



RURAL INDUSTRIALISATION IN BIHAR : ISSUES AND PROMISES

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Rural development is a concept, a phenomenon, a strategy and a discipline. The term is of focal interest and widely acclaimed in both developed and developing countries. There is however no universally acceptable definition and the term is used in different ways and in vastly divergent contexts. As a concept, it connotes overall development of rural areas with a view to improving the quality of life of rural people.

In the words of Robert Chambers, “Rural Development is a strategy to enable a specific group of people, poor rural women and men, to gain for themselves and their children more of what they want and need. It involves helping the poorest among those who seek a livelihood in the rural areas to demand and control more of the benefits of rural development. The group includes small scale farmers, tenants, and the landless.”

The industrial sector in Bihar remains in a poor state with its growth rate much below the national average. The size of the industrial sector in Bihar in terms of income is hardly 3.2% of net domestic product of the State, whereas, the national average works out to 20.1%. According to available estimates, the net state domestic product of Bihar is Rs.32,004 crores, in which the share of industrial sector income is only Rs.1,020 crores . The share of the industrial sector in the GSDP is 5.4 percent. Compared to the national average of industrial income at 20.1 percent, this figure is very low.

Size of Industrial Sector in Present Bihar State

Sl. No.	Particulars	Bihar	India	Share of Bihar %
1.	Net domestic product (Rs. crore)	32,004	11,89,773	2.7
2.	Industrial Sector Income(Rs. crore)			
	Registered	445	1,58,240	0.3
	Un registered	575	80,904	0.7
	Total	1020	239144	0.4
3.	% age share of (2) in (1)			
	(a) Percentage share of 2(a)	1.4	13.3	-
	(b) Percentage share of 2(b)	1.8	6.8	-
	(a) Percentage share of 2 (c)	3.2	20.1	-

**Note:* Income figures are at 1993-94 prices & average for triennium record 2002-2003

Source- Economic survey 2006-07, Bihar Government (P.47).

Besides its extremely small size, the industrial sector in present Bihar is also characterised by relatively larger share of unregistered industrial units. There are 1675 exporting units in the industrial sector which is dominated by unregistered units. Only 80 units are registered and the remaining 1596 are unregistered. While the unregistered units account for about one-third of the total industrial income in India as a whole, they do so for more than half of total industrial income in Bihar. There are 262 large and medium industrial units in the state which are concentrated only in few divisions of the state. Small industries, dominated by tiny enterprises and artisan based industries, play a significant role in the industrial sector of the state. The share of tiny industrial units among all the SSI units (both registered and unregistered) is as high as 99.9 percent.

After the bifurcation of the erstwhile State, all the mineral resources are merged with Jharkhand State. Thus, the centre of industrialisation process has now to be agro-based which too holds high promises. It is obvious from that the existing industrial units in Bihar cover a range of products like food products, beverages, tobacco, leather products, wood products, plastic products, machinery and equipment, chemicals etc. But in terms of value of output or net value added, it is the food, beverage, tobacco, petroleum products (because of refinery at Barauni) that account

for more than 85% of total industrial income. The total contribution of remaining industry groups is very marginal. However, as per the location quotients, food products, tobacco products, leather products, non-metallic and mineral products have become prominent constituents of industrial base of present Bihar. It may further be noted that agro based industries occupy a prominent place in the industrial scenario of present Bihar as they account for nearly half of the net value added.

However, there still remains substantial unutilised potential of agro-based industries in Bihar considering the size of the rural products.

Structure of Industries in Bihar (ASI)

Industry group	No. of factories	Value of output (Rs. crore)	Net Value Added (Rs. crore)	Share % to all Industries		
				No. of factories	Value of output	Net value added
Food products/beverages/tobacco	303	171330	35401	21.8	22.1	28.3
Textile/textile products	23	418	-85	1.7	0.1	-0.1
Leather/leather products	8	7697	1318	0.6	1.0	1.1
Wood/wood products	138	2243	295	9.9	0.3	0.2
Paper/printing/publishing	64	18848	5718	4.6	2.4	4.6
Coke/petroleum/nuclear fuel	29	506106	74692	2.1	65.4	59.7
Chemicals	49	7834	2164	3.5	1.0	1.7
Rubber/plastic products	14	3601	218	1.0	0.5	0.2
Basic metals/metal products	100	29209	1299	7.2	3.8	1.0
Machinery and equipments	57	3652	826	4.1	0.5	0.7
Transport/equipment	5	2172	449	0.4	0.3	0.4
Others	599	20917	2793	43.2	2.7	2.2

All Industries 1388 774027 125090 100.0 100.0 100.0

**Source:* Economic Survey, Finance Department, Government of Bihar, (2006-2007)

In view of the above, the prospect for rural industrialization in Bihar has to its advantage a wide range of product segments to be given effects by integrating activities of similar nature under various sub-sectors.

Poor Formal Education System

Inadequacy in skill and entrepreneurship development is the key constraint to rural industrialization. This is due to poor formal education. During the last more than a decade, literacy has grown but at a sluggish rate as compared to India as a whole. As per the SES, 2002-03, dropout in schools from primary to secondary classes has been recorded between about 62% and 86% both in the cases of boys and girls, which are much higher than all India averages. Pupil- teacher ratio was also very high (73 to 80), and single classroom and single teacher schools still continued to be the features of primary school system. If one compares the proportion of students enrolled in higher education, the situation in Bihar is not much different from national average. Similarly, in professional education also the performance of Bihar is much poor as compared to all India level.

Lack of Vocational Training Institute

State of vocational education is virtually non-existent in Bihar. However, there are 58 Industrial Institutes (ITIs) and Industrial Training centres (ITCs). Of the ITIs, seven ITIs are exclusively for women, and the seating capacity of all the ITIs is reported to be 14,968. In terms of population coverage, there is one ITI per 10 lakh population, where as in comparison it is 2 lakh in U.P., 5 lakh in Punjab and much higher in other States. Apart from the limited coverage, the existing ITIs are in extremely bad shape as far as infrastructure, equipment, and teaching quality are concerned. Other technical educational institutions, such as Polytechnics, Engineering Colleges, Medical Colleges, Dental Colleges, Pharmacy educational institutions, as well as Information Technology based educational centres are also inadequate and prevailing quality is poor. This requires urgent attention of the Government.

Absence of Adequate Rural Infrastructure

Due to absence of adequate rural infrastructure, people find it difficult to use the two-ways communication through on - line service for crop information, purchases of Agri-inputs, consumer durable, and sale of rural produce at reasonable prices. Farm information online marketing support adds momentum for rural industrialization so that products may be accessible from rural economic clusters- all over India. Most of the dealers have direct touch with the local farmers; these farmers need awareness about pests, disease, fertilizers, seeds, and appropriate technology. For these information farmers mostly depends on local dealers. The total surface length of roads per lakh of population is only 43.89 Kms as opposed to national average of 151.27 Km (1999-2000). Although 32 percent of the villages in the State are connected by roads but due the lack of maintenance, it is reported that most of the village roads provide only seasonal connectivity. Rural electrification scene to promote rural industries scene is not so encouraging. There are 39015 villages in Bihar, and only about 50% of the villages were electrified till the year 2006 .

Inadequate Processing & Marketing Channels

Climatologically and edaphically influenced factors allow for cultivation of a variety of crops. However, farmers get discouraged as they do not get remunerative price for their products. It is a common understanding that the comparative advantage in production is lost because of the inadequate marketing and processing facilities. In Maharashtra, 40% of the produce is used for processing whereas it is less than 2% in Bihar. A good number of Agricultural Market Yards (53) and agricultural marketing in general are still unorganized in Bihar. About 50 percent of farmers sell their agricultural produce in villages to itinerant traders. Most farmers, particularly small and marginal farmers do not have required quantum of surplus to hire a transport vehicle for carrying out their produce to regulated markets or places where they can get reasonable price.

Places of marketing of Farm Produce

Farm size	Within village (% of produce)	Outside village (% of total produce)	Outside district (% of total produce)
Small	44.77	55.23	-
Medium	55.53	37.26	7.21
Large	44.06	46.64	9.30
Average	47.70	47.21	5.09

The mode of transport of goods to the market remains the same. Maximum small farm holders carry 100% of their farm produce on head or on bicycle and just 12% use tractors. Even the medium farm holders carry the farm produce on bicycle and on head to an extent of around 34%, and the rest at 52% bullock cart is used for the transportation purposes. About 87% of large farm holders, having adequate surplus farm prices, prefer tractors as a mode of transportation followed by carts which is 49%.

Low Level of Credit Availability

Enlarged investment is considered to be the key to productive economic activities. At present, the level is very low in the State. The CD ratio in the State is repeatedly very low (i.e. 35%) in comparison to India's average of 60%. It will take a long time to reach a substantial investment level. As per the Economic Survey (2006-2007) of Bihar Government, during the year 2004-2005 per person bank loan stood at Rs 1575 in Bihar, whereas, it was Rs 5048 in M.P, Rs 27589 in Maharashtra, Rs 3204 in U.P and Rs 7425 in West Bengal. Lower level of credit dispensation in Bihar also indicates that credit needs are even now met by private moneylenders at higher rates of interest, which adversely affect the profitability of enterprises. Naturally, this is a serious bottleneck in the industrialization process of the State.

Poor Implementation of Government Schemes

Large numbers of central and state government schemes are not effectively functional and fully utilized by local potential users for the related objectives. Most of the district government functionaries have yet to learn supportive decision making process to encourage the use of the state government schemes for the fullest benefits. Recommendations to be made by the district Officials, which is mandatory for the Central Government Schemes, are held up and delayed and are not recommended to the central government in time. Eventually, number of important programmes of self employment in rural areas for youth, women and other weaker section are not adequately implemented nor fund targeted for specific sector remain unutilized or unused.

In Bihar, efforts towards rural industrialization in overall perspective would gravitate around traditional manufacturing clusters. The prime focus would embrace low tech micro and small enterprise clusters, targeting competitiveness as well as employment generation capabilities. This alone will definitely have a positive impact on both employment and poverty alleviation which are the main concern of the state. However, high tech clusters or non-cluster small and medium industries, capable of generating employment and prosperity, also need proper attention.

The development strategy on rural industrialization would broadly cover the following key elements.

- (i) Identification of industrial resource materials viz., raw material, skills, which could be taken advantage of;
- (ii) Demarcation of location, having preponderance of identified resource materials, and structural bases for infrastructural support;
- (iii) Policy recognition of cluster approach as well as all out corresponding support by the government;
- (iv) Ideally a cluster should be within an easily approachable distance for the local stakeholders. It would be helpful in developing mutual linkages and trust;

- (v) Preference should be given to activation of cluster, rather than to proliferation/ creation/ formation of more and more clusters;
- (vi) Clusters of similar and supporting nature should be inter- connected to form an array of clusters. This array should be appropriately strengthened with enabling infrastructure to help achieve higher level of competitiveness with a sense of inclusiveness/togetherness by undertaking joint initiatives through cluster level associations and their connectivity in a planned and time bound manner.
- (vii) A well structured action plan with definite time frame for lateral and collateral initiatives, including development of BDS in financial services, management and skill training, consultancy and advisory services, marketing, technology transfer, and enterprise linkages etc.;
- (viii) Constant monitoring, evaluation and undertaking mid course correction;
- (ix) Active participation of beneficiaries and local self government machinery; and High powered state level inter ministerial joint – implementation & monitoring mechanism, with representation from beneficiaries and other supporting external agencies, including private or public sectors.
- (x) Infrastructural and BDS support interventions should get precedence over cluster activation and the support system should be made to run effectively and uninterrupted for 3 to 5 years;
- (xi) The State Government by itself or through private sector players, should develop a cadre of human resources to undertake cluster development preferably in close partnership with non-government credible bodies.

Future Prospects

The major element of future policy direction towards rural industrialization should be focused at integrating community orientation towards resource regeneration and skills orientation. The task is to have umbrella supportive frame under appropriate administrative structure. For example, Khadi and Village Industries are supervised by an organization that has lost the energy to carry on it's extension programme. It's

expected role to converge multidimensional supportive inputs at the district level through DICs (District Industries Center) has been placed into an ideal structural set up. However, the desired policy expectation support for rural entrepreneurs in absence of adequately trained manpower and ill-equipped rural extension orientation is at low ebb. There is nothing new in the policy frame except that of unified *Udyog Mitra*–single window support programme, operational under Department of Industries that has become quite effective and prompt in recent past.

Policy regarding promote of Rural Industrialization

In order to effectively promote rural industrialization of Bihar, some of the other policy and institutional intervention would cover the following:

- (i) First phase priority to hinterlands of major cities and urban centres – to bring spill over effects to the rural areas;
- (ii) Apart from farm products value addition, attempts towards enlarged scope for light industries with private enterprise development;
- (iii) Formulation of appropriate micro economic policies for proper incentives to private enterprise ;
- (iv) Injection of more accumulated rural capital and price incentives to farmers on farm products for increasing farm income and profitability for creation of home markets for consumer products and services;
- (v) With large rural savings and bank deposits, the adoption of public policy to retain part of the annual deposits for build up of capital within the local area with the institutional support packages and infrastructure;
- (vi) Adoption of policy incentives for urban state and private factories/industries to relocate part of their expansion/operation to the nearby regions outside the city boundaries through subcontracting, joint ventures, and investment in viable rural enterprises;
- (vii) Adoption of measures for urban/rural technology transfers and encouraging by policy incentives for urban factories and research institutes to provide:
 - (a) Technical consultancy services to rural enterprises;

- (b) To help in product advertisement and marketing;
- (c) Assigning skilled technical staff and managers (on a contract basis) to rural enterprises – with proper incentives, benefits, and career path; and
- (d) Encouragement to expansion of rural labour markets and instead of rural to urban movement, encouragement of rural to rural labour market development.

Recommendations

- (i) Bihar rural industrialization has to be based on location specific agri-resource endowment which is in abundance but scattered with less value addition. The two major advantages for industrialization process would be product value addition and local employment creation;
- (ii) The focus of rural industrialization would be 'cluster' based-with a coverage of specific farm based products;
- (iv) All necessary infrastructural development like rural extension set up for technology transfer, timely supply of quality inputs, storage, road & transport, power supply, irrigation system etc, should be undertaken intensively in and around such 'Clusters' to increase and sustain agricultural modernization. Like wise such infrastructure build up should also be made available in and around the specially identified pockets to demonstrate the impacts of undertaking commercial farming;
- (xvi) Bihar could take a major share in small scale industries such as handlooms, powerlooms, knitting, embroidery, painting based on existing technical know how in several districts in these areas;
- (xxi) At the District level, Rural Industrialization Coordination Committee should also be constituted under the Chairmanship of District Magistrate for ensuring proper grass root level coordination in planning and implementation of the program;

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