



Rural entrepreneurship in Bihar

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Abstract

The financial condition of rural entrepreneurs, natural disaster – flood and drought conditions, and infrastructural status of Bihar are the major factors which decide the nature, style and scale of business of rural entrepreneurs. The financial condition of rural entrepreneurs does not allow them to operate on a large scale basis and take the benefits of economies of large scale operation. The infrastructural status of the state creates difficulties for marketing of products of rural entrepreneurs in other part of the country. Further, small entrepreneurs of rural areas find it difficult to sell their products outside their locality due to the increase in the cost of distribution. The products of small scale industries are sold in the local market. Marketing channels and marketing networks are yet to be developed.

Keywords: entrepreneurs, financial, drought, developed

Introduction

The state of Bihar with a geographical area of 94.2 thousand square km is divided by river Ganges in two parts, the North Bihar with an area of 53.3 thousand square km, and the South Bihar having an area of 40.9 thousand square km. The percentage of population employed in agricultural production system in Bihar is estimated to be 81%, which is much higher than the national average. Nearly, 42% of GDP of the state (2004-05) was from agriculture sector (including forestry and fishery). High concentration population largely dependent on agriculture coupled with low yields of the major cereal crops are main reason for the high poverty ration in the state. Consequently, about 42% of the state population is below poverty line as against the national average of 26%, Bihar happens to be the second highest rural population below poverty, (44.3%).

The typical rural character of the economy is heightened by the absence of support industries i.e. heavy dependence of communities on agriculture with limited diversification to non – farm or cash crops. The rural non – farm economy, therefore, plays a significant role in providing employment and income for the poor in rural areas in most Asian countries. Non – farm sources of income for the rural poor are important since their direct agricultural income is not sustain their livelihood either because of landlessness or sufficient owned or tenanted land and also wage employment in agriculture is highly seasonal and requires supplementation of income during lean period.

The industrial sector in Bihar remains in a poor – state 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%. Small industries, dominated by tiny enterprises and artisan based industries play a significant role in the industrial sector of the state. Generally, their contribution to employment generation is substantial, even when the levels of productivity and total production remain low in this sector. The share of tiny industrial units among all the SSI units (both registered and unregistered) as high as 99.9 per cent.

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. Food products, tobacco products, leather products, and non-metallic products occupy prominent constituents of industrial base in Bihar, though group of industries, comprising of cotton, jute, wool, paper, rubber, plastic and chemicals also have their presence in smaller ways. During the last two decades, agro-based industries viz; tea in Kishanganj district, dairy sector through cooperatives and makhana industries have shown increasing trend. Yet, these still accounts for a small proportion of State's Domestic Product.

Unleashing rural entrepreneurship in Bihar

The needs of entrepreneurship in rural areas require a good understanding of various issues that foster rural entrepreneurship. Deterring factors and other constraints also become importance as we study these issues. The role of catalytic agents like the government machinery and non – government agencies is primary. Effective strategies to unleash rural entrepreneurship with the collective assistance of the governmental and non – governmental sectors should be the main considerable aspect. Both the rural and urban centres get benefits as a result of setting enterprises. There are several constraint that have been experienced in attracting financial investments into the rural areas.

The major constraints to promote rural entrepreneurship is the general perception of the people towards the rural areas. Rural areas invariably fall short of attracting the attention of those who are either established entrepreneurs and even that of the budding entrepreneurs. The reason is quite simple. Villages seem to offer very little for such entrepreneurs who only look for readily available opportunities. There is a facile and preconceived opinion that the rural areas have very little to offer by way of promised returns or potentials to be made use of. But the entrepreneur is one who thinks harder of different from the prevailing perception. She is one who should bring about a change in the general thinking of the people. She supposed to make it possible that may seem to be impossible.

It is only natural for the entrepreneur to take calculated risks in venturing into their enterprise. But if one puts the advantage that rural areas offer in the risk calculation and cost – benefits, it may actually be found that the cost of setting up a unit in the rural areas and running it, in the long run, would be cheaper than it is while setting up units in an urban area.

Lack of basic infrastructure is no doubt a major hurdle while planning to set up an enterprise in rural areas. But one has to see if the infrastructure that is actually required for the specific enterprise is not really available in the area or is just inadequate. Such genuine lack or inadequacy of infrastructure can be circumvented to a great deal by demanding the necessary infrastructure facilities from the state preferably by a consortium (cohesive group) of entrepreneurs, who are either based locally or those who are interested to set up industries in the rural area. Certainly supply of raw materials to the rural areas would be a problem if the sources are primarily from a rural area only. Some ingredients that are easily transportable could be brought from other places. So the enterprise has to use the available local raw materials as much as possible to prevent wastage in time and resources.

Problems of rural entrepreneurship in Bihar

Developing entrepreneurship especially rural entrepreneurship is not easy. It is constrained by several problems. Some of the problems faced by rural entrepreneurs in India in general and Bihar in particular are as follows:

▪ **Lack of finance**

Finance is the lifeblood of the business. Most of the rural entrepreneurs are mainly struggling to raise the finance for their business. Non availability of adequate collateral security often mars the chances of rural youth in obtaining adequate funds in time to set up their own venture. Due to this, the entrepreneurs are forced to take credit from village money lenders who charge exorbitant rates of interest.

▪ **Lack of knowledge**

There is a distinct lack of adequate knowledge of entrepreneurial opportunities among the rural youth. The educated and trained youths mostly leave for urban destinations in search of jobs.

▪ **Lack of technical know-how**

On account of the faulty education system rural youth lack managerial, professional, technical know – how which is an impediment in developing the spirit of enterprise, consequently not many people come forward to establish self – employment units.

▪ **Absence of enterprising skill**

Most of the rural people in India lack risk bearing ability. Reluctant to involve oneself in business, inclination towards wage employment, lack of creative thinking are few reasons which have restricted the growth of self – employment in rural area.

▪ **Lack of infrastructural facilities**

Rural areas are characterized by poor infrastructural facilities *viz.* roads, water, market, electricity, street lighting, road transport, storage and communication etc. which hamper the smooth movement of various industrial activities.

▪ **Adverse social, Cultural and Industrial environment**

Social evils, caste system, fatalism, religious superstitions, particularly in the country side, do not allow development of adventurous spirit. Lack of skill and expertise in labourers,

their tendency to migrate to cities and consumer's habit to buy goods produced by big companies create many problems for new entrepreneurs.

▪ **Lack of market information due to poor communication facility**

The absence of effective communication and access to the right information makes it difficult for rural entrepreneurs to understand market trends and policies followed by the government on industrialization.

▪ **Non availability of skilled labours**

In rural areas, skilled labours cannot be found easily by the entrepreneurs. Highly skilled personnel prefer to work in big cities due to high salary than rural areas.

▪ **Low quality products**

Now – a – days, the consumers are more sensitive to the quality of the products. But, rural entrepreneurs cannot produce quality products due to poor quality of raw materials and lack of standardized tools and equipments.

▪ **Fear to invest in the business**

Rural entrepreneurs have low risk bearing ability due to lack of financial resources and external support. So, they restrict to invest in their businesses in rural areas.

▪ **Competition**

Rural entrepreneurs are facing tough competition from urban entrepreneurs and larger scale organizations. They cannot compete with the urban entrepreneurs due to lack of standardization and branding of the products.

▪ **Middleman**

Rural entrepreneurs mainly depend on middlemen for marketing their products. But they are betrayed by offering low prices to their goods.

Suggestions

The major element of future policy direction towards rural industrialization should be focused at integrating community orientation towards resource generation 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 its extension programme. Its 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 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.

In the light of the problems faced by rural entrepreneurs especially in the context of Bihar, the following suggestions can be put forth to develop the rural entrepreneurs:

- Separate financial assistance for rural entrepreneurs should be provided by the Government.
- Rural entrepreneurs should be provided adequate and timely financial assistance from all the financial institutions and banks.
- Special training programmes for rural entrepreneurs should be arranged by the Government to improve their knowledge and skill.
- The rural educated youth should come forward in the field of entrepreneurship.
- Modernisation of their technology is very much

essential. Sufficient finance must be given to modernize their outdated technology, tools and implements in order to enable them to compete with the large scale industries.

- Rural entrepreneurs must be provided with adequate infrastructural facilities.
- Industrial sheds can be constructed in the rural areas to accommodate rural entrepreneurs and can be provided with all facilities this shed.
- Rural entrepreneurs have to improve the quality of their products in order to compete with similar other units and also with the large scale industries.
- Industrial co-operatives can be set up on the same lines of Primary agricultural co-operatives in rural areas in order to provide marketing support for the products of rural entrepreneurs, to supply raw materials to the rural industries and to free them from the exploitation of middlemen.

Rural Industrialization and Rural Entrepreneurship have to flourish side by side. Accordingly, it is recommended that:

- 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;
- The focus of rural industrialization would be 'cluster' based – with of specific farm based products;
- The areas that have been identified as surplus in crops, vegetables and fruits production need to develop sound 'economic clusters.' Such adjoining areas should be clubbed together to form clusters. For example, such clusters may be formed in Districts of Rohtas, Bhojpur, Aurangabad, Arwal and some parts of Patna districts for paddy, and wheat, in Begusarai, Khagaria and Samastipur districts for winter maize, in Patna, Nalanda, Aurangabad, Jahanabad and other such districts for potato & green vegetables, in the districts of Muzaffarpur, Samastipur, Darbhanga and Bhagalpu for furits, vegetables and spices, in districts like Sitamarhi, Darbhanga, Madhubani, Supaul, Saharsa, Purnea and Kathiar for Makhana. Similarly, such specific product – wise pockets may be identified in other parts of the state, though such pockets may not be in a position to be similarly clubbed. Apart from umcoming opportunities for promoting rural industries there, these pockets may also serve as feeders for other major agro-industries centres;
- 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.
- Special emphasis should be given to those high yielding varieties, which may be suitable for processing industries and growing off season vegetables crops in appropriate intercropping system to enhance per unit area production. Vegetables alone could be used for

producing a variety of products, such as potato chips, tomato powder/puree/juice/pulp/sauce, chilly powder/sauce/pickle, apart from dried canned and frozen cauli flower, peas, cowpea, carrot etc. This would open a great avenue for packaged food industries;

- The major trust of rural industrialization should be to provide farm products and market linkages, based on product cluster formation;
- Product specific strategies should be adopted for those products which have potential for export from the state. Some of these products are Litchi, Mango, Makhana, Okra and Baby Corn. Litchi and Okra are already exported to the markets of EU and Middle East. The market for Honey is already well established. The state should work on the promotion of Litchi Honey;
- Bihar is one of the prominent producer and exporter of Litchi. The most important market for the fresh Litchi is European Union. The State should concentrate on export of both fresh and processed Litchi. Moreover, efforts should be made to tap more international markets for Litchi and other horticultural products. The main harvesting season for Litchi in Bihar is May and June. Except Thailand, no other country can supply fresh Litchi during this season. Thus, there is a definite opportunity for India from May to early July when potential markets can be tapped;
- Contract farming model should be adopted for quality production of different horticultural crops. In contract farming, private sector participation is imperative. Cultivation of some specific crops Baby Corn, Snow Pea and Snap Sugar should be undertaken in the contract farming mode;
- Effective pre and post-harvest management is critical for successful marketing of the produce. The sooner the fruits are packed and cooled after harvest, the better their quality on arrival in the market. Delays between harvesting and packing are frequently the cause of water loss and diminished quality. On the basis of produce specific location and logistic feasibility, the State Government should concentrate on establishing more number of Pack Houses, Freezing & Processing Plants and Perishable Cargo Centres. Establishment of these product based infrastructure can make the produce available in the fresh form to the consumers. This, in turn, will increase the export volume which is the need of the State to harness opportunities in the foreign market to develop rural industries;
- Another thrust area should be technological break – through of farm products. This should be done with a sound research establishment of Rajendra Agriculture University, Pusa and Sabaur Agriculture College, Bhagalpur.
- A variety of fruits, such as litchi, guava, mango, jack fruit, lemon, bael, pine apple, banana etc. is grown in different parts of Bihar. Each of these products, from value addition and marketing point of view, be developed on a 'cluster basis'. Appropriate extension programmes should be initiated for products rejuvenation and area expansion to provide enough raw materials for promoting appropriate agro – industries to produce amchur, mango juice, mango pickles, green mango drinks/juice, guava juice/jelly, lemon juice, lemon pickles, lemon – cordials, Amla Murabba, Amla Pickles, banana chips, banana powder, litchi juice etc.

North Bihar districts offer great potentials in this regard. The market targets should be national and international. Particular attention has to be placed on quality, product standardization, grading, packaging and transportation;

- In certain pockets of Bihar, such as in the district of Kathiar, Purnea, Madhe pura, Saharsa, Kishan ganj etc. Jute is grown extensively. It may be used to promote jute based industries to produce carry bags, ropes etc. The immediate focus should be on enhanced productivity and modernization of existing jute mills. The development of these products would require market and communication infrastructure connectivity.
- Expansion of dairy, poultry and fisheries has tremendous scope in Bihar and priority should be accorded to it. Bihar and adjoining North-Eastern states, including Bhutan and Nepal, can be ready markets for fresh or frozen products of fisheries/poultry as well as milk powder, butter, ghee, bottled scented milk, ice cream etc. Hence, it will be desirable to put appropriate emphasis on their large scale promotion along with creation of appropriate infrastructure to support such farm product based industries;
- With a focus on skill development of Bihar's vast labour force, which is intelligent, Bihar can move beyond agro – processing and penetrate into such products as metals, drugs and pharmaceutical, leather, electronic, as well as electrical goods industries;
- 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;
- Another focused area could be lime based industries, store chips industries, silk weaving and printing industries, glassware industries etc;
- The respective clusters could be given due infrastructural support for their expansion, technological upgradation, and attractive appreciation in the economic return on investment by means of policy and institutional support;
- As regards the institutional agreements, the key for effective implementation for planned control of action is felt. There is an urgent need to have a semi – autonomous cell/unit in the Department of Industry, under the leadership of secretary, Industry Department, to supervise, coordinate and promote the thrust of Rural Industrialization programme. Considering the magnitude and complexities, the State Government may consider establishing a specially dedicated Directorate or Rural and Village Industries (RVI) under a senior Administrative officer
- For the overall policy directions, it is proposed to establish a council of Rural Industrialization Programme, to be chaired by the chief minister with Ministers for Agriculture, Industries, Panchayati Raj as Members of Industry's Secretary as its Member – Secretary. The major role of the council will be to provide policy directions and help guide infrastructural support facilities, financial resource building (with government and private initiatives), and regular stock taking of the programme implementations;
- 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;

- Rural market for rural entrepreneurs will need improved services for users to facilitate marketing of the local produce, creating an element of market security for the growers. It can also produce effective credit, marketing links. Rural Banks may be encouraged to provide mobile banks to clusters on haat days. NGOs and local lead bank also need to evolve close partnership to work in partnership for several DRDA programmes;

Conclusion

It is desirable to encourage creation of Rural Business hubs through Panchayat Raj institutions. State government is expected to initiate comprehensive district planning exercise, involving Panchayati Raj bodies that would set the foundation of such business hubs. Removal of Agri – Produce Marketing Act has, of course, minimized the blocks and hurdles with the free movement of agricultural produce from village to haats. But the creation of rural business hubs would add momentum to the new institutional infrastructure for the development of rural industries. Currently, the Multi-stage training intervention would, thus, be needed to augment the process to build such an institutional frame at the ground level.

The absence of institutional framework to cater the learning needs of rural industrial extension work force has posed serious constraints to rural industrialization programme. In order to bring administrative reforms for rural industrialization programme in the state, an appropriate training and well-coordinated governance needs urgent attention. As the situation stands, the available training machinery of the state is neither enough in number nor are they well equipped to support needed entrepreneurship development and rural enterprise creation, commensurate with the objective behind the concept of promoting rural industrialization in the state. The state Government would do better to improve and upgrade the training machinery and its working efficiency. If need be, the State Government can even seek partnership with competent NGOs, private training agency which can take up the challenge and can produce desired results.

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