

Changes in Rural Economy: Relief to resilience?

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Despite the adverse initial conditions with pervasive poverty and shaken subsistence agriculture, rural Bangladesh seems to have managed to feed its growing population with a declining cultivated land area. More importantly, perhaps, population growth rate could be contained substantially and rural Bangladesh also achieved moderate progress in economic growth and poverty reduction. It can be hypothesized that a regime of resilience seems to have taken over a regime of relief in a ravaged rural setting.

Progress on the social front includes, inter alia, substantial reduction in the growth of population and decline in child-woman ratio. With fewer children, the households need to spend less on food, education and health care. It might have positive impact on the capacity to save and accumulation of capital. The findings of the repeat surveys also reveal substantial progress in adult literacy and school participation rates over 1988-2004. The gender disparity in participation in primary schools has disappeared, and has turned in favor of girls for secondary education. Thus, while Bangladesh has to go a long way to achieve universal primary education and to improve the quality of education, the progress made in educating the rural children is noteworthy.

Since time immemorial land has been the leading source of livelihood in rural areas, and ipso facto, the question of re-distributive land reform figured prominently in the discourse on rural development. Land ownership depicts a trend toward pauperization rather than differentiation among the peasantry. Marginal and small farms dominate the agrarian structure in Bangladesh although they control a small share of land. The average size of landholding declined from 0.88 to 0.66 hectare by 2000 and further to 0.59 ha by 2004. A redistributive land reform does not seem to fit the reality on the ground.

Substantial land transactions occur through the operation of the tenancy market and, hence, tenancy reform could be a proper candidate for reforms in the interest of the poor. The proportion of tenant farmers has increased from 44 per cent to 58 per cent, and the land under tenancy cultivation has increased from 22 per cent to 40 per cent. Most of the tenants are small landowners who find it economical to rent land to increase the capacity-use of the farm establishment. It could be observed that fixed-rent tenancy both in kind and in cash-rental payments has gained in importance with the spread of the cultivation of modern varieties (MV) of rice.

Technological progress paid dividends in terms of increased rice yield, output and falling rice prices. The coverage of irrigation and the adoption of modern varieties were in fact higher on smaller farms. This finding is contrary to the general observation in the development literature that the green revolution bypassed small and marginal farmers to capital find it more economical to rent out land and engage in non-farm business. The mechanization in land-preparation has expanded rapidly during the 1990s to cope with the shortage of both animal and human labor

Over the period, non-agricultural income emerged as the major source of rural household income, and it is no less for the poor households, spurred by the green revolution and the revolution in the communication sector. The average household income has increase at an annual rate of growth of 1.4 per cent. Per capita income has increased faster, at 2.1 per cent per year, because of the

reduction in the size of the household. The income from rice-farming and agricultural wage labor has declined in absolute terms over the period. Several aspects are noteworthy with respect to the structure of household income and its change over the period. First, landownership is no longer the predominant source of household income in rural Bangladesh. Second, income from activities that depend on human capital - trade, services and remittances, accounted for 49 per cent of household income in 2004, a substantial increase from the level of 34 per cent for 1988. Third, the role of the labor market in income generation is no longer of high importance. Self-employment in manual labor-based activities (cottage industry, transport operations and construction work) and hiring of labor services in crop production activity accounted for *only* 13 per cent of rural household income *in 2004*, a sharp decline from 19 per cent *in 1988*. For the functionally landless households that supply the bulk of wage-labor, the income from agricultural and non-farm labor accounted for 25 per cent of their household income in 2004, a sharp reduction from the 44 per cent estimated for 1988.

Poverty level in rural Bangladesh declined roughly at 1 percentage point per annum – quite akin to the macro level finding on this count. What about inequality? It has increased over time. However, the findings do not support the popular view that the spread of modern agricultural technology is responsible for growing inequality in rural incomes. Rather, the new income earning opportunities in non-agriculture and in the non-rice agriculture has been availed off by higher income groups, causing growing inequality in rural incomes.

By and large, farming is equalizing occupation as mostly the poor are engaged in there now. Non-rice crops and non-agricultural income are inequalizing due to the greater access of the rich in education, credit and health services. The policy implication is that, in rural areas, access of the poor to education, credit and health services should be increased to ameliorate inequality. Second, in the absence of a redistributive land reform, we can intensify tenancy reform – already brought in by then operation of the market forces – and take steps against absentee rent seekers. Tenants also need special attention in terms of access to credit market. Bangladesh needs to adopt an inclusive growth strategy with special focus on agriculture and rural development where most of the poor live. Not relief but an environment to be resilient should be the target for policy makers by recounting the role of agriculture and rural development.

