



**SURVEY ON  
STRUCTURAL TRANSFORMATION OF WEST BENGAL ECONOMY**

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## **INTRODUCTION**

Structure transformation or change of an economy means the change in output structure, occupation structure, changes in imports and exports of that economy. Likewise to understand the structure of West Bengal economy, the changes in structure of that economy need to be understood. West Bengal's structure that included output structure and occupation grew at a very slow pace till 1980-81. Since 1950-51 the output structure and occupation structure of West Bengal economy grew at a very slow pace till 1980-81. The state was dependent on central Government for meeting daily needs. However, the situations improved with green revolution.

The situation started to change when the growth rate of SDP began to rise in 1980s. Now the state is one of the few producing surplus, producing nearly 20% of rice and 33% of potato yield in 2004. Total export from IT sector is estimated to be Rs. 19000 crores in 2016-17.

## **MOTIVATION**

Structure of an economy is ever changing. The unforeseen circumstances greatly affects the economy. The pandemic situation for example, was a tough blow to the economy. The epidemic had caused the whole economic activities shut down, which is an unimaginable sight otherwise. As a result, GDP rate as well as share market was shot down. The economy was basically crippled especially the West Bengal economy. Therefore, it is an attempt to study the structural changes that West Bengal economy suffered since independence period and how the occupation, output structure balances out the economy in the end.

## **LITERATURE REVIEW**

Chatterjee P in his present history of West Bengal wrote on extremely limited reach on nineteenth century Bengal Renaissance in 1997. He quoted "reason dwindled to merely individual means of self-gratification without social responsibility." Roger and Harris White wrote a paper on Bengal's agricultural growth and structure which was published on Economic and Political weekly in 1999.

## **OBJECTIVES**

The main goal or objective or purpose of this project is to show the role of trade, employment, imports-exports, and output among various other things in balancing out the structure of West Bengal economy. The role of increasing agricultural productivity in providing structural transformation of Bengal are as follows:

- 1) Produce more food grains through technological improvement as well as produce more raw materials for industries. Thus increasing more agricultural product would yield more output catering to structural development of economy.
- 2) Reducing the size of fields to use it for multiple cropping throughout the year, helps in creating full employment throughout the year thus balancing out agricultural output.
- 3) Creation of alternate employment opportunities in rural areas.
- 4) Creating surplus to feed enough to agricultural labourers, encouraging them to produce more food-grains and industrial raw materials.

Similarly, technological advancement in industries along with mobilisation of more workers yields to more trades, employment opportunities and more outputs which when balances out with each other leads to development.

## **METHODOLOGY**

This field is supposed to be conducted by us students manually, however we are not able to procure the data in this pandemic situation. Therefore the primary data cannot be obtained. This project is thus based on secondary data obtained from research materials and census reports. I have done this project with information based on the chapter on Structural change in West Bengal and other States.

## **RESULTS**

After a long stagnation period from 1950-51 till 1980-81, West Bengal began to experience structural changes with rise in SDP during 1980s. The situation began to change. The rate of SDP further increased from 4.24 percent during (1981-82 to 1990-91 ) to 6.75 percent during (1991-92 to 2001-2). Thus, in terms of SDP growth rate West Bengal was second among all the states, however, in terms of growth rate of income position of West Bengal was deteriorating. Thus, since 1991, Bengal has experienced rapid economic growth. Which is a remarkable improvement within first three decades of economic planning (1951-81). All these are shown in table 1 below.

**Table 1**

**Average Annual Growth in Net State Domestic Product in Constant Prices(Percentage )**

State	Year	1961-62	1971-72	1981-82	1991-92
	to	to	to	to	
[1]	1970-71	1980-81	1990-91	2000-01	[5]
Andhra Pradesh	[2]	3.11	[3]	6.58	5.52
Assam		2.63	3.7	4.14	2.84
Bihar		2.47	3.2	5.06	2.34
Gujarat		4.83	4.31	5.99	6.35
Haryana		10.29	4.82	6.84	4.71
Karnataka		4.36	3.38	5.09	7.51
Kerala		4	2.3	3.34	5.74
Madhya Pradesh		2.86	3.63	4.89	3.65
Orissa		9.94	2.5	2.98	3.53
Punjab		5.67	4.64	5.4	4.61
rajasthan		5.78	4.1	4.35	4.47
Tamil Nadu		2.59	2.1	5.71	6.25
Uttar Pradesh		2.79	3.39	5.03	3.38
West Bengal		2.24	3.23	4.24	6.75
India		3.39	3.71	5.4	5.5

Note: (1) For column 2 base year is 1961-62

(2) For column 3 base year is 1971-72

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(3) For column 4 base year is 1981-82

(4) For India the respective decades are 1961-62, 1971-72, 1981-82 and 2001-2.

The ranks of the respective states in the year 1991-92 that West Bengal ranks second among the other states in terms of SDP growth rate.

It can be shown below:

States	Rank
1) Andhra Pradesh	6
2) Assam	13
3) Bihar	14
4) Gujarat	3
5) Haryana	7
6) Karnataka	1
7) Kerala	5
8) Madhya Pradesh	10
9) Orissa	11
10) Punjab	8
11) Rajasthan	9
12) Tamil Nadu	4
13) Uttar Pradesh	12
14) West Bengal	2
15) India	-

**Source: Statistical Abstract 2002, Bureau of applied Economics and Statistics, Government of West Bengal.**

It also shows that performance of West Bengal since 1993-94 was satisfactory. It can be shown in table 2 and 3 where simple averages of annual growth rates of West Bengal is shown between different years during 1993-94 to 2001-02 in percent at constant prices that is prices prevailing during 1993-94.

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Table 2

**Simple Averages of Annual Growth Rates of Gross SDP of West Bengal at Constant (1993-94) Prices during 1994-95 to 2001-02**

Year	1994-95	1995-96	1996-97	1998-99	1999-00	2000-01	2001-02	2002-03 (Q)
1993-94	6.81	7.11	7.06	7.36	7.16	7.11	7	7.03
1994-95	-	7.41	7.19	7.54	7.25	7.17	7.04	7.06
1994-96	-	-	6.97	7.61	7.19	7.11	6.96	7
1996-97	-	-	-	8.25	7.3	7.16	6.96	7.01
1997-98	-	-	-	-	6.36	6.62	6.53	6.7
1998-99	-	-	-	-	-	6.88	6.61	6.81
1999-00	-	-	-	-	-	-	6.35	6.77
2000-01 (P)	-	-	-	-	-	-	-	7.2

Note: P= Provisional, Q= Quick estimate

**Source : Estimates of State Domestic Product and District Domestic Product of West Bengal: 1993-94 to 2001-02, Bureau of Applied Economics and Statistics, Government of West Bengal, 2003.**

It shows simple averages of annual growth rates of gross state domestic product.

Table 3 represents such growth rates of per capita income of

West Bengal. Table 4 shows that the rate of growth of per capita income of West Bengal during 1993-94 to 2001-02 was above 5 per cent in most of the years. This is because

West Bengal has been successful in controlling fertility to a greater extent

than many other states during this period.

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**Table 3**  
**Simple Averages of Annual Growth Rates of Net State Domestic Product of**  
**West Bengal during 1994-95 to 2001-02**

Year	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 (P)	2001-02 (Q)
1993-94	6.95	7.22	7.13	7.44	7.23	7.22	7.06	7.11
1994-95	-	7.48	7.22	7.6	7.3	7.27	7.08	7.13
1995-96	-	-	6.95	7.67	7.24	7.22	7	7.07
1996-97	-	-	-	8.38	7.38	7.32	7.01	7.1
1997-98	-	-	-	-	6.38	6.78	6.55	6.78
1998-99	-	-	-	-	-	7.19	6.64	6.91
1999-00	-	-	-	-	-	-	6.08	6.77
2000-01 (P)	-	-	-	-	-	-	-	7.45

Note: P = Provisional, Q = Quick estimate.

**Source: Estimates of State Domestic Product and District Domestic Product of West Bengal: 1993-94 to 2001-02, Bureau of Applied Economics and Statistics, Government of West Bengal, 2003.**



**Table 4**

**Simple Averages of Annual Growth Rates of Per Capita Income of West Bengal during 1994-95 to 2000-01.**

Year	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 (P)	2000-02 (Q)
1993-94	5	5.31	5.26	5.62	5.46	5.51	5.4	5.51
1994-95	-	5.61	5.4	5.83	5.58	5.61	5.47	5.58
1995-96	-	-	5.18	5.94	5.57	5.61	5.44	5.58
1996-97	-	-	-	6.69	5.76	5.76	5.51	5.66
1997-98	-	-	-	-	4.83	5.29	5.12	5.4
1998-99	-	-	-	-	-	5.74	5.25	5.59
1999-00	-	-	-	-	-	-	4.78	5.52
2000-01 (P)	-	-	-	-	-	-	-	6.26

Note : P = Provisional, Q = Quick estimate.

**Source: Estimates of State Domestic Product and District Domestic Product of West Bengal: 1993-94 to 2001-02, Bureau of Applied Economics and Statistics, Government of West Bengal, 2003.**

Let us consider the impact of this high growth rate in West Bengal on the sectorial distribution of the state domestic product. This we can be shown in table 5.

**Table 6**

**Sectorial Distribution of Net State Domestic Product of West Bengal and India at current prices percentage during 1993-94 to 2001-02.**

Year \ Sector	1993-94	1999-2000	2000-01	2001-02
Primary	35.90(35.07)	29.75(28.74)	28.73(27.55)	29.62(27.63)
Secondary	21.31(21.67)	21.29(21.36)	20.51(21.97)	20.00(21.45)
Tertiary	42.79(43.26)	48.96(49.90)	50.76(50.40)	51.38(50.92)
Total	100.00(100.00)	100.00(100.00)	100.00(100.00)	100.00(100.00)

Note: Figures in parentheses refer to all India figures.

**Source: State Domestic Product and District Domestic Product of West Bengal from 1993-94 to 2004-05. Bureau of applied Economics and Statistics, Government of India, 2006.**

Table 6 considers sector wise distribution of net state domestic product at current prices during 1993-94 to 2001-02. It shows that the share of primary sector in net state domestic product has decreased during 1993-94 to 2001-02 while that of tertiary sector has increased. But surprisingly the share of secondary sector did not increase; rather it has fallen compared to 1993-94 level. However, the shares of secondary sector did not increase but have fallen considerably compared to 1993-94 level.

**Table 7**

**Simple Averages of Annual Growth Rates of Per Capita Income of West Bengal during 1993-94 to 2000-01.**

Year \ Sector	1993-94	1999-2000	2000-01	2001-02
Primary	35.90(35.07)	29.75(28.74)	28.73(27.55)	29.62(27.63)
Secondary	21.31(21.67)	21.29(21.36)	20.51(21.97)	20.00(21.45)
Tertiary	42.79(43.26)	48.96(49.90)	50.76(50.40)	51.38(53.91)
Total	100.00(100.00)	100.00(100.00)	100.00(100.00)	100.00(100.00)

Note: Figures in parentheses refer to all India figures.

**Source: State Domestic Product and District Domestic Product of West Bengal from 1993-94 to 2004-05. Bureau of applied Economics and Statistics, Government of India, 2006.**

Table 7 considers it at constant (1993-94) prices covering the same period. We see that during 1993-94 to 2001-02, the share of primary sector in net state domestic product at constant 1993-94 prices has fallen while that of tertiary sector has increased quite substantially. But the share of secondary sector hovered around 21% during that period. However, the shares in secondary sector did not increase but fell considerably compared to 1993-94 level. Which is same when measured at current price.

Let us see the sector wise growth rates of net state domestic product for the period i.e., 1993-94 to 2000-01. We have presented such data in Table 8 below.

**Table 8**

**Annual Growth Rates of Net State Domestic Product of West Bengal by Industry of Origin at Constant (1993 - 94) Prices.**

Sector \ Year	Percentage change over Previous Year						
	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Primary	7.77	2.03	5.73	8.46	-2.76	2.69	2.09
Secondary	5.17	12.64	4.5	5.83	5.67	9.66	2.27
Tertiary	7.15	9.54	9.14	9.55	13.6	9.02	10.18
Total	6.95	7.48	6.95	8.38	6.38	7.19	6.08
Per capita income	5	5.61	5.18	6.69	4.83	5.74	4.78

Note : P = Provisional, Q = Quick estimate

**Source : State Domestic Product and District Domestic Product of West Bengal from 1993-94 to 2004-05. Bureau of applied Economics and Statistics, Government of India, 2006.**

We see that the performance of the primary sector is highly unstable. It appears that our agriculture is still a gamble in monsoons. The secondary sector's growth rate is largely satisfactory, except in the years 1996-97 and 2000-01. The tertiary sector performed very well in each year during 1993-94 to 2001-02. Hence, its share in the state domestic product has considerably increased during this period.

It should be noted that growth rate in the industrial sector is also unstable. In 1995-96, its growth rate was as high as 12.64 per cent but it was as low as 2.27 per cent in 2000-01. Like agricultural output, industrial output in the state of West Bengal is not stabilized. We shall now see how far these changes in output have brought about changes in occupation structure of the state.

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**Table 9**  
**Occupational Structure in**  
**West Bengal during 1961 - 2001**

Sector \ Year	West bengal				
	1961	1971	1981	1991	2001
Primary	58.81	62.3	59.13	56.49	39.43
Secondary	16.89	15.07	18.03	17.82	60.57
Tertiary	24.3	22.63	22.84	25.69	60.57
Total	100	100	100	100	100

**Source: Calculated from Census Reports, 1961 to 2001, Government of India.**

The general causes of this static occupation structure have been mentioned in the preceding section in the context of India. These causes are equally applicable in the case of West Bengal also. Over and above these causes, we may mention some particular factors operating in West Bengal leading to such a static occupation structure.

One of the principal reasons of this rigid occupation structure is the failure of the agricultural sector. As we have already mentioned, increase in

agricultural productivity is a necessity for changing the occupation structure in India. Food production in West Bengal between 1952-53 and 1964-65 increased only at the rate of 0.9 per cent per annum against the all-India average of 1.6 percent. The picture did not change much at least up to the mid-1970's. As a result, industrial growth has been hampered and workers could not be shifted from primary to secondary sector.

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Due to freight equalization policy of the Central Government, West Bengal lost its locational advantage. This also hampered her industrial progress during 1950-60 to 1990-91. Shortage of electricity have greatly affected both secondary and tertiary sector of West Bengal.

Further, during 1967-73, the industrial climate in this state began to deteriorate in the wake of intense political and social unrest and the outbreak of violence in every-day life. The industries were the most hard-hit by these developments. Trade and commerce also suffered severely.

There is a heavy concentration of engineering and traditional (Jute and Tea) industries in West Bengal. The engineering industries produce mostly capital goods. If the growth of the economy happens to be slow, the demand for engineering goods drops rapidly. During 1961-81, India suffered from an industrial deceleration, and West Bengal's engineering industry was very badly affected. The tea industry of the state has also run through a very difficult time, mainly due to increased foreign competition. The Jute industry has been suffering a long slump chiefly due to the invention of synthetic substitutes and consequent reduction in demand for jute products<sup>^</sup>.

The basic imbalance in West Bengal's industrial structure has also impeded her industrial growth. This imbalance has three main aspects:

- (a) Intra-state disparity in industrialization-between the Calcutta metropolitan region and the rest of the state.
- (b) Concentration of industrial endeavour in some narrow fields and

comparative lack of emphasis on growth-industries such as chemicals, electronics, etc.

(c) Lack of emphasis on research and development by West Bengal entrepreneurs and their peculiar reluctance to reorient themselves to technological advances.

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### **POLICY SUGGESTIONS**

when the Union Government formulated a New Industrial Policy and adopted the policy of liberalization. Freight equalization policy was also partially revoked. It brought back locational advantage of West Bengal.

Minimum Wages Act and other labour laws on the one hand and different concessions given to capital including tax-holidays, margin money, subsidy on loans, etc, labour has become relatively cheaper and capital has become relatively cheaper. As a result, the average capital-labour ratio in the industrial sector is on the rise. Hence, our industrial production has increased but industrial employment did not.

**[Page 13]**

## **CONCLUSION**

I deeply thank my teacher Dr. Hiranya Lahiri the Assistant Professor of my College for giving me this project. This project has helped me broaden my horizon on the topic Structural Transformation of West Bengal.

Thanking you.



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## **BIBLIOGRAPHY**

The information on this project is taken from chapter 5 on Structural Changes in West Bengal and other states published in [www.researchgate.net](http://www.researchgate.net).

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