



THE ROLE OF GROWTH CENTERS IN THE RURAL ECONOMY OF BANGLADESH

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Introduction

The enormous role of infrastructure in the economy of a country is widely recognized. Economic activities in the urban and rural areas are largely dependent on physical and social infrastructures. In some cases, they create the opportunity for a new economic activity that never existed. However, different infrastructure elements do not have the same impact on the urban and rural economy. It has often been seen that an infrastructure element having tremendous effect on the urban economy, has little or no impact on rural economy. The infrastructure element that has a tremendous effect on rural economy, especially in Bangladesh, is growth center. It is basically the rural markets which have been developed through the provision of infrastructures.

Agriculture is the backbone of rural economy in Bangladesh. It is also the major source of employment in rural areas. Rural markets help in the marketing of agricultural and other products and provide access to inputs required for agricultural production. This paper seeks to show that upgradation of rural markets to growth centers, by providing necessary infrastructures, improves rural economy as a whole. An attempt has been made to quantify some of the economic benefits through the statistics of some growth centers of Tangail district. While conducting the research, data from secondary sources as well as data from the implementing agency involved in the rural market upgradation work has been relied upon.

The Concept of Growth Center

The definition of growth center is not uniform throughout the world. For example, ESCAP (ESCAP 1979) sees growth centers or rural centers as centers that fulfil a criterion. According to this criterion, the centers that contribute directly to the basic needs of agricultural producers, both in respect of economic and social services are termed as growth centers. These services include the provision of the marketing of agricultural products and the arrangement for inputs that are fundamental for the production of agricultural commodities.

On the other hand, location theorists look at growth centers from a different perspective. If service specialization is arranged in a continuum where



small village and large metropolitan city form the lower and upper limit respectively, a wide range of settlements can be classified (Ramesh et al. 1971). Each settlement covers an area over which it has an influence. The size of influence area of each settlement expands with extent of specialization in the central settlement. According to the location theorists, 'Such settlements which are nuclei or central to their influence area are called growth centers'.

In the context Bangladesh, growth centers are rural markets that have been identified by the Planning Commission on the basis of socio-economic and administrative criteria for making development investment (LGED 1995). There are in total about 8,000 rural markets throughout Bangladesh that are popularly known as 'hat' or 'bazaar' (The World Bank 1996). Realizing their importance in the rural sector, the government felt the need to upgrade them with some infrastructure facilities in order to enhance their efficiency. However, due to fund constraint it was not possible to include all the 'hats' or 'bazaars' for development investment. Thus, initially 1,400 of them were selected in 1984 and later in 1993, another 700 'hats' or 'bazaars' were added to this list to take the final number to 2,100.

A hierarchy exists in the rural markets of Bangladesh. The different categories of markets along with their characteristics have been shown in Table-1. The growth centers mainly consist of the rural assembly and secondary markets that were chosen on the basis of some criteria (Ibid). The criteria include revenue prospect, amount of trade, area or population catered to, and an optimum distance between growth centers in proximity.

Table-1: Hierarchy of Rural Markets in Bangladesh

Type of Market	Number	Characteristics
Primary Market	6,000	Used primarily by farmers selling surplus produce to local consumers and local traders.
Local Assembly Market	1,500	Used by farmers and local traders exchanging with intermediary traders who move agricultural produce up to higher levels of the marketing system, and for the sale of foodstuffs, agricultural inputs and retail goods
Secondary Market	450	Typically serve a Upazilla. They are used by intermediary traders exchanging with large buyers, and are focal points for wholesale and retail sale of agricultural and non-agricultural goods and services.

Source: The World Bank, 1996.

The Relationship between Agriculture, Growth Center and Rural Economy

Agriculture sector employs the highest number of people in the rural areas of Bangladesh (Ali et al. 1998). As 80% of people live in rural areas, this sector is also the largest employer of the country. It involves 68.5% of the labor force of Bangladesh (BBS 1995). The direct contribution of this sector to the gross domestic products (GDP) is very significant with 35%. Thus, any endeavor to increase agricultural output through better marketing and better access to inputs actually help majority of the rural people and rural economy as a whole.

Rural markets are places where the farmers sell their products and agricultural commodities change hands. Between producer and final consumer, they change hands several times (The World Bank 1996). Accordingly, different types of traders are involved at different steps of the market hierarchy. Thus, more the increase in the number of buyers in these markets, more will be the trade volume and turn over. If the traders shy away from these markets, the producers would not be able to sell their goods. Even if they manage buyers within the local people, they would not receive the right price.

Rural markets also give the farmers access to inputs for agricultural production such as seeds, fertilizers and pesticides (LGED 1995). They have a direct consequence on the agricultural productivity. In addition, rural markets have an indirect impact on the productivity. They act not only as the commercial centers of rural areas, but also a place for social gathering which is scarce in the villages. The social interactions help in the transfer of the technology through exchange of views.

Rural markets are beset with many problems which are mostly associated with infrastructure. They include absence of paved areas, sheds, clean water, drainage system, solid waste disposal facilities, and good transport access (The World Bank 1996). Lack of these facilities are more pronounced in rainy seasons when buyers, and to some extent the sellers, keep away from the markets due to unhygienic and inefficient condition (see Fig. 1). As a result, market turn over falls. On the other hand, provision of infrastructure facilities increases the market efficiency, the hygienic condition and all weather accessibility. Therefore, they are likely to attract more customers and vendors.

Upgrading the rural markets to growth centers through the provision of infrastructure is likely to pave the way for an increase in the number of traders and market turn over. Market infrastructure, such as sheds, protects the agricultural commodities from the sun and the rain, resulting in reduction of losses. Furthermore, during the construction of market infrastructure, a number of local people are likely to get temporary jobs. Adoption of sustainable maintenance system would create a lot of permanent employment opportunities as well. All these contribute to the rural economy.



**Figure 1 : Unhygienic condition prevailing in a rural market.
Buyers are likely to stay away in this sort of condition.**

Infrastructure Provision and Maintenance System in a Growth Center

To ensure that all the growth centers are provided with consistent infrastructure following a standard, a manual titled 'Manual for Growth Center Planning' has been prepared by the Local Government Engineering Department (LGED). The manual focuses on the following issues (LGED 1995) and puts forth the guidelines and standards for their provision:

- Extension and elevation of the market area;
- Development of internal access roads and pathways;
- Development of internal drainage system;
- Sinking of tubewell;
- Construction of toilet facilities;
- Construction of dust bins;
- Construction of sheds and platforms; and
- Plantation.

The growth centers are being provided with infrastructures mainly following the guidelines and standards that have been set out in the manual. It is worth mentioning that, apart from improving internal access roads and pathways, the issue of external access to the growth centers is very important. Thus, the matter of providing appropriate access to the growth centers is given equal importance in the rural development projects involving rural market improvement. The appropriate access is given either by providing a Feeder Road Type-B¹, and/or

providing berthing facilities for centers having good waterway connection.

The manual also puts forward the guidelines for growth center maintenance. A sustainable maintenance system is ensured through market leasing procedure. The markets are managed by the Union Market Management Committee (UMMC). The UMMC manages the markets that fall within their union (The World Bank 1996). A competitive sealed tender system is adopted for leasing out the markets to the highest bidders, who then gain the right to collect user charges from the vendors. After the distribution of the market lease amount according to some prescribed percentage, an amount is spent for the operations and maintenance of the markets. Thus, a sustainable maintenance system ensures that capital investment made does not go in vain by way of quick deterioration in the physical condition of the infrastructures.

The Impact of Growth Centers on Rural Economy

Growth centers, that is the rural markets with infrastructure facilities, are likely to play a wider role in the rural economy in comparison to the state where they are only rural markets and yet to receive any development investment. The provision of infrastructures creates the potential for increased employment opportunities both during and after the construction period, and importantly higher market turnover. Provision of facilities such as paved area, sheds, toilet facilities improved access etc. improves the market environment to a great extent (see Fig. 2) due to which more vendors and customers are likely to be attracted to centers contributing positively to the market turnover.



Figure 2 : A growth center in Manikganj district. The shopping friendly environment created through the provision of infrastructural facilities is likely to attract more visitors to the market resulting in increased turnover.

The past and recent experiences of Tangail Infrastructure Development Project (TIDP), mainly aiming to upgrade rural markets with associated access improvements in Tangail district, can be used to illustrate the point that infrastructural investment has a positive impact on the rural economy. The socio-economic monitoring and evaluation of Phase I (November 1994) reveal that the TID project has opened up a number of employment opportunities, resulted in an increase in the price of agricultural products, and the reduction in the loss of fruit or vegetable produce (The World Bank 1996).

The effect of market upgradation is quite pronounced in the areas of market auction amounts, land prices, average daily attendance and sales turnover. It was found that auction rates increased by 100% in the three improved markets. In comparison, the average rate of increase in the auction amount per annum is 28% for the unimproved markets. A rise of 180% in the land prices was also observed in these markets. The average number of visitors per day went up by 22%.

The Phase-II of the Tangail Infrastructure Development Project which commenced from 1 October 1996, continued up to 30 April 2000. This project involved development of 6 markets. The monitoring and evaluation of this project is going on. Data have been collected from the project office and interpreted after some analysis.

The six markets of Tangail district which have been converted to growth centers through infrastructural investments are Lauhati, Nalin, Bhandeshwar, Sahajani, Kalidash and Karatia. Table-2 shows the effect of infrastructure provision on the auction rates of these six growth centers.

Table-2: Variation of Auction Rates of Six Growth Centers in the Last Six Years

Name of Growth Center	Name of Upazilla	Auction Amount of 95/96(Tk.) (Before dev.)	Auction Amount of 98/99	Auction Amount of 99/00(Tk.)	Auction Amount of 00/01(Tk.)	Avg. Annual % of Changes 95/96-00/01
Lauhati	Delduar	1,473,858	1,125,000	1,350,000	1,355,000	-1
Nalin	Gopalpur	52,000	60,000	62,000	100,100	+12
Bhandeshwar	Kalihat	13,300	20,500	24,300	27,300	+13
Sahajani	Nagarapur	93,000	132,000	134,000	303,000	+22
Kalidash	Shakipur	30,000	151,000	55,000	81,999	+18
Karatia	Tangail	446,000	657,000	852,000	805,000	+10
Sadar						

Source: Project Office, TIDP, Phase-II, 2000.

An increase in the auction amount actually reflects an increase in the number of vendors and buyers as well. It can be seen from Table-2 that except

for one growth center, all the other five growth centers showed a significant rise in the annual auction rates in the last six years on average. The reason behind the slight reduction of auction rate of the Lauhati center can be attributed to its already high auction amount of more than Taka 13 Lakh. Apart from spending on the maintenance program of these growth centers, a portion of the auction money is also spent on the development activities of rural areas which locate the growth centers.

The land values of the six growth centers were surveyed between 1996 and 1999. In the survey, an increase in the land value of Lauhati, Nalin, Bhandeshwar, Sahajani, Kalidash and Karatia growth centers was found to be 122%, 100%, 367%, 100%, 186%, and 100% respectively during the aforesaid period.

Among the six centers, it was possible to conduct terminal survey on two centers – Nalin and Bhandeshwar growth centers. A comparison of the findings of this survey with that of the base line survey actually shows the impact of market infrastructure. It was found that in Nalin growth center, the number of visitors has gone up by 18%. The market turnover showed a rise of 75% (to Taka 8.45 million), while the number of sellers has risen by 9%. On the other hand, in the same period the number of market visitors showed an increase of 17% in Bhandeshwar growth center. The market turnover increased by 97% (to Taka 2.9 million). The number of sellers also showed a rise of 44%.

From the statistics it can be concluded that provision of infrastructures in the rural markets is contributing significantly to the rural economy. Apart from creating temporary and permanent employment opportunities and ensuring better price of agricultural commodities for the farmers, growth centers are involving more vendors and customers in the trading process. As a result, there has been a remarkable increase in the market turnover and market auction rate.

Conclusion

Lack of development is often attributed to deficiency of infrastructure. Provision of infrastructure creates favorable environment for economic upliftment. The infrastructure element which can be termed as nerve center of rural economy, especially in Bangladesh's context, is a growth center. It is basically the rural markets provided with some infrastructural facilities. It has been seen that provision of infrastructures in rural markets actually paves the way for employment generation and contributes to increasing the number of traders and customers, market lease rate and market turnover. All these have a significant impact on the rural economy.

Growth centers help in the marketing of agricultural products. They also play an important role in providing the farmers with agricultural inputs such as

seeds, fertilizer, and pesticides. The farmers receive a better price for their produce and are less vulnerable to incurring monetary loss through vegetable and fruit losses. As agriculture employs the highest percentage of labor force of Bangladesh and majority of the people live in the rural areas, efficient marketing of agricultural products through better infrastructural facilities is going to economically benefit the bulk of the population, especially those belonging to the rural areas.

So far, only 2,100 out of 8,000 rural markets have been selected for development investment. All of them are yet to be covered under different projects. In view of the wider role of growth centers in the rural economy, it is proposed that all the selected markets are upgraded to growth centers and also majority of the 8,000 markets are added to the list.

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- [†] Feeder Road Type-B connects growth centers to the Roads and Highways network or to the Upazilla headquarters.