

An Outlook on Informal Sector With Special Reference to Rice Milling Industries in Burdwan City Adjoining Areas

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Abstract

Introduction

In India the term 'small- scale industry' was usually applied to all production enterprises outside the jurisdiction of factory legislation that is mechanised and manual units with less than 10 and 20 workers respectively. The importance of small-scale industries was first underlined in the Industrial Policy Resolution of the Government of India, dated 6th April, 1948. Though no positive proposition for the definition of small-scale industries was made in the said resolution, nevertheless it served well to draw the attention of the state to the importance of the small-scale industries in the economy of India.

Our objectives in this paper are to study the agro-based

industries around Burdwan town, located in the midst of a prosperous agricultural region, and to place them in context as an informal sector activity.

Whereas industries played a key role in the process of economic growth of the developed world, the less developed countries experienced industrial development entirely different from the developed countries in the colonial and postcolonial periods. In the colonial period, large investments in the private sector (Bagchi, 1995) gave rise to a dual economic structure and 'enclave' type growth. On the other hand, postcolonial industrial growth has been either state – controlled development or in the informal sector (Gandhi and Banerjee-Guha, 1995). The informal industrial activities include not only the traditional and non- capitalist forms of production of craft workers, but also the modern types of activates organized and adapted to use unskilled, semi-skilled and semi-trained workers (such as large and modern rice mills).

This paper gives a brief outline of the literature on informal sector, especially in the context of Urban India. It also places our study in the specific context of Burdwan.

In other words, it can be said that main thrust of this paper is on the role of informal sector on the integration of rural and urban economies to give them the shape of a functional region. The exercise will also help us to answer the following questions:

1. How far does the informal manufacturing sector of

Burdwan's economy bear the characteristics of third world urban informal sector? and

2. How far does this sector of the economy enrich the urban area?

The Informal Sector of Burdwan

Before attempting to analyse the informal sector structure of the secondary sector of Burdwan, a discussion on the concept of informality itself would be pertinent. This will help us to understand the characteristics of the existing situation in Burdwan.

An economy can be described as the sum total of arrangements for the production and distribution of goods and services (Ray and Banerjee, 1995). In India, urban societies have two kinds of employment- generating economics the formal sector and the informal sector. The former, functions on the rules, regulations, organizational and training skills of the modern sector whereas the latter exhibits all aspects of the traditional economy.

There is a vast array of literature (for examples see International Labour Office (Joshi and Joshi, 1976; 89; ILO, 1972) which is discussed later in this paper on the definitional problem of the informal sector of third world urban economics (Mukhopadhyay, 1998; Aziz, 1984; Papola, 1981). The concept of 'informal sector' was evolved in socio-anthropological studies during 1950's (Ray and Banerjee, 1995). The ILO in its report on Kenya, distinguished the informal sector from the formal one by defining the former as

to be characterized by ease of entry, reliance on indigenous resources, family ownership, labour intensiveness and adapted technology, skill- acquired outside the formal school system and unregulated market (ILO, 1972). Apparently, it seems that this most widely accepted definition of the informal sector. Later, Joshi and Joshi (1976) defined the informal sector as unorganized sector which contains a very large number of small producers operating on narrow margins in highly competitive product markets; setting a variety of goods and services mainly to low income groups'. According to them the use of labour intensive indigenous technology, low productivity of labour, lack of finance and credit from the banking sector, and the lack of official protection and benefits also characterize the informal sector. Mazumdar (1975) has mentioned one more characteristic of the informal economy, that is, the lack of proper unionisation providing protection to workers in matters of conditions of work and wages. Following Mazumdar (1975) we can identify the informal sector of urban economy in Burdwan town, which essentially consists of mostly agricultural labourers, workers in small industries and commercial units and self-employees. Hernando de Soto (1995) the activist author of the alternative development philosophy, wrote as influential book "*The other path*" about the informal sector in Peru. He added a new angle by noting that the informal sector consists of legal activities carried out in illegal ways. They are 'illegal' only because they are conducted outside of the tax registration and licensure

requirements imposed by municipal, state and national governments. On business operating in the official, sanctioned economy, de Soto (1995) was one of the first people to document the high financial and social cost of **belonging to the informal sector**

In much of the theoretical literature the informal sector is viewed as being essentially a stagnant and unproductive sector. In sharp contrast to this view, however, the current empirical research increasingly sees the informal sector as a dynamic and efficient one responding successfully to changing demands in the economy and contributing significantly to income and output (Bhattacharya, 1996; Sethuraman, 1976; ILO, 1972).

Several authors have used different terms to define informal economy. Geertz (1963) in his study of Indonesia used the term 'bazaar economy' for the informal sector. Santos (1970) used 'lower circuit' to define informal sector sharing space with the upper circuit. A number of scholars (Singer, 1970; Dasgupta, 1988;) preferred the term 'dualism' to define the coexistence of formal and informal economies, but these two have different characteristics. Whatever be the term, the informal economy is interlinked with the formal economy through the flow of goods and services, just as the peasant economy is linked with capitalist agriculture through labour service(McGee, *et al.*, 1977).

However, the question that academicians have put forward is whether the existence of two circuits- formal and

informal – can be described as ‘dual’ economy or polarization in economic activities. There are difference in opinion among geographers and economists regarding the co- existence of formal and informal sectors in urban economy.. The conventional sense of dualism no longer operates in the world, and formal – informal too no longer form a binary polarity. The modern- traditional dichotomy prevalent in the past has an insignificant place in a world now characterized by connectedness, innovation diffusion and rapidly changing consumption patterns.

Many ‘dualists’ adopt a very partial approach to the study of the third world economy and society, focusing almost exclusively on production. But the problems of an economic society cannot be studied on such a piecemeal basis; besides production, we must also analyze the distribution and employment aspects. In other words, one must look into the entire system for a better understanding of its dynamics. Thus, dualism” was viewed as being applicable to only production whereas polarization is applicable to the whole economic system (Stravenhagen, 1968). Also the relations between the two sectors represent the functioning of a single society in which two poles are integral parts, these two poles originating within the same historical process (Stravenhagen, 1968). Therefore, instead of the more widely prevalent term ‘dual economy’ we would follow Peattie (1968) and describe the urban economy of Burdwan town as ‘bi-polar’ having a formal sector which contains the professionals employees in

the public sector and employees in establishments with more than five workers, and an informal sector containing most of the agricultural labourer, workers in small industries and commercial units and the self- employees.

In Burdwan the minimum labour requirement for running a small- scale industry like husking mill is two. In case of *Dal mill* and *Chira mill* this number reaches up to four and five respectively. If we consider rice mills, then the minimum number of labour requirement varies from one mill to another depending upon its capacity, seasonality and level of modernization. In non – modernized mills, the labour requirement is greater and can reach up to over 60 during a peak productive season in a reasonably large mill.

An alternate concept of dualism, in which two historically distinct activities come into conflict, also seems outmoded. Even the theory of transition between two such situations is difficult to accept. This paradigm had distorted the studies on third world urbanization to such an extent that its further utility was doubted. The main drawback of this approach is that it is based on the idea of a dichotomised or fragmented urban economy. This approach often leads to separate treatments for each supposedly separate parts of the urban economy.

The concept of a specifically urban dualism also becomes meaningless when it is realized that both circuits of the urban economy owe their origin and existence to the same causes, those called technological modernization.

Though the two circuits are apparently independent, the linkages between them are considerable and are characterized by the dependence of the lower upon the upper in the same way that traditional activities are dependent upon modern or rural to urban. Thus, the 'dualism' identified by so many authors is nothing more than the general manifestation of the upper circuit's hegemony, which can be seen in more striking terms in the guise of monopoly on the one hand and underemployment on the other (Dasgupta, 1988). Thus to analyse the two circuits or urban economy from a dualistic standpoint is to deny the historical perspective indispensable to a valid conceptualisation of the reality of contemporary less developed countries like India. In Burdwan too, we find that rural and urban are inextricably interlinked in many ways, and the growth of informal industries reflects that relationship (Samanta, 1999).

Conclusion

There are various, sometimes conflicting sometimes complementary theories about why the informal sector persists. The informal sector grows when, as reflected in stagnant or declining Gross National Product (GNP), there is a lack of growth in the formal sector (Wickware, 1998). This theory assumes, of course, that growth in GNP generated by an expanding formal sector is followed by a decline in the informal sector. However, experience shows that this is not necessarily the case. The informal sector is expanding even in countries like India experiencing significant economic

growth. India has a burgeoning middle class (now estimated at roughly one- fifth of its nearly one billion people), yet 92 per cent of those who work in India (which is to say almost every adult and millions of children) continue to do so within the informal sector.

Finally and perhaps most important, in informal is the fact that fact that the employees and dependents and millions similarly surviving in unacknowledged limbo have no political voice. Consequently, they have no leverage with which to force their government to give them the municipal services and social benefits available to other citizens. But in case of Burdwan, the rights of rice mill workers are retained through the trade union Centre of Indian Trade Union (CITU). This labour union emphasizes the need for and maintains the social security of informal sector workers. Realizing this, in West Bengal the government has introduced some security net for informal sector workers. Usually, informal sector workers are not eligible to participate in whatever official social security programmes exist. In some countries, this means 80 per cent or more of the populations are excluded from such programmes. Informal sector communities are invariably the last – usually by decades – to (Wick aware, 1998). For most members of the urban informal sector, these are the harsh comparative comfort and security. But the fiscal and bureaucratic barriers to becoming ‘legal’ even if one wishes to do so, are often insurmountable.

In Burdwan town too, like most of the third world

urban centres, the informal sector of the economy is expanding at a much faster rate than the formal sector. The dominant economic activities of the town, trade, transport and agro-processing unit are basically of informal nature. Also, the formal-informal dichotomy is blurred in some cases, as we will see later. For example, some rice mills are big in size and use sophisticated machinery where as a much lower level of technological sophistry exists in husking mills, performing a similar function.

The research work presented here studies in detail an informal sector industrial activity: agro-processing unit of various sizes in context of Burdwan town and its adjacent areas. The fate of eastern part of Burdwan district has evolved through post-independence 'development' initiatives-irrigation waters from the canals of the Damodar Valley Corporation (DVC), introduction of High Yielding Variety (HYN) seeds, pesticides, insecticides, chemical fertilizer through various Intensive Agricultural Development Programmes (LADP) and land reform measures (such as the abolition of *Zamindari system* or *operation barga*). All these initiatives were possible mainly through left-oriented agrarian movements in this part of West Bengal.

As a result, the eastern part of Burdwan district has turned into an agriculturally prosperous region with a thriving economy, which in turn provided impetus for the growth of agro-based raw materials processing industries. Rice mills, husking mills, oil mills, *chira mills*, *dal mills* are the units that

dot the agricultural landscape of this part of the district and constitute an important segment of the industrial sector of the urban economy of the regional node, that is, Burdwan town. The great rush of informal workers in the above industries leads to flourishing trade that accelerates the rapid growth of the town.

At the same time the number of self-employed informal workers is also increasing at a significant rate. This group includes the rice mills machinery manufacturer, welder, firebricks supplier, trucks driver, broker or mediators locally known as *dallas*.

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