

Unorganised Sector in Bihar

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ABSTRACT

The unorganised sector is the Indian economy's upcoming growth driver. They play a significant role in regional development due to their potential for creating jobs and their close ties to other economic sectors. In addition, this industry has the potential to take advantage of a larger market both domestically and abroad, particularly given the current state of globalization. Although new market horizons have opened up, this industry still has to face challenges like technological obsolescence, a lack of institutional credit, fierce competition, and price cutting. The main goal right now is to raise productivity levels so that they can eventually become competitive and sustainable, fostering growth and dynamism in the state. The sector is crucial for any developing, labour abundant country like India. According to economic theory, wage rates and labour productivity are closely related. But numerous studies have shown that in the Indian context-historically known as jobless growth-there has been a decoupling between the two. A populous state like Bihar, which has potential but has lagged in this area despite it due to some obvious obstacles, makes the issue more pertinent. Bihar has yet to maximise its human capital potential. The manufacturing sector in Bihar faces new challenges of unemployment and poverty due to the importance of manufacturing industries in overall rural and urban areas development in general and particularly for achieving increasing employment opportunities and income level of rural and urban areas population and thus to overcome the emerging challenges of unemployment and poverty in manufacturing sector in Bihar there is a need to study and examine the emerging structure in, pattern, growth and structural change of manufacturing industries. The state government of late has taken many policy decisions which would promote industrial growth. Because of a high population density and large size, the state has huge potentials to contribute to the state's and the country's economy through its manufacturing sector.

Keywords: Globalization, Technological, Attributable, Employment, Comparative, Technology,

Introduction:

Since Keith Hart's 1971 study on Ghana, the term "unorganised sector" has only recently entered the lexicon of economic literature (Hart, 1973). Since then, it has received a lot of in-depth study and gained widespread acclaim in the economic literature. Its range has grown over time, earning it the moniker "Unorganised Sector" in various contexts. Although there isn't a clear-cut definition, this industry is thought of as one in which it's simple for new businesses to get started, where businesses are family-owned, dependent on local resources, operate on a small scale in an unregulated market, employ labor-intensive technology, and where employees learn their skills outside of the formal education system. Depending on their goals, the depth of their research, and the

availability of data, researchers have used various operational definitions to describe the unorganised sector. This concept thus encompasses a broad range of activities and units with substantial internal heterogeneity. There has been much discussion about how the unorganised sector affects a region's economic profile. The sector's significant employment opportunities are perhaps its most notable characteristic. Numerous job seekers engage in unorganised manufacturing activities, despite the fact that entry into the unorganised trade and service sector is the simplest. These small production facilities frequently use personal networks to market their goods in addition to local resources, traditional techniques, and local demand.

The informal / unorganised manufacturing sector is so prevalent that it exhibits its own heterogeneity in terms of its size & rate of expansion over time, on the one hand, and its productivity, on the other. Due to its strongest linkages with the other economic sectors, this sector's function is even more crucial. These unorganised manufacturing facilities frequently act as a significant complement or replacement for the organised manufacturing sector. It also has a significant impact on the economy's sectoral transformation. These factors have led to the unorganised manufacturing sector being viewed as the Indian economy's future growth engine. More than one-fourth of the NSDP, which makes up the bulk of the state's economy, comes from agriculture and related activities. One more quarter comes from commercial and related activities. Additionally, this area has enormous potential for the growth of a thriving tourism industry both domestically and through this gateway to Nepal, particularly the Buddhist circuit, but this potential is still largely unrealized. While none of this paints a particularly optimistic picture for the state, the statistics do not do the enormous potential of the state justice. The state has experienced a remarkable growth turnaround over the past couple of years that is comparable to the breaking of a record. free of the country's GDP growth rate from the so called Hindu Rate of Growth in the late eighties. The current challenge is to maintain this growth and boost the economy by reorienting it around regional strengths. Making sure the greatest number of people can benefit from this amazing takeoff should be another goal. The significance of focused and targeted planning cannot be overstated in these. With the exception of a few public sector businesses, the region has generally come under fire for its sluggish development process. This is especially true now that the southern part of the state has been severed and transferred to Jharkhand. Since informal/unorganized activities predominate in the state and given the unique characteristics of the unorganised manufacturing sector, it is crucial to use the informal manufacturing sector as the engine of growth for this region. In addition, compared to the rest of the

nation, the state's informal manufacturing sector appears to follow a different pattern. Surprisingly, there aren't many studies on the state's informal manufacturing sector. It is anticipated that such a proactive approach will assist the state authorities in focusing on particular unorganised sector segments and developing effective policies for their expansion. The goal of assisting the planning process won't be achieved until then.

Unorganised Manufacturing Sector In Bihar:

The unorganised manufacturing sector in India is conceptually divided into the OAMEs, NDMEs, and DMEs segments. The NSSO and CSO's periodic surveys have provided extensive data on these sectors. Since 1984, the sector's size in terms of businesses and employment has been relatively stable (in fact, it slightly shrank between 1984 and 1994 but grew after that), and in 2000, there were 17 million businesses in the informal manufacturing sector, employing about 37 million people. Over the years 2000 to 2005, the number of businesses remained essentially constant, but employment fell to 36 million. There is no denying that this industry has reduced the issue of unemployment to a certain extent. However, some academics have argued that a significant portion of employment in the unorganised sector is attributable to the entry of individuals in need who would not have been able to hide their unemployment. This claim appears to be unpersuasive and has been easily disproved by others. They observe that while the existence of a distressed segment cannot be completely ruled out, there does exist a vibrant and growth-oriented segment within the unorganised sector. This heterogeneity appears more plausible in light of the fact that India's growth of the unorganised manufacturing sector has neither been smooth nor uniform over both space and time.

It should be also looked at what has happened in Bihar in relation to the overall national situation. MSMEs, or micro, small and medium-sized businesses, have played a significant role in the economy of Bihar. Since 2000, this trend has become more pronounced. Over the years 2000 to

2005, both the number of businesses and employment decreased, which is quite similar to the overall trend in India, where the number of businesses has remained essentially constant and total employment has decreased. Although the overall growth in the number of enterprises is positive, a disaggregated approach reveals that while the number of enterprises is rising in the rural areas, it is falling in the urban areas at the All India level. However, in Bihar, the number of businesses and employment in the unorganised manufacturing sector fell between 2000 and 2005, in both the rural and urban sectors. Additionally, the decline rate is quicker than the corresponding national average. In Bihar, employment and the number of businesses both almost halved between 2005 and 2010. At the national level, number of enterprises increased while employment declined. While the general declining trend in enterprise number and employment observed at the all India level are true for Bihar also, there are significant differences in the pattern if we look deeper.

Efficiency & Comparative Advantage:

While policies must aim to increase the sector's overall efficiency levels, it would be beneficial to focus on its strong points. One important aspect of policy thrust may be to support industries with high levels of efficiency. Additionally, it is essential that different states in a country with India's size have efficiency in various industries due to socioeconomic, traditional, and natural factors. States in India have a great deal of autonomy in determining their industrial and economic policies, despite their federal nature. This gives each state plenty of room to concentrate on the industries in which they excel. Two criteria can be used to evaluate these strengths. There are certain industries in which one state is more effective than another, or where it has an interstate comparative advantage. Second, there might be certain industries in a state that are more efficient than others in that state, indicating intra-state comparative advantage. Although it is ideal for industries to be located based on inter-state comparative advantage from a national

macroeconomic perspective, a specific state's industrial policy should also take into account the intra-state comparative advantage among industries. The state should concentrate on sectors where it has both types of comparative advantage.

Conclusion:

Especially in the current globalised environment, the informal sector in Bihar not only has enormous potential in terms of links, market share, and resources, but also the potential to exploit a wider market not only within the nation but also abroad. But regrettably, with a few notable exceptions, this sector is showing low productivity, which is steadily declining. Therefore, increasing productivity levels is the most crucial challenge facing the unorganised manufacturing sector if they are to become long-term competitive and sustainable. The most crucial agenda in this regard is that of technology advancement, particularly in light of the competitive environment's globalisation and the availability of low-cost alternatives from MNCs. Although this has been discussed extensively on a national level, Bihar is also affected by this. The goal of policy formulation at the state level should be to concentrate on these areas and attempt to establish horizontal and vertical links in the surrounding area. By utilising global-local synergy, the technology must also be compatible with the knowledge and resource base of the area. Additionally, maximising the use of available technology and emphasising efficiency gains should be included in the strategy. Since all technological improvement programmes would need to inject more capital into the units, this raises the issue of resource / capital availability for this sector. The development of industrial clusters, accessible and affordable institutional credit, and marketing infrastructure are ways to advance this industry. The policies must also take into account the distinctive linkages and natural resource bases that exist in each of Bihar's districts and should serve as the foundation of any development strategies for the unorganised manufacturing sector.

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