



**INDIAN INSTITUTE OF TECHNOLOGY GUWAHATI
SHORT ABSTRACT OF THESIS**

Name of the Student : NABANITA MITRA

Roll Number : 126141002

Programme of Study : Ph.D.

Thesis Title: Rural Occupational Diversification in India: Theory and Evidence

Name of Thesis Supervisor(s) : Dr.Debarshi Das

Thesis Submitted to the Department/ Center : Humanities and Social Sciences

Date of completion of Thesis Viva-Voce Exam : 22nd February,2019

Key words for description of Thesis Work : Rural organized manufacturing industries, profit rate, wage rate, labour productivity, short-run output, medium-run growth rate

SHORT ABSTRACT

Rural organised manufacturing industries in India are essentially capitalist enterprises, with focus on profits. Economic theory points towards a link between profit rate and long-term growth in output. This thesis adopts this paradigm: it examines the profit rate of the rural organised manufacturing industries segment to assess its growth. This thesis also identifies the factors driving profit rate of this segment and develops an analytical model to explain the phenomenon underlying empirical observations, on the rural organised manufacturing industries segment.

Existing studies on the rural economy have not examined profit rates to assess the growth of the rural economy as a whole or any part of it. Most existing studies use empirical evidence on the rapid increase in this sector's workforce size, to explain the growth of the rural non-agricultural sector in India. Some studies explain this growth, using estimates of the share of this sector in the rural National Domestic Product. This thesis addresses this gap. The profit rate and output growth of urban organised manufacturing industries are also studied. We find that the profit rate of rural organised manufacturing industries grew faster than urban industries.

Given the significance of profit rate in the heterodox tradition of economics, one important aspect addressed by this thesis is the identification of the factors driving change in profit rate in the rural organised manufacturing industries segment in India. Two-factor profit rate decomposition analysis based on Weisskopf's theoretical framework has been used for this analysis. The results reveal that worsening wage share and improving output-capital ratio,

underpinned by rising labour productivity were responsible for rising profit rates of rural industries. The unequal distribution of the output of this segment is a disconcerting finding. A small but higher rate of growth of the workforce, in rural industries compared to urban industries, indicates that it has the potential to generate employment. Empirical analysis of data on rural organised manufacturing industries reveals that this segment is marked by growing output, rising profit rate, workforce size, labour productivity, capital productivity, and capital intensity. The wage rate of rural industrial workers is higher than most other rural occupations. All this implies that it is a promising segment.

Our analytical model shows the impact of wage rate and labour productivity of the rural industrial worker on short-run output and medium-run growth in output of this sector. The model shows that output rises with the increase in the rural industrial wage rate. This is so, as demand for rural industrial produce rises with improvement in wage rates. For the same reason, the output of this sector expands when the number of rural industrial workers increases per unit of output. According to the model, the medium-run growth in output of the rural industrial sector improves with improving profit share and capital productivity.

Based on our findings and results, we conclude that the rural organised industries segment is a relatively high value-added segment of the rural economy, with a potential to generate productive employment. Policies that push up rural wage rate and capital productivity in rural industries will improve the prevailing low wage rates and employment levels of the rural economy, aside from generating high growth of output. The distribution of output across rural classes, which is skewed, will also be made fairer.

