



INDIAN INSTITUTE OF TECHNOLOGY GUWAHATI  
SHORT ABSTRACT OF THESIS

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**SHORT ABSTRACT**

Small scale tea cultivation has become an integral part of the economy of Assam of late. The prospect of earning steady income has attracted a large number of rural people to start small tea cultivation. However, the sector is not free from challenges. The small tea growers are often exploited by the large tea estates. Workers employed in the small tea gardens seldom get their due benefits.

The main purpose of the present thesis is to investigate the production conditions in small tea gardens and the possible exploitation of small tea growers by buyers of tea leaves in Assam. The sustainability in the long-run would also be discussed.

A detailed review of studies relating to the emergence of small tea sector in Assam and the general problems faced by them has been done. The nature of the small tea cultivation is that of unorganized/informal sector as some of the features of the informal sector are evident in small tea cultivation. The sector started its fast expansion in Assam in the 1990s and has been experiencing a high rate of growth. The growth is reflected in terms of land under small tea gardens, number of gardens, production, etc. The small tea gardens are mostly concentrated in the Eastern Assam tea districts.

This high growth rate of small tea growing sector is in line with growth of informal industries in the country, and even world-wide. As in other informal sector units two distinct exploitations go on small tea

gardens. First, the exploitation by the buyers of tea leaves, in terms of paying low price for the produce, i.e., raw tea leaves. Secondly, exploitation of the workers by the owners of small tea gardens. In this thesis we are focusing on the first exploitation, which can be termed as monopsonistic exploitation. Monopsonistic exploitation, according to the microeconomic theory, depends on the price elasticity of supply of raw tea leaves in an inverse manner.

The question of monopsonistic exploitation is linked with the possibility of long run survival of small tea gardens: more exploitation would imply less remunerative prices for the fledgling sector. The second question we pose is also linked with the long run sustainability. It is about understanding the production conditions of small tea growers. If the nature of production function is estimated it would give us a clue as to which factors need to be strengthened in order to push up the output of the small tea growers.

Both these research questions are empirical in nature. Accordingly, questionnaires were prepared and a pilot and a main survey were conducted. All the information and collected data have been analyzed and inferences have been drawn from them. As for exploitation, first we estimated the supply function through IV (instrumental variable) method, from where price elasticity of supply was obtained. This helped us estimate the degree of monopsonistic exploitation. We found that the exploitation is indeed present, it has a non-zero value. As the estimated price elasticity of supply that determines the degree of exploitation is just a number, hence the collected data has been divided into separate groups according to certain objective criteria. Accordingly price elasticity of supply of different groups have been measured and degree of exploitation of different groups have been calculated and explained for inter-group comparison of monopsonistic exploitation.

Next, we estimated the production function. Among the inputs of production land, fertilizer use, capital cost, along with the dummy for districts with high concentration of STGs are found to be statistically significant. We probed the question of technical inefficiency. It was found that technical inefficiency is indeed present in small tea garden production. Accordingly the determinants of technical inefficiency have been examined.

Finally we come to policy implications. Our recommendations rely on the findings of the empirical study. Existence of exploitation and technical inefficiency means that there are possibilities to improve the conditions of small tea gardens in terms of price they get and the output they produce respectively. Formation of co-operatives by the small growers which can negotiate better with the buyers may be helpful. It would reduce the monopsonistic exploitation as observed in the study. The central Government has been pushing the idea of FPOs (Farmers Producers Organizations, which are a midway between

cooperatives and regular companies) of late. This may also be game changer in the small tea garden sector. The importance of land cannot be missed as has been underlined in our estimation of production function. Greater access to land by the Government would push up the output. The same holds true for capital and fertilizer. Role of banks and lending institutions are underlined in this context. Focus on priority sector lending (which is a policy but not implemented in spirit), pro-active role of the Government in extending branches in remote areas, lending on easier terms for this sector would help the farmers access funds. That would allow them to push up the use of these critical factors of production. Extension services and training by the research institutes and Government bodies can help in mitigating the technical inefficiency observed in the data.

