

# Employment Generation and Non-Farm Sectors In Bihar an Assessment

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## I. INTRODUCTION

One of very important dimensions that are directly related to welfare of people and human resource development is provision of employment and livelihood to the people. As a result of high population growth there has been much larger addition of labour force than anticipated during 1991-2001 in the state. But here it is mentionable that most of the additional labours although not openly unemployed are those whose participation in the labour markets exists under highly distress conditions. If we look at the compound annual growth rate of employment in Bihar for the year 1993-94 and 1999-2000 this has been 2.8 percent as against 1.02 per cent at the All India Level. The higher growth of employment in the state compared to all India, however, does not represent a positive trend as most of the addition to the workforce in the state during the nineties has largely been absorbed by already saturated agricultural sector. This is a clear reflection of distress led high labour participation in aquaculture in the absence of other employment avenues. As a result, Agriculture sector employing more than three-fourth of workforce shows a net fall in the labour productivity per worker. During the period 1993-94 to 1999-2000, the annual growth rate of labour productivity in the agriculture sector has negative (-0.2). This primary requirement for tackling the employment scenario in Bihar. Hence, workforce to more productive alternative sectors, particularly to secondary and tertiary sector activities for non-farm sector activities.

## EMPLOYMENTS SCENARIO IN VARIOUS SECTORS IN BIHAR

During the nineties manufacturing sector has shown higher employment absorption rate. During the later half of the 1990s the growth higher employment workers in the manufacturing has been almost doubled from 4 per cent 93-94 to 8 per cent in 99-2000. The employment growth of male workers in the manufacturing sector also shows some what positive trend. Low labour productivity coupled with higher unemployment and under-

employment rates in the state has led to mass out-migration of workers.

The intensity of out-migration is the highest in regions which have higher concentration of labourers. In general, the intensity is highest in

\* (M.A.Eco.), Ph.D. Scholar Under the guidance of Dr. Rabindra K. Choudhary. intensity of out-migration of workers is higher in North Bihar comparison to that in the South Bihar. The out-migration of workers has brought many positive changes in the rural society of the state. On the one hand it has affected rural wages positively and on the other the consumption expenditure level of rural masses had improved.

Because of lack of adequate and productive employment there has been a growing trend of out-migration of educated youth from the state. There is urgent need to initiate policies which could provide employment to workers, so that mass exodus of human resource could be checked. The policies may be designed separately for rural and urban areas. In rural areas intensification of rural employment programmers, particularly during the lean agricultural season, may be pursue.

There is need for revival of traditional non-farm activities which still have strong demand like the products of village industries, handlooms and handicrafts through appropriate assistance of information, marketing, skill training, brand building and institutional arrangement like self help groups. Last and most important, public support systems for building a well designed and sustainable network for rural non-farm activities is an essential condition for rural employment in Bihar. On front of the employment generation, some of the new non-farm enterprises are largely home based and spread over the whole state as in the case of manufacturing of dairy products, tobacco products and units based on fruits and vegetables. But at the same time we must keep in our mind that employment condition is likely to become increasingly uncertain and unsustainable in the years to come in such enterprises. The intensification of programmers like PMRY,

SJGSY, SGRY, PMGY, JRY, PMGSY, IAW, JPRGY etc. may be a good attempt in this direction. More specifically, three different sets of policy measures may be evolved to take care of the problems related to the three sets of industries viz. (i) agro based industries, (ii) traditional industries such as handlooms, power looms and wooden furniture, and (iii) some modern industries such as metal cutlery, utensils and kitchenware, and non-structural ceramic ware. The impact of above programmes has been very limited. Different evaluations report of such programmes reveal that the rural rich and vested interests have cornered a major chunk of the benefits of these programmes.

Recent act for rural employment guarantee passed by the parliament will be a mile stone in this direction. This will be implemented from 2<sup>nd</sup> of

Feb. 2006 in 200 districts (including 23 districts of Bihar) in India in its 1<sup>st</sup> phase. According to this act employment at least for 100 days in a year will be provided to the poor rural people. In case of not getting the job unemployment allowance equivalent to minimum wage will be paid to such job seekers. No doubt. It is a comprehensive and a big revolutionary step of U.P.A. Govt. which is ready to extend the scheme to the whole of the country. Surely of employment with rural development will go side by side through this scheme. On one hand it will reduce poverty ratio while on the other it will check migration to the cities. But it will be too early to make any comment about proper execution and desired outcome of the scheme.

**Table – 1** Employment Structure Indicators (%) [UPSS CONCEPT]

Sector	Bihar			All India (NSDP)		
	1993-94	2000-01	Change	1993-94	2000-01	Change
Primary	78.33	77.32	-1.01	65.47	60.41	-5.06
Secondary	6.48	8.20	+1.72	14.83	16.85	+2.02
Manufacturing	4.58	6.61	+2.03	11.35	12.09	+0.74
Tertiary	14.61	14.48	-0.13	20.50	22.74	+2.24

The table clearly shows that during 93-94 and 99-2000 there has been much increase in employment in secondary as well as manufacturing sectors compared to primary sector. But so far as sector is concerned, it has not performed well during the period. All India in Primary sector is very discouraging.

Productivity per worker has reduced in Primary sector during 93-94 and 99-2000, while it has increased in secondary sector and much more increased in tertiary sector. There is reduction of manufacturing sector.

Employment growth has been much higher in secondary as well as manufacturing sectors, although this has increased in tertiary also but with very low rate. Primary sector has shown very marginal increase during 99-2000 while it shows negative growth rate in All India Figure.

**RURAL INDUSTRIALIZATION**

The First plan kept in view the development of cottage industries in the state. The overall plan provision for schemes under cottage industries amount to Rs.50.03 lakh. By the end of the first plan the cottage industries, provided employment to 1,970 person. In the field of small scale and cottage industries, only pilot schemes were attempted. with were mainly schemes of assistance to the handloom industries. In the second five year plan putting great emphasis on the considerable expansion of village and small industries total expenditure went up to Rs. 6.84 crores. It provided full time employment to 31406 persons and part time employment to 21,666 persons during second plan period. During the plan period a large number of schemes for the development of handicraft were executed in the state. The third plan of Bihar paid special attention on the development of village and small industries and provided Rs. 1,103 lakh for the

**Table – 2** Productivity Per Worker (Rupees)

Sector	Bihar			All India (NSDP)		
	1993-94	2000-01	CAGR (pa)	1993-94	2000-01	Change
Primary	6,278	5941	-0.92	9,984	12,312	3.55
Secondary	15,353	16,725	1.44	27,245	33,198	3.35
Manufacturing	11,613	8,33	-4.36	24,409	31,738	4.47
Tertiary	28,294	36,553	4.36	39,334	55,995	6.06

**Table – 3**

Employment Growth Rate

Primary	1.96	-0.37
Secondary	6.27	3.16
Manufacturing	2.03	2.05
Tertiary	2.18	0.98

Source: Estimated from SSB, Data.

development of these industries. The khadi industries village oil industry, hand-pounding rice industry, village pottery industry and hand made paper industry etc. provided full time employment as well as part time employment to a large numbers of the rural people in the state. During the fourth plan period the total expenditure of Rs. 645.826 lakh over the various schemes were incurred under the small scale and village industries and they generated employment for 11,050 person. The most important objective of fifth plan was to break the economic stagnation of the state and to maximize productive employment and reduce under employment, more especially in rural areas. For this development of small and village industries was accorded a high priority during the plan peirod. By the end of 1977-78, an expenditure of Rs.1,098.19 lakh was incurred on village scale industries sector. And employment potentiality generated in the village and small industries was round 1,30,000.A sum of Rs.6,805 lakh was proposed as outlay for the development of village and small industries during the sixth plan but during seventh plan performance of village and small industries wad not satisfactory. The priority of eight plans was to develop will and small industries for more employment with removal of poverty. Development khadi, village industries, handloom, sericulture and handicrafts registered small-scale industrial unit was 9410 during 96-97.The ninth plan also accorded high importance to village and small-scale industries as it was considerable potential for generating employment in rural areas.

There is tremendous scope for developing the agro-based industries in new there is tremendous scope for developing the agro-based industries in new Bihar. There is urgent to setup these industries on large scale in khadi and village industries sector. The agro based industries help the development of backward and forward spread effects.

**SHGS: AS AN EMPLOYMENT PROMOTER AND ACCELERATOR**

The basic objective of the SHGs is to bring the assisted poor families above the poverty line by providing them income-generating assets

through a mix of bank credit and government subsidy. The programme aims for establishing a large number of micro enterprises in rural areas based on the ability of the poor of the poor and potential of each area. Today self help group (SHGs) are important vehicles for credit delivery to self-employed persons, particularly, women in rural and semi-urban areas. But performance of SHGs in Bihar is not satisfactory. The data in table-4clearl shows that there is no satisfactory increase of SHGs with bank linkage in the state, although some other state show rosy picture in this regard. Table 5 clearly shows bank linkage with physical and financial progress in the state is very poor compared to other states. This requires proper attention. In Table-6 we find somewhat satisfactory figures in regards with district wise physical and financial in the state.

**Performance Status of SSIS, Tiny and Village enterprises in Bihar Since 1992-93 onward**

Rural industrialization through coordinated development of small scale industries which are important segment of the Bihar's economy, accounts for 90 per cent of the industrial units, 40 per cent of output of the manufacturing sector, contributes about 35 per cent of state domestic product. The sector covers under modern rural industries (SSIs and power loom) and Traditional rural industries (Khadi, Village and Cottage industries, handloom handicrafts, Sericulture, and coir etc.) including ancillary segments.

State Government has initiated a number of support measures including policy of reservation, revision of investment ceilings, modernization, technology up gradation, assistance, etc. In view of liberalization and globalization number of steps including partial dereservation, change in investment limits, facilitating foreign participation, establishment of growth centers', export promotion, marketing assistance and incentives for quality improvement etc. has been taken for strengthening of this sector. But as we see in table it is clear that for many reason number of SSI units as well as employment generation both have reduced over the years. This situation urgently demands special attention from the industrial

policy of the state in addressing their requirements, marketing, infrastructural support.

**THE PRIME MINISTER'S ROJGAR YOJNA (PMRY)**

PRMY is a scheme of the Government of India being implemented by the state Government for providing opportunities for self employment to educated unemployed youth in both the rural and urban areas. The performance of PMRY

**Table-4** SHG-bank linkage Agency- wise Cumulative participation As on 31 March 2003 (Rs. Million)

States	commercial Bank		Reg. Rural Loan		Cooperative		Total	
	No. of SHGs	Bank Loan	No. of SHGs	Bank Loan	No. of SHGs	Bank Loan	No. of SHGs	Bank Loan
Bihar	2.873	43.99	5.197	72.96	91	3.95	8.161	120.90
Jharkhand	4.518	195.44	3.247	71.39	-	-	7.765	266.83
Orissa	12.451	126.81	24.621	317.73	5.200	65.86	42.272	510.40
West Bengal	7.731	58.45	8.287	102.17	16.629	143.99	32.647	304.61
A & N Island (UT)	-	-	-	-	48	1.60	48	1.60
Sub total	25.573	424.69	41.352	564.25	21.698	215.40	90.8931	204.34

Source: Progress of SHG-Bank Linkage in India, NABARD, 2002, 2003

**Table-5** SHG-Bank physical & Financial Progress of Commercial Banks Up to 31 March 2003 (Rs. Million)

Name of the RRB	Commulative No. of SHGs provided with Bank Loan upto 31 March 2002	No. of SHGs provided with Bank Loan during 1 April 2002 to 31 March 2003	Commulative No. of SHGs provided with Bank Loan upto 31 March 2003	Commulative Bank Loan Distbrused upto 31 March 2003	Bank Loan Disbrused of April 2002 to 31 March 2003	Commulative Bank Loan Disbrused upto 31 March 2003
Bhagalpur Banks KGB	85	3	121	0.52	0.90	1.42
Vaishali KGB	137	203	340	1.96	4.44	6.40
Samastipur KGB	51	95	148	1.06	1.07	2.13
Mithila KGB	6	11	17	0.32	0.14	0.46
Kosi KGB	37	396	2,030	13.52	14.76	11.54
Begusarai KGB	682	1,348	2,030	13.52	14.76	28.28
Magadh KGB	622	649	1,271	3.76	9.62	13.38
Madhubani KGB	79	52	131	1.11	0.48	1.59
Nalanda KGB	60	55	115	0.38	0.90	1.28
Gopalganj KGB	1	1	2	0.02	0.02	0.04
Bhojpur-Rohtas KGB	69	99	168	0.06	1.03	1.63
Saran	95	140	235	0.75	1.53	2.28

KGB						
Munger KGB	5	130	135	0.38	1.02	1.40
Patliputra KGB		16	16		0.37	0.37
Total	1,956	3,241	5,197	25.60	47.36	72.96

Source: Progress of SHG-Bank Linkage in India, NABARD, 2002, 2003

Unemployed youth in both the rural and urban areas. The performance of PMRY since 1993-94 can be viewed in the following Table 6.

### INVESTMENT CREDIT IN BIHAR & NABARD

**Table-6** Performance of PMRY

Years	Disbursement % of							
	Target	Recommended No.	Amount	Sanctioned No.	Amount	No.	Amount	Disbur.
1998-99	20500	26608	210.56	11311	93.22	9233	68.51	45.04%
1999-2000	21800	25277	248.56	11088	92.57	8987	78.29	41.22%
2000-2002	14595	16979	175.18	6802	62.33	3528	23.81	22.39

Source: Industrial Data Bank, Industry Department, Govt. of Bihar.

An effective and strong rural credit delivery system is essential for smooth and qualitative flow of credit for rural employment generation. This would warrant gearing up of the Rural Financial Institutions particularly the credit co-operatives and the RRBs. But investment credit has been very low over the years compared to other states. It is important to note here the credit flow has remained almost stagnant during the last few years. The Rajgopal Committee had made an in depth analysis of constraints regarding credit flow in Bihar. There is an urgent need for attitudinal change on the part of both bankers and Govt.

officials to increase the flow of credit. After bifurcation of the state, the NABARD in its State Focus Paper-Bihar 2001-2002 has taken steps to make the credit planning process meaningful and realistic by mapping the potential for development in the field of farm and non-farm activities of all 37 districts. Out of the total potential estimated at Rs. 3534 crores for the year 2001-2002 potential for non-farm sector has been identified by the NABARD are inadequate project lending, non-functional infrastructure, ineffective, extension, services, weak

**Table-7** Performance of SSIS in Bihar

Year	Small	Tiny	Artisian Based	Total	Capital involved (Rs. In Lakh)	Employment Generation (No.)
1992-93	217	5100	4965	10282	4069.76	29042
1993-94	126	4992	4874	9992	4012.93	28261
1994-95	109	4904	4179	9271	4500.86	28643
1996-97	101	5394	3915	9410	6379.89	24421
1997-98	94	5376	4415	9885	5797.38	25068
1999-2000 up to mar.	31	2440	1605	4076	3074.61	10733

Source: Industrial Data Bank, Industry Department, Govt. of Bihar.

### MEASURES TO BE TAKEN UP

- Smoothing credit flow in rural areas to promote self-employment in the area of agro-based manufacturing and trade.
- Organizing new and strengthening existing cooperatives for dairy development.
- Establishing growth centres and industrial estates based on the availability of raw materials.
- Promoting employment diversification to manufacturing sectors by promoting food processing units based on milk and fruits such as mango, banana, litchi, makhana etc.

- Chalking out industrial policy geared towards inviting industrial capital into the state with a view to open up new industries in private sector.
- Promoting other village and cottage industries, such as spinning, thread weaving, apparel marking etc. through dedicated policy interventions.
- Establishing training and entrepreneurship development centres to promote self-employment, particularly among educated youth.
- Ensuring the implementation of minimum wage in rural areas in non-farm activities.
- Rural infrastructure both social as well as physical including power supply, road communication etc. needs to be improved.
- Decentralized Governance and PRI needs to be strengthened for proper execution of various development and employment generating schemes at panchayat levels.
- Expansion of public work programme like road construction electricity networks irrigation channels, water supply etc. needs to be undertaken. It Expansion of public work programme like road construction electricity networks irrigation channels, water supply etc. needs to be undertaken. It will definitely generate enormous amount of wage employment.
- Recognizing the lower work participation rate, widespread poverty in certain regions with low wage, skill based and local technology based employment opportunities needs to be created.
- Access to capital in farm and non-farm activities needs to be further enhanced and targeted on project basis through careful appraisal and timely advise. Credit availability should be supplemented by organizing training programme on project basis as required locally. Vocational training in various skills/trades having strong linkages with production and services like couriers, telephones, postal, can be profitably tapped by restructuring the courses. Training and wage work programmes should be targeted for reproductive and health care programmes. A local resource mapping in the model of Kerala will be a worth while exercise in this regard.
- There is an urgent need to develop labour market policies as improving the overall employment situation.
- Vast potential exists for fisheries. Better market oriented skills and entrepreneurship in

this sector can create more employment in sustainable manner for rural areas.

On the basis of above said recommendations we conclude that the role and status of women in unorganized economy of Bihar can be improved with the initiation of overall development programmes.

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