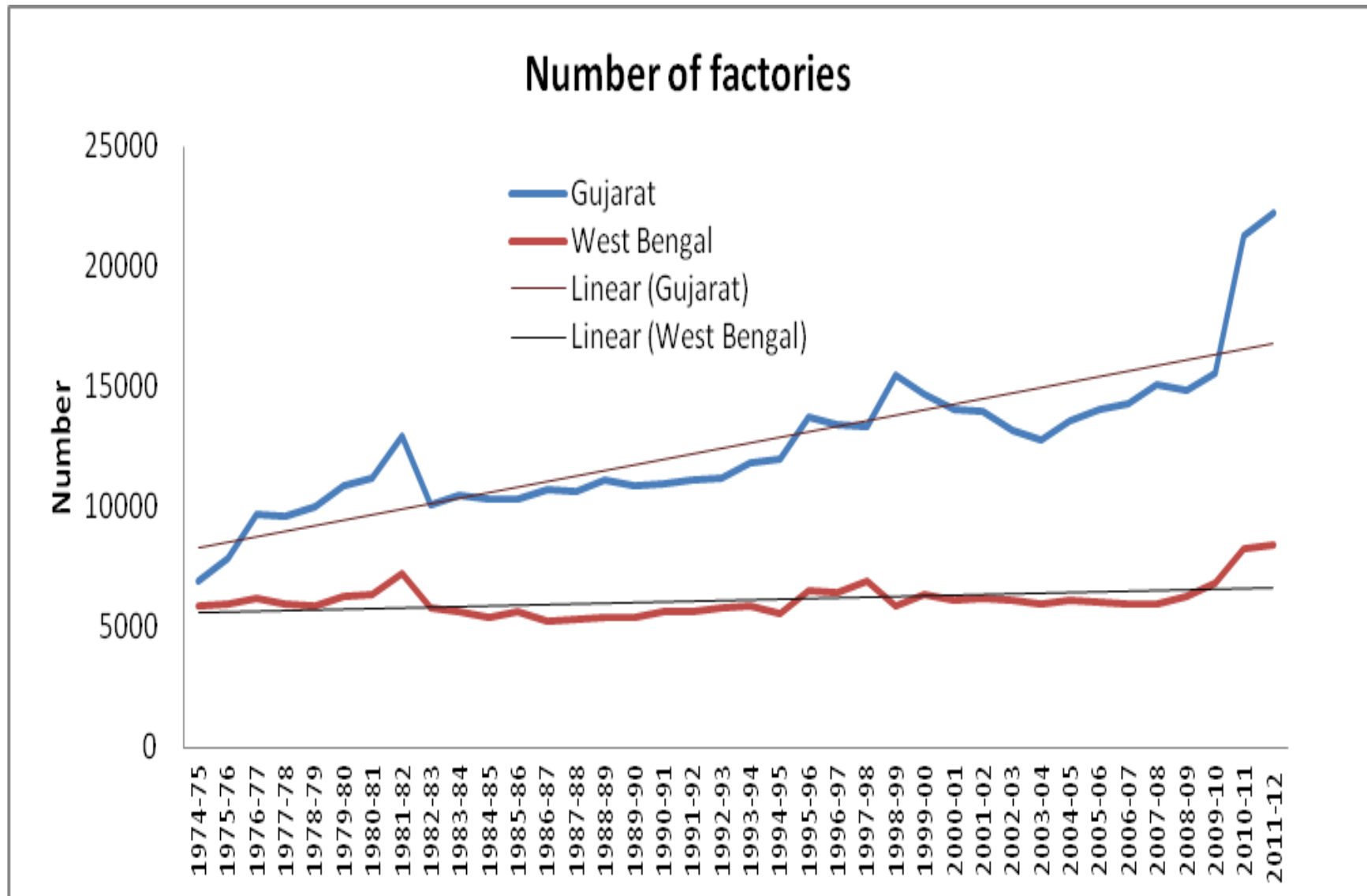


- Organised manufacturing sector (ASI) during 1974 to 2012
 - three distinct political periods
 - 1974-1977 [INC]
 - 1978-2011 [CPI(M)]
 - 2011-2012 [TMC]
- Unorganised manufacturing sector (NSSO-UMS)
 - NSS rounds of
 - 56th (year: 2000-2001),
 - 62nd (year: 2005-2006) and
 - 67th (year: 2010-2011)
- The nominal value figures in the time series data have been converted to the real values by using wholesale price index (WPI) at constant price 1999-00.

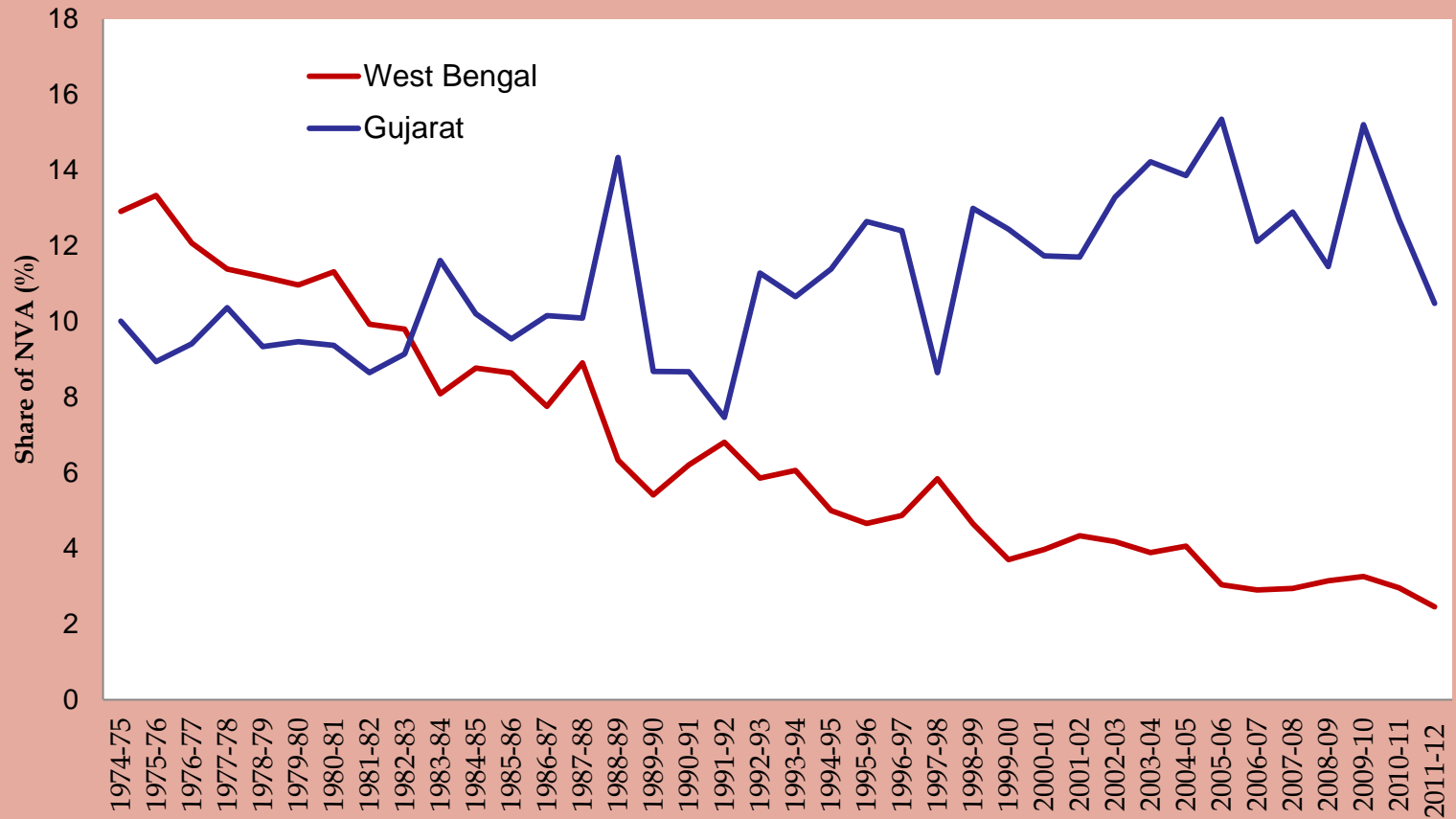
Findings and discussion

- Organised Manufacturing Sector
- Unorganised Manufacturing Sector

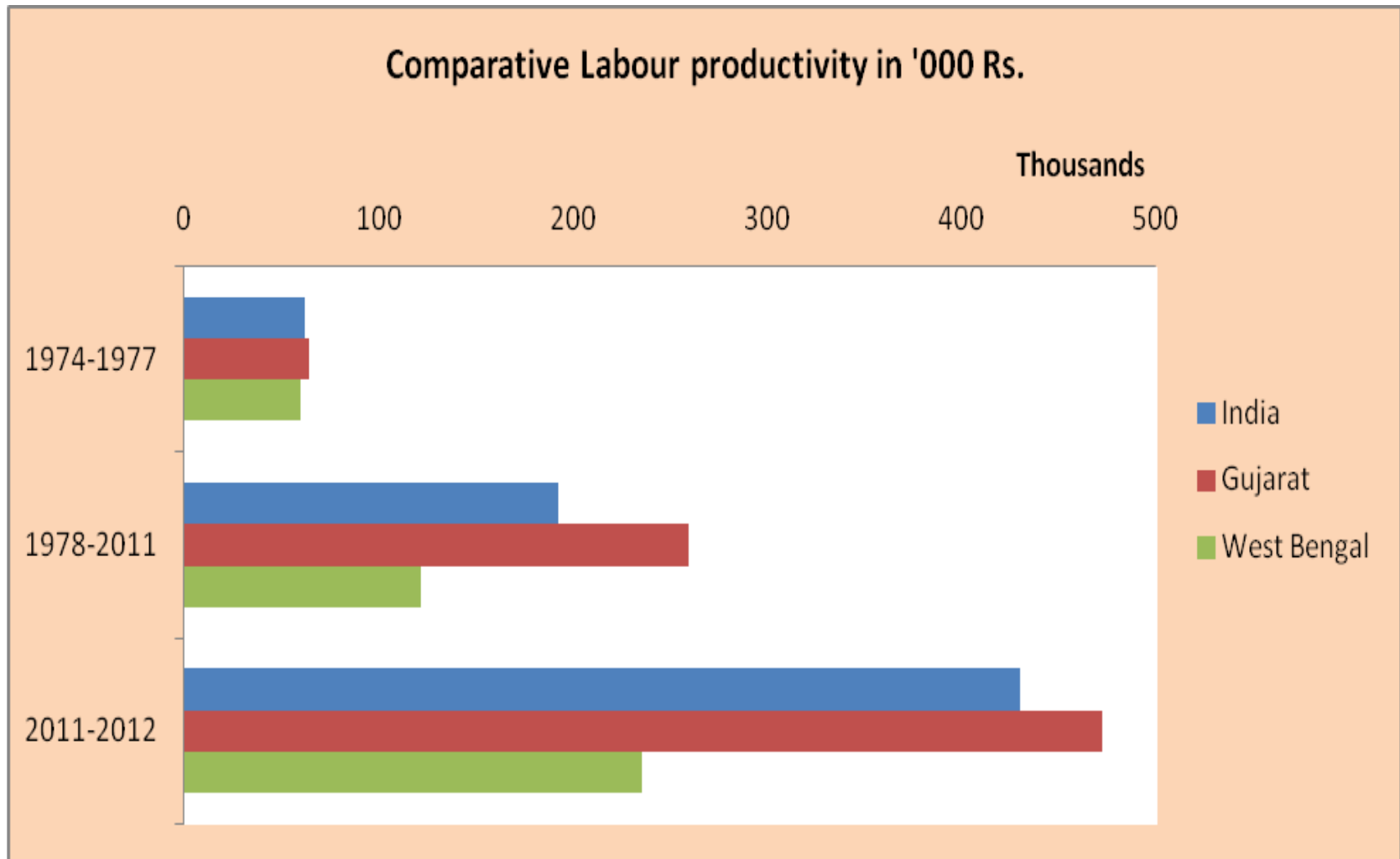
Number of factories in organised manufacturing sector during 1974-75 to 2011-12.



Percentage share of net value added in organised manufacturing sector with respect of West Bengal and Gujarat to all India during 1974-75 to 2011-12

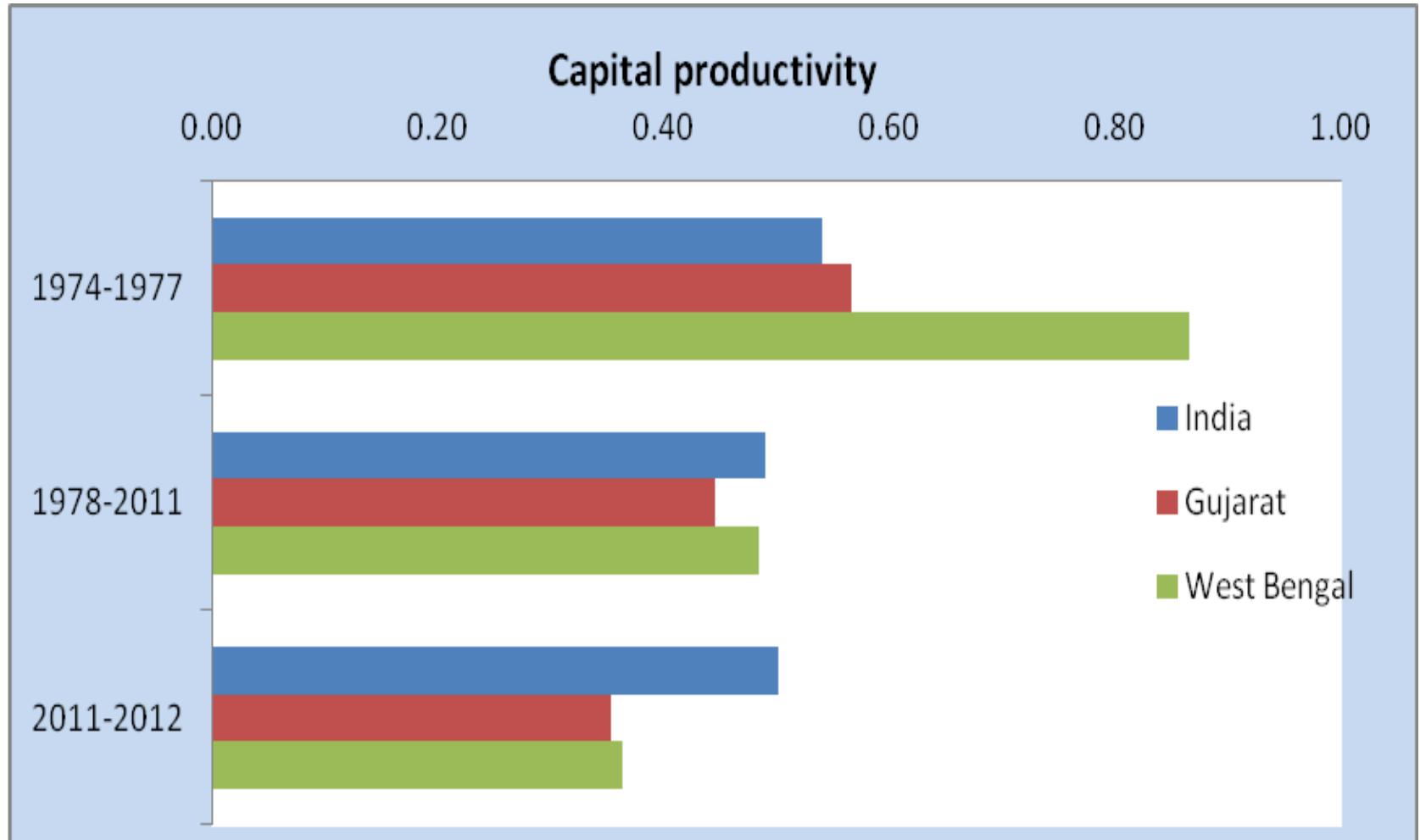


Labour productivity in organised manufacturing sector over three distinct political rules



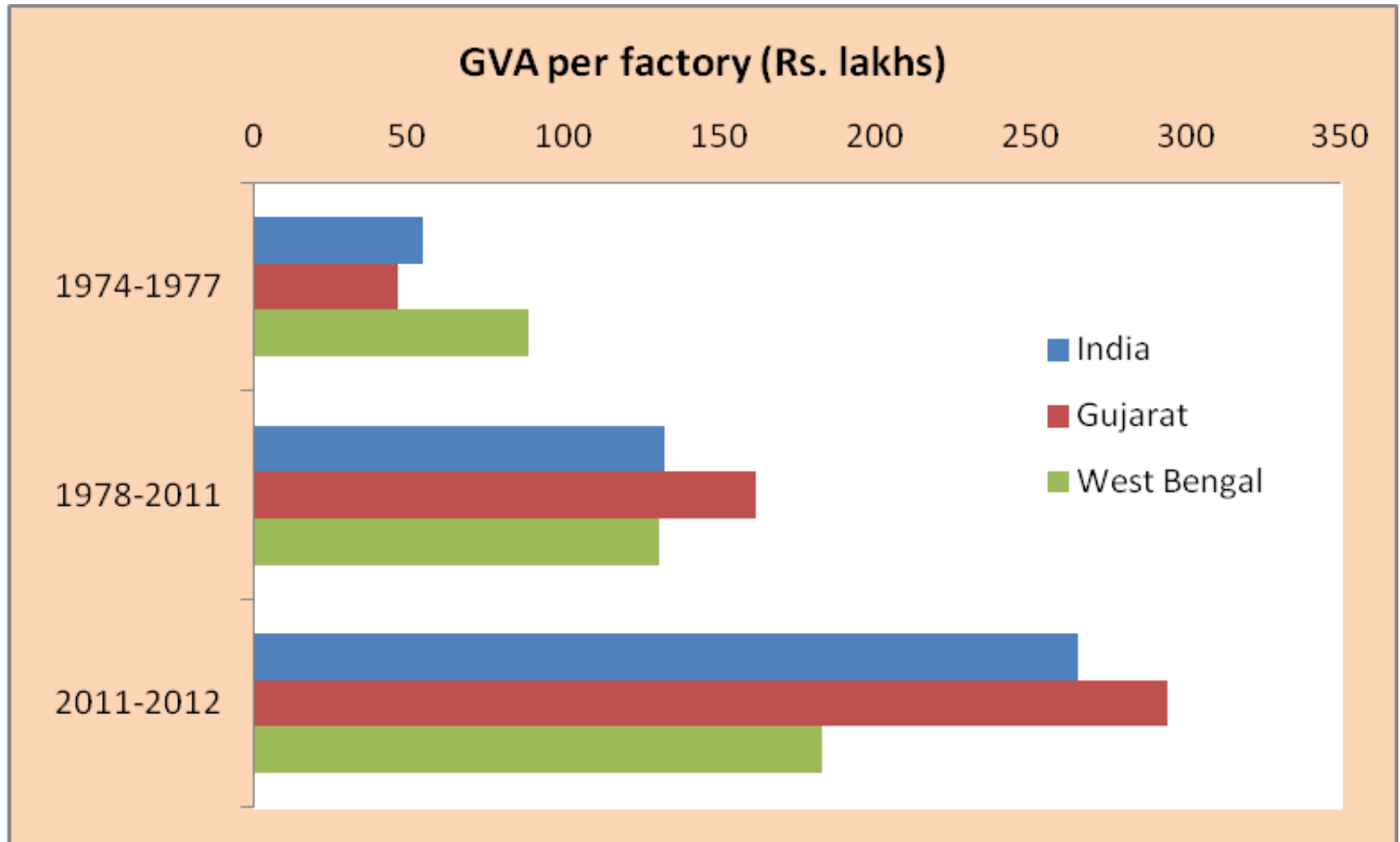
Labour Productivity is defined as gross value added per employee in an industry.

Capital productivity in organised manufacturing sector over three distinct political rules

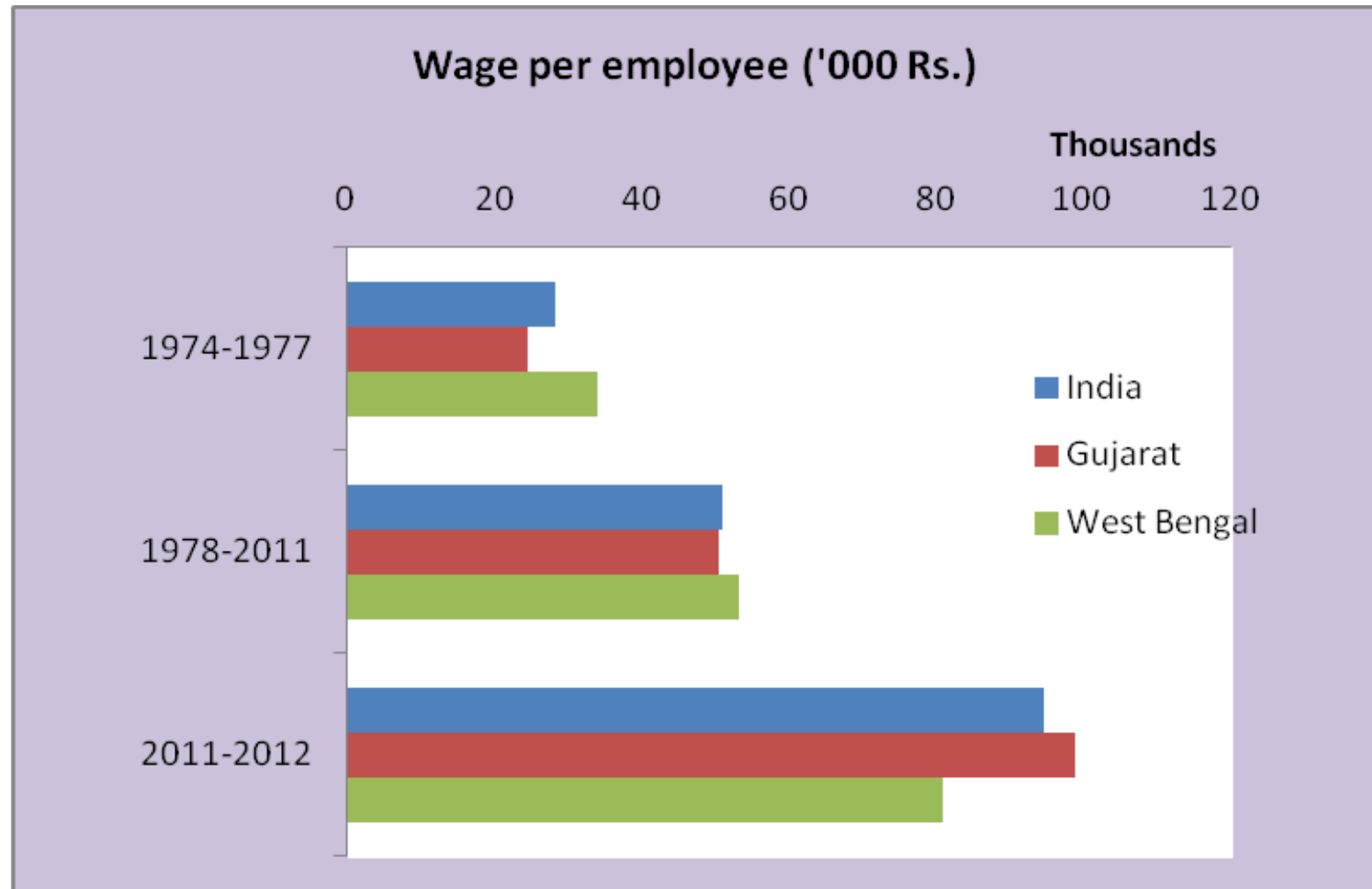


Capital productivity, defined as gross value added per unit of fixed capital

Value addition per factory in organised manufacturing sector over three distinct political rules



Wage rate in organised manufacturing sector over three distinct political rules



Percentage share of manufacturing units in organised sector by employment size class during 2001 and 2011				
Employment size class	West Bengal		Gujarat	
	2001	2011	2001	2011
Up to 19	50.17	52.36	57.44	60.30
20-49	26.30	22.72	22.37	17.59
50-99	11.38	10.88	10.02	9.62
100-499	9.00	10.86	8.51	9.93
500 and above	3.15	3.18	1.65	2.55
Total	100.00	100.00	100.00	100.00

- Higher proportions of manufacturing units in organised sector are working with less than twenty employees.
- It has also observed that significantly higher proportions of units in Gujarat where employment size is less than twenty in comparison to West Bengal.

Top ten manufacturing units of the organised sector with respect to West Bengal by employment size class, 2011

Manufacturing Activity	Employment Size Class					Total
	Up to 19	20-49	50-99	100-499	500 and above	
Food and beverages	607	527	177	178	47	1536
Basic metals	398	124	92	145	49	808
Tobacco products	556	20	12	43	11	642
General purpose machinery	305	84	68	58	7	522
Fabricated metal products	260	146	59	43	13	521
Leather products	213	169	38	80	4	504
Chemicals and pharmaceutical products	280	98	25	54	15	472
Manufacture of textiles	203	50	50	46	64	413
Rubber and plastic products	288	56	40	18	1	403
Electrical equipment	192	95	37	48	6	378
All manufacturing	4309	1869	896	895	262	8231

- In West Bengal, the Food beverage constitutes the highest proportion around 20% followed by Basic Metal industry in the year 2011.
- But, all the industries except wearing apparel are operating in the lowest employment range.

Top ten manufacturing units of the organised sector with respect to Gujarat by employment size class, 2011

Manufacturing Activity	Employment Size Class					Total
	Up to 19	20-49	50-99	100-499	500 and above	
Chemicals and pharmaceutical products	1497	417	332	341	103	2690
Manufacture of textiles	1318	368	270	492	90	2538
General purpose machinery	1421	413	268	177	50	2329
Non-metallic mineral products	1343	399	265	227	43	2277
Food and beverages	1239	390	107	157	63	1956
Fabricated metal products	1267	236	96	106	18	1723
Basic metals	972	275	113	75	41	1476
Rubber and plastic products	771	185	111	101	11	1179
Cotton ginning	357	229	79	21	1	687
Electrical equipment	378	190	17	63	16	664
All manufacturing	12833	3745	2047	2113	543	21281

- In Gujarat, the highest concentration is in Chemical industries followed by textiles industries.
- Though highest numbers of factory belong to the lowest employment strata in Gujarat also but there are good numbers of factories in higher employment classes also.

Total units in manufacturing sector during 2000-01, 2005-06 and 2010-11

Year	Gujarat			West Bengal		
	Organised	Unorganised	Total Manufacturing	Organised	Unorganised	Total Manufacturing
2000-01	14,090	542,305	556,395	6,091	2,771,274	2,777,365
2005-06	14,055	654,358	668,413	6,077	2,752,793	2,758,870
2010-11	21,282	1,416,655	1,437,937	8,232	2,764,054	2,772,286

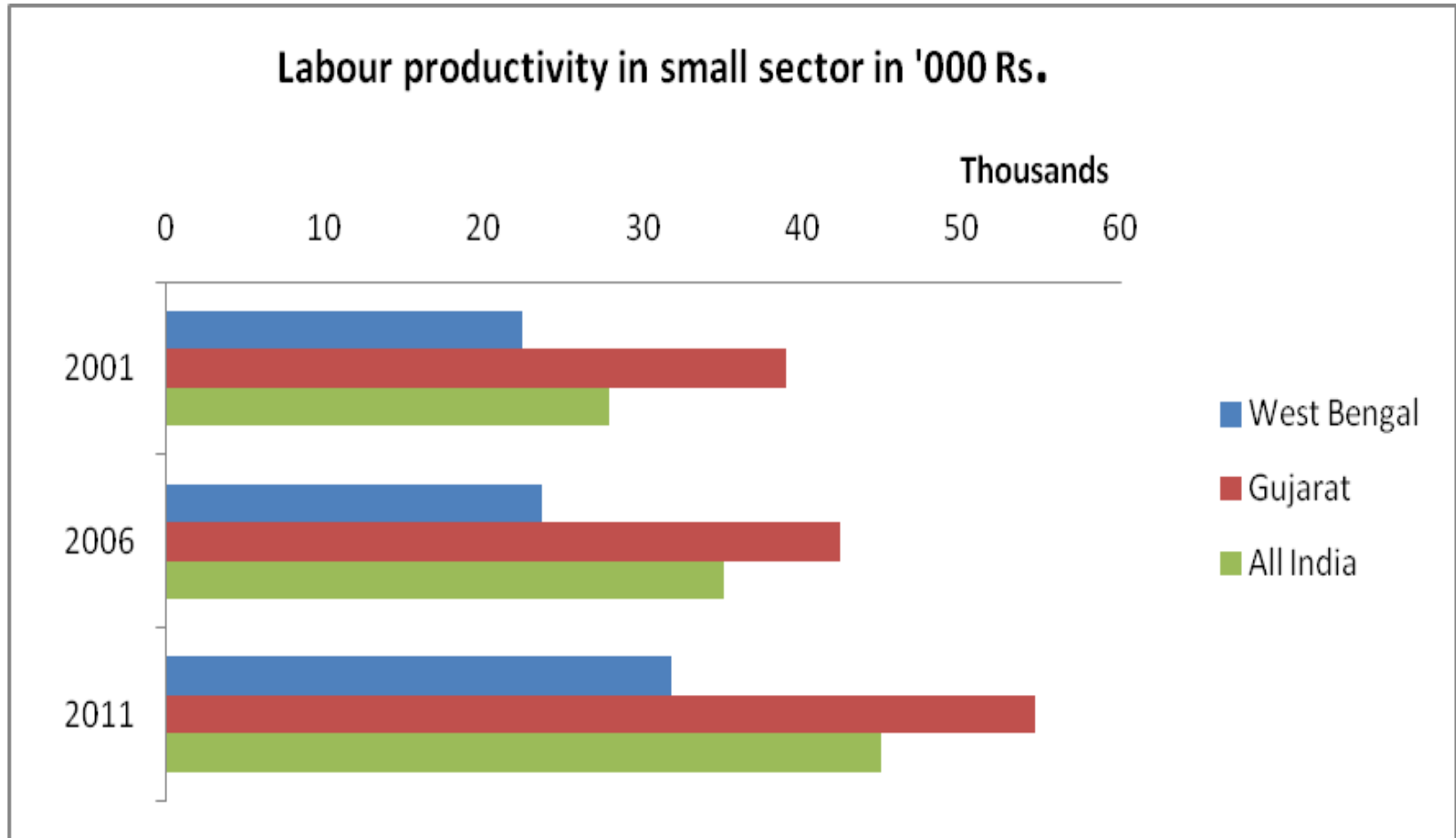
Unorganised Manufacturing Sector

Structure of Unorganised Sector

Number of units with respect to OAE, NSS 9(-) and 10+ NSS								
Year	Gujarat				West Bengal			
	OAE-NSS	NSS 9 (-)	10+ NSS	Total Unorganised	OAE-NSS	NSS 9 (-)	10+ NSS	Total Unorganised
2000-01	402,322	120,852	19,131	542,305	2,485,699	260,645	24,930	2,771,274
2005-06	522,534	106,625	25,199	654,358	2,431,785	292,070	28,938	2,752,793
2010-11	1,176,881	198,122	41,651	1,416,655	2,431,214	290,581	42,258	2,764,054

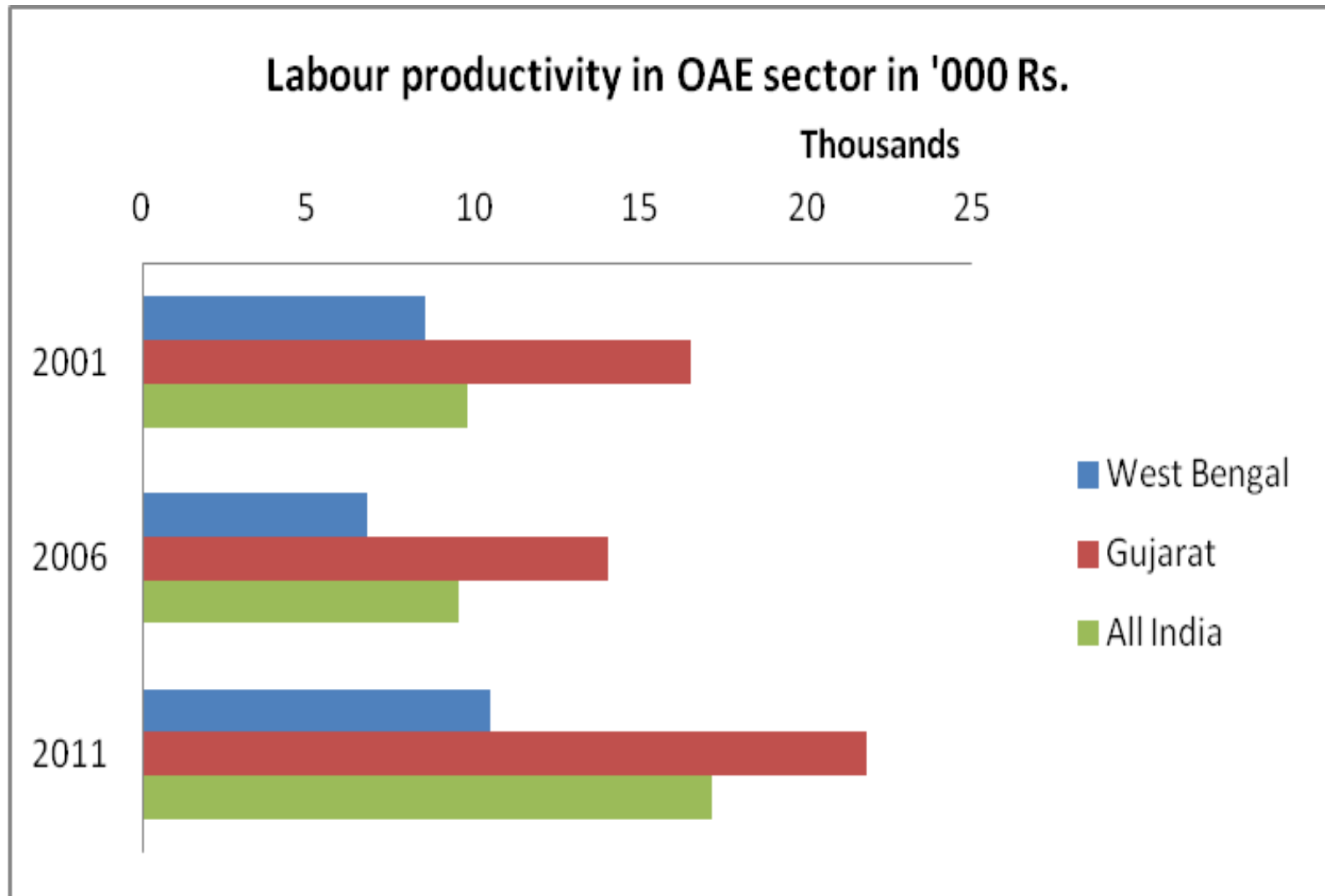
Percentage of units with respect to OAE, NSS 9(-) and 10+ NSS								
Year	Gujarat				West Bengal			
	OAE-NSS	NSS 9 (-)	10+ NSS	Total Unorganised	OAE-NSS	NSS 9 (-)	10+ NSS	Total Unorganised
2000-01	74.19	22.28	3.53	100	89.70	9.41	0.90	100.00
2005-06	79.85	16.29	3.85	100	88.34	10.61	1.05	100.00
2010-11	83.07	13.99	2.94	100	87.96	10.51	1.53	100.00

Labour productivity in unorganised sector (small)

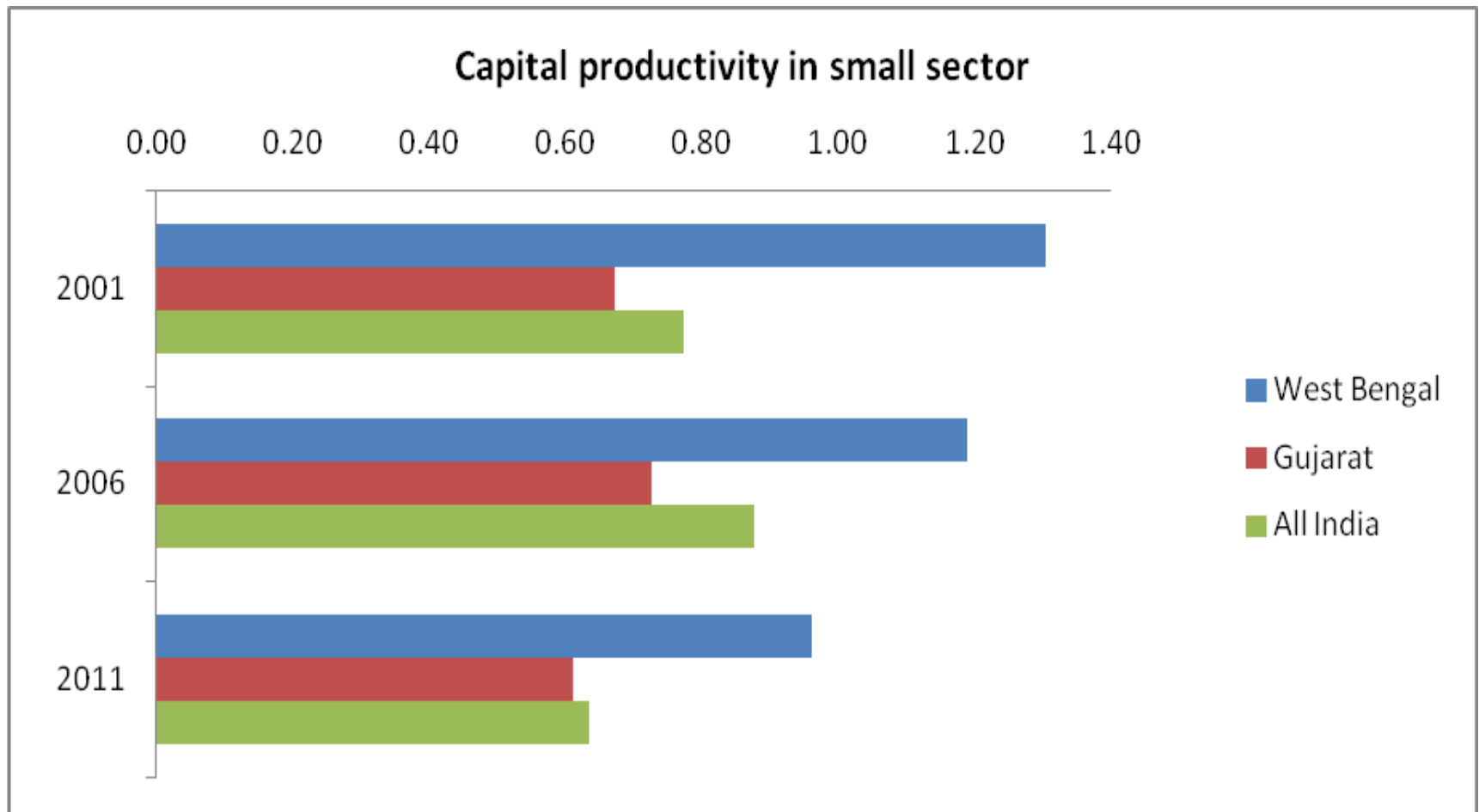


- It is evident that labour productivity is much lower in West Bengal than that of Gujarat and all India average in small unorganised sector.
- The gap has widened over time.

Labour productivity in unorganised sector (OAE)

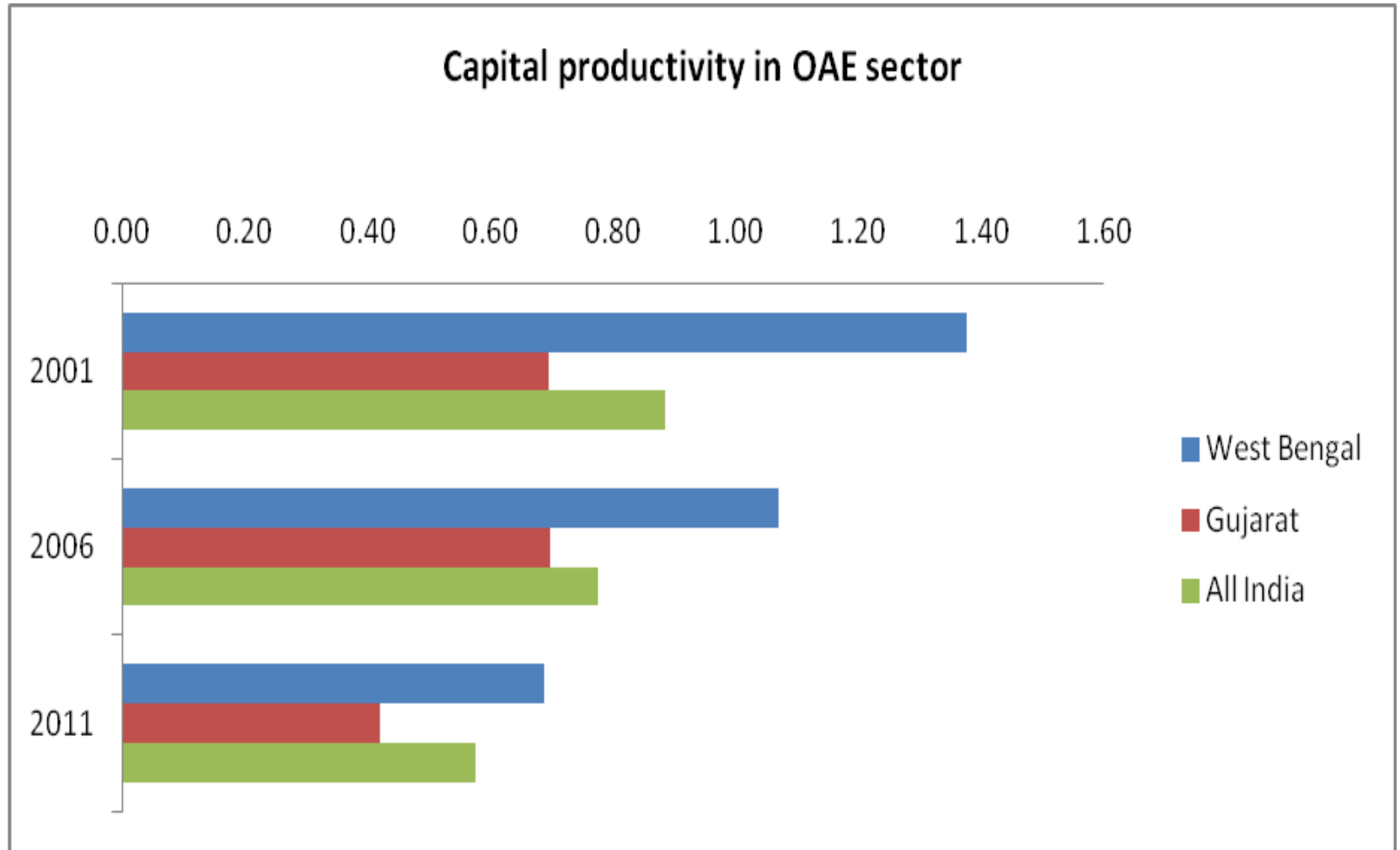


Capital productivity in unorganised sector (small)

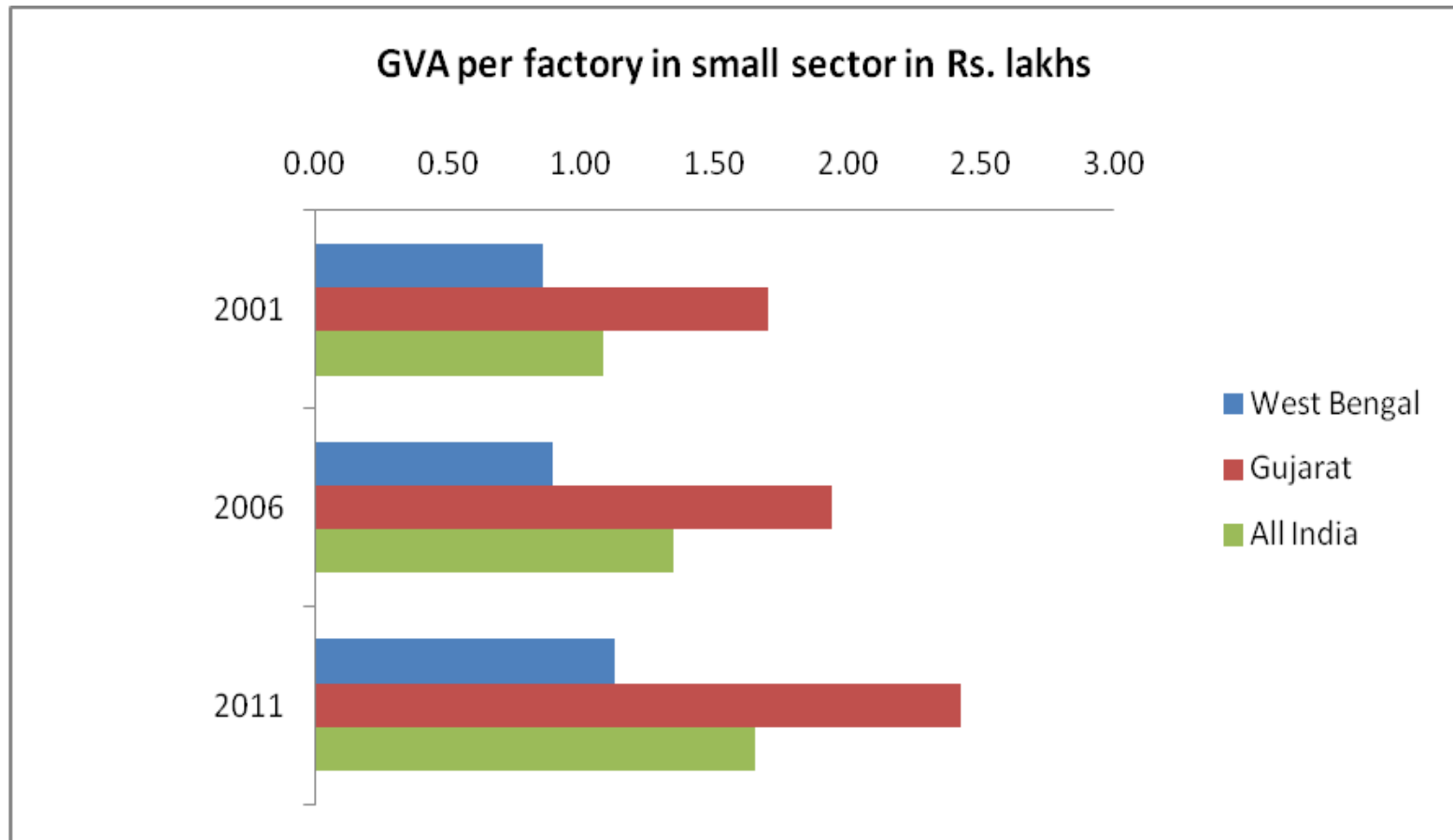


- Capital productivity in West Bengal is always significantly higher than that of Gujarat and also far above all India figure in both small and OAE sector.

Capital productivity in unorganised sector (OAE)

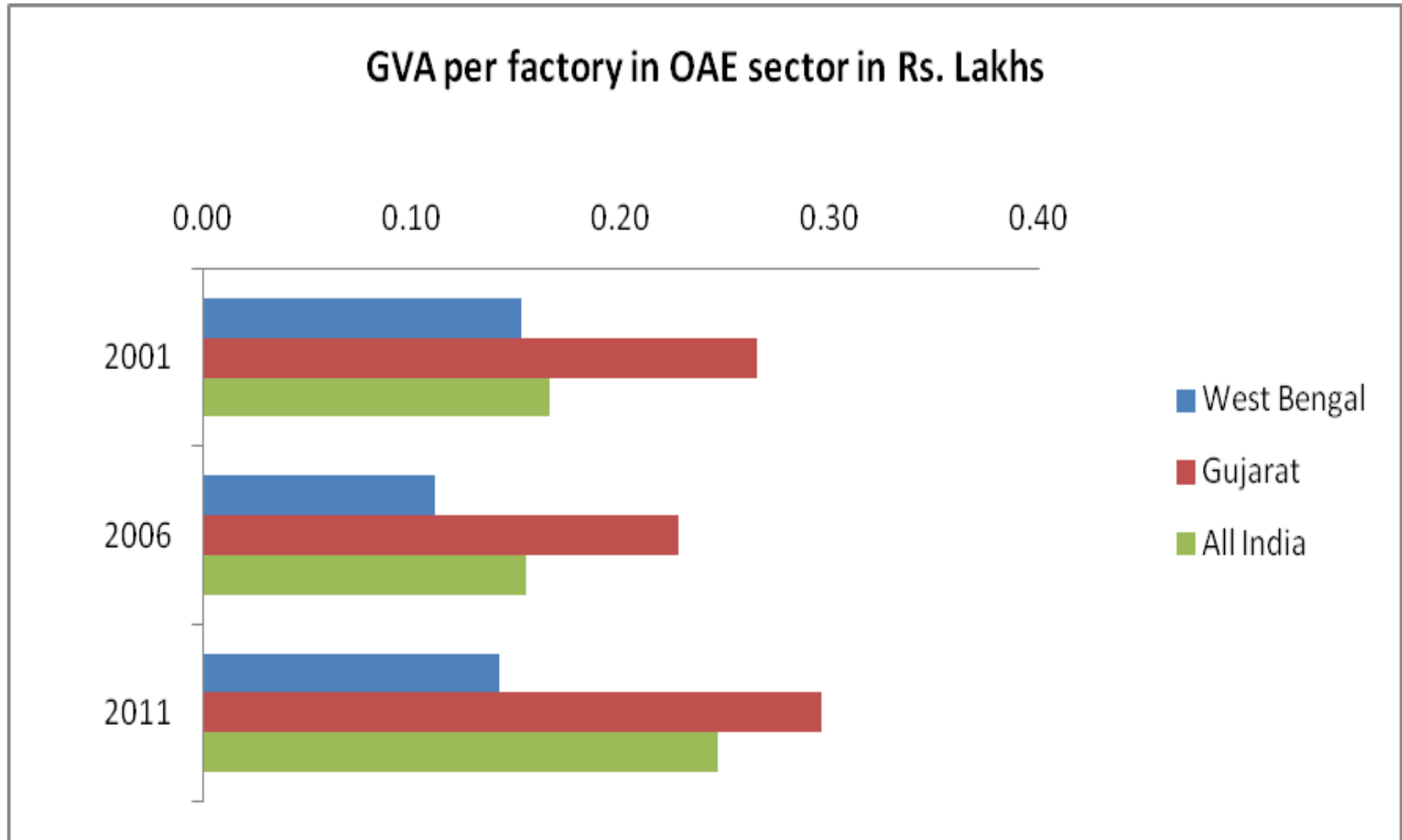


Value addition per factory in unorganised sector (small)



- The value addition has always been higher in Gujarat than that of West Bengal in both organised and sub-domains of unorganised sectors.
- The small sectors as well as the OAE sectors are contributing per factory much higher GVA than that of West Bengal.

Value addition in unorganised sector (OAE)



Discussion

Deterrent factors

- Bengal had flourished in the fields of industry and commerce under the British Rule. The slide started after partition
- It is generally perceived that cultural activity and not industry is the quintessential Bengali's cup of tea but history says that High culture comes with rich economic development
- With the hiving off of the greater part of this hinterland, industry was seriously dislocated. The plight of the most important industry in and around Kolkata, viz. jute, bears out the point
- Most of the jute-growing areas were in East Bengal, while almost all the jute mills were in West Bengal. With the Partition, this industry was absolutely paralysed
- Much of the capital invested by the Bengali entrepreneurs came from the large surpluses of the big landlords – and most of these Zamindars were based in East Bengal. The Tagores were the most illustrious examples

Deterrent factors

- Lack of modernization and product development and diversification has resulted in obsolescence of machinery and shrinking of markets
 - The jute, engineering goods and tea industries are glaring instances of the malaise
- The problem of West Bengal's industry was compounded by the policy freight equalisation, which provided no further locational advantage of Eastern India
 - For minerals and some other commodities, freight rates were equalized, but not for chemicals. This gave a clear edge to coastal regions of Western India which took advantage of port facilities, at the cost of the East
- Discovery of oil on the Arabian Sea was another factor which gave a great fillip to the petro-chemical industry of Western India
- Jute, which, as a packing material was in high demand worldwide, started facing stiff competition from cheaper artificial fibres in the post-War world

Deterrent factors

- Bangladesh, which has most of the jute-growing areas, has set up a number of jute mills and has started competing with Indian jute
- World demand for tea has not grown in the recent past as that of coffee has. Countries like Sri Lanka, Indonesia and Kenya have emerged as major competitors with cheaper tea
- West Bengal has also suffered from protracted industrial unrest
 - From the days of the freedom struggle, the State has not been a stranger to labour movements – often quite militant. After Independence, the Leftist unions, bolstered by peasant struggles in Tebhaga and elsewhere, and by the Food Movement, led labour campaigns which often resulted in loss in man-days of work
- The plight of the port of Kolkata has been another stumbling block in the path to industrialisation.
 - This infrastructural shortcoming has been a bane for West Bengal as far as the issue of attracting investment is concerned.
- A major cause of concern, not only for West Bengal, but for Eastern and North-Eastern India in general, is the low and declining credit-deposit ratio.

Thank You