



Institute of  
Social Studies

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NON-FARM EMPLOYMENT WITH SPECIAL REFERENCE TO  
RURAL INDUSTRIALISATION  
A CRITICAL ANALYSIS OF BANGLADESH SITUATION

**A Research Paper presented by**

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(Bangladesh)

in Partial Fulfilment of the Requirements for obtaining the Degree of  
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## CHAPTER I

### 1. INTRODUCTION

Unemployment and poverty of the rural poor of Bangladesh are discussed a lot not only in the national level but also at international level. Accordingly during last decade many conferences, workshop and symposium have been organised to discuss and understand the problem of unemployment and poverty in the rural areas and measures to alleviate them. Projects and programs have been implemented aimed at providing the poor with income earning opportunities. These programs have been initiated/undertaken due to the increasing deterioration of land-man ratio and thereby the inability of agriculture to provide employment opportunities to a large number of labour force. This has been admitted by the Government in different level of their meeting, seminar, workshop, etc. In order to combat the situation Rural Industries and Non-farm activities has been undertaken as a substitute for agricultural growth and thereby to remove unemployment from the rural areas. But instead of all these program/project poverty has been both deepening and widening and unemployment and malnutrition increasing (Q.K.Ahmed: Bangladesh Food Strategy, Review Exercise, 1984).

The choice of the topic of this paper is made for better understanding of the process that determine the employment in the rural industries. Thus the paper is concerned with possibilities of employment opportunities through the promotion of NFA and Rural Industrialisation in Bangladesh. In investigating these the paper will seek to explain----is rural industrialisation can solve the problem of unemployment and poverty from the rural area? Can it be a substitute of agricultural growth? The analysis around these broad questions is focused on rural Bangladesh. It is clear from the above that the topic requires an analysis at various

level. In doing so, we will try to discuss the agrarian situation and possibilities and limitation of agriculture in employment creation, Government strategies and policies for rural industrialisation, Non-governmental organisations in rural industries and non-farm activities--a reaction to the Government policies, the demand constraints and the crucial importance of macro economic factors.

### 1.1. Objective

The objectives of this paper are:

- a. To what extent agrarian structure and de-industrialisation process are responsible for creating unemployment.
- b. To investigate in what extent rural industries alone can solve the problem of poverty and unemployment.
- c. To what extent rural industries can be treated as a substitute for agricultural growth.
- d. To what extent the programs of the Government and Non-government Organisations are effective in removing the unemployment from the rural area.
- e. To investigate the demand constraints of the rural industry.

#### 1.1.1. Statement of the problem and hypothesis to be investigated

With the per capita income of US\$ 120 (World Bank: 1983) Bangladesh is the eighth most populous and one of the poorest countries of the world (A.R.Khan, 1986). About 84.4 percent of the population lives in the rural areas and depend directly or indirectly on agriculture. Agriculture is the main occupation of the people and employs over 70 per cent of the labour force (Strategy for Rural Development Projects, Bangladesh Planning Commission, 1984). There has been substantial increase in the rural labour force. It was 17.4

million in 1961 and rose to 24.7 million in 1983-84 (Bangladesh Bureau of Statistics, 1984-85), making employment situation worse. It has been argued by some scholars that the magnitude of unemployment and poverty in Bangladesh has been growing over the recent past. Many believe that this might be due to the fast growing population, high pressure on agricultural land, low level of investment, but these are not the main reason for such a predicament. The reason to be found in the specific characteristics of historical process of socio-economic development. Unemployment and poverty are essentially rooted in the agrarian structure. It is widely believed that an appropriate agrarian reform is essential for agricultural growth and thereby to remove unemployment and poverty from the rural area. But the present land-man ratio is so low that the expansion of employment in agriculture, even if there is appropriate agrarian reform, is likely to be very much limited. Agriculture could absorb only a small proportion of the annual incremental labour force and it has no employment opportunities for a large proportion of the annual increase and the backlog of unemployed. In 1983 World Bank estimated that only one-fourth of the incremental labour force could be absorbed in agriculture during 1980's. The annual increment would be three-quarter of a million (World Bank, Bangladesh: Selected Issues on Rural Employment, March, 1983). The modern industrial sector employs less than only 2 per cent of the civilian labour force (Bangladesh Bureau of Statistics, 1983) and no realistically conceivable rate of growth in this sector can make a dent in the prevailing unemployment and underemployment situation.

In view of the above consideration, increasing attention came to focussed in this country both by the Government and NGOs on the role that Rural Industries and Non-farm activities might play in the development process in general and in the creation of employment opportunities in particular. The argument in policy planning concerning rural industries

involve a wide range of technical issues; labour intensity, labour productivity, use of domestic resources, reduction of social and economic inequalities, mobilisation of small private savings, development of appropriate technology, demand for these products, etc. (Q.K. Amhed: Rural Industrialisation in Bangladesh, 1984). There are many controversies, particularly relating to the relative competitiveness and economic efficiency of small and cottage industries vis-a-vis their large-scale counterparts. In the Third Five Year (TFYP) 1985-90 a total employment creation of 4.5 million in man-year for the plan period has been envisaged. A major portion of employment creation will be provided by the small and cottage industry sector. Thus rural industry is virtually being treated as a panacea. So far we have explained the importance of rural industry in employment generation. We can now come to an argument from our above discussion that rural industries are crucial for our country where agriculture and modern industry has failed to alleviate unemployment from the rural areas. Thus the hypothesis is proposed to be undertaken that rural industries are crucial for removing unemployment from the rural areas. We also try to see whether the alleviation of unemployment from the rural area can be done alone by the rural industrialisation or the development of rural industries depends on other external factors, that is, external to the rural industry, viz. agricultural development, industrial development, institutional policies, etc.

#### 1.1.2. Outline of the paper

The format that will be followed in developing the argument of the paper is the following:

Analysing different concept in the introduction, the first chapter focus on the agrarian structure, the situation of the Rural Industry (RI) and Non-farm Activities (NFA) in

Bangladesh. This chapter will have six sub-sections respectively deals with an introduction, objective, hypothesis, outline, definition of different terms, the structure of unemployment and agrarian situation, the problems of poverty, the case for rural industrialisation and the overview of rural industry and non-farm activities.

The second chapter will review official Government strategies and policies for rural industrialisation designed to combat the situation. In doing so particular emphasis will be given to the Bangladesh Small and Cottage Industries Corporation (BSCIC) to intervene the situation and Rural Works Program (RWP) and Food For Works Program (FFWP).

The third chapter will deals with the NGOs---a reaction to the government initiatives/policies. This chapter will attempt a comparative analysis of the activities of a credit based NGO (now it is public sector organisation) and a integrated rural development based NGO and other NGOs in rural industrialisation and the impact of these NGOs at the macro level.

The fourth chapter will concentrate on the macro economic factors and in the fifth and final chapter we will concentrate to sum up the argument develop through out the study. In this chapter an attempt will be made to draw some conclusion based on the analysis in the previous chapter and an alternative hypothesis will be developed that rural industrialisation by itself is insufficient to solve the problem of unemployment from the rural areas. Hence attempt will be taken to develop the agricultural sector in order to ensure a respectable rate of growth of income of the rural poor.

### 1.2. Definition of the terms used in the paper

Some of the term we will use most frequently in this paper should need clear distinction. These includes rural/urban

distinction; off-farm and non-farm activities; the formal and informal sector; small and cottage industry.

#### Rural/Urban Boundaries:

For census purpose individual settlements can be classified as urban on the basis of population, housing, density or local administrative boundaries. The settlement themselves, however, may often be quite small; they may be located in rural areas; they may be contained significant numbers of people primarily engage in agriculture and their economies may be closely dependent on their predominantly agricultural surroundings (ILO/ACRD X/1983/II). In these case we see that appropriate definition of rural and urban areas have more to do with location and other economic activities than on population size and settlement density.

#### Off-farm and non-farm activities:

ILO define off-farm activity are those activities which are not directly related to the farming operation of the household on its own accounts. These activities can be undertaken by those who do not own a farm or holding or some sort. In contrast non-farm activities can be taken as excluding work of any sort in agriculture, whether on own account or for other (ILO,ACRD/X/1983/II). Thus non-farm activities are those income earning opportunities which belongs outside agriculture. In this paper we are dealing with only non-farm activities.

#### Formal and informal sector:

The prospect offered by the informal sector for additional employment draws attention to the development planners and researchers. Informal sector may be defined, a sector which connotes small scale activities which are set up and operated without being registered as business operation. This sector



are mostly found scattered in the villages of Bangladesh. We will try in our analysis to include them.

Rural industry and rural industrialisation:

Q.K.Ahmad in his Rural Industries Study Project (RISP) defined rural industry, an industry which is obviously located in rural areas. Employment criterion, use of power and value of fixed assets are used for distinguishing small industries. 'Rural industrialisation usually implies spatial extension of the formal sector in the sense of creating work places based on organisational structures and production relations derived from modern, largely urban, factories and plants (ILO.ACRD X/1983/II). RISP define rural industry to include manufacturing activities as well as repairing of manufacturing goods operating on a commercial basis.

In distinguishing small and cottage industries from large-scale, however, one is faced with definitional problems since no unique set of definition of these industries exist. The Bangladesh Small and Cottage Industries Corporation (BSCIC) defines small industry as manufacturing unit which has 10 or more worker if power is used or 20 or more worker if no power is used or whose fixed investment is valued at a maximum of tk.2.5 million (RISP,1981). The Bureau of Statistics identifies those industries as small which are covered by section 5(i) and 2(f) of the Factories Act of 1954, that is, registering factories using 10 or more workers and not using power or using power and having 10 or 20 workers (Ibid,1981). The Department of Industries defines, small industry as a unit having fixed asset up to tk.1.0 million excluding the cost of land (Ibid,1981). Thus we have seen that the criterion used by BSCIC, Bureau of Statistics and Department of Industries in distinguishing small industries are one or more of the following:

- a. Use of power,
- b. Number of workers,

c. Value of fixed assets.

Again in distinguishing cottage and small industries various criterion are found in use. These criterion emphasis on predominance of family labour and extreme smallness in size. RISP used only the employment criterion to differentiate small and cottage industries from large one. Small and cottage industries together they defined to include all enterprises with employment size up to 50 (Ibid,1981). They also define cottage industries are those establishment with three or fewer workers or any establishment with 10 or fewer workers employing at least 2 hired workers (Ibid,1981). RISP definition of cottage industries are found most suitable for our analysis.

BSCIC define (in their survey of 1983) cottage industries (i) are those industries which are carried on wholly or mainly by the members of the family either as a whole time or as a part-time occupations or (ii) an industry employing not exceeding 10 persons if motive power is used otherwise maximum of 20 persons without motive power.

1.3. Emergence of the problem of structure of unemployment in the rural sector ----- agriculture and land

Bangladesh was a part of British colonial India until 1947. The colonizer strengthen the existing rural hierarchy which was based on land. So instead of settling in the colony the colonizer used the local power structure to extract surplus. The only source of surplus extraction was from agricultural land and the only objective of British was whatever tenure system was introduced or recognized it must be one which would collect maximum revenue at the least risk and cost. So the British passed the Permanent Settlement Act of 1793 which meant that most of the land was parcelled out in estates of various sizes and held by people called "proprietors" (which include Zamindar and independent

Talukders). The proprietors were large land holders and government tax collector.

Most of the land in Bangladesh around 1950 was under the control of Zamindars. The Zamindars also framed out portion of their estate to independent or dependent talukders for rent collection. More frequently the Talukder created further subordinate tenures creating a long chain of intermediaries between the State and raiyat (tenant farmer). Neither the proprietors or the tenure-holders was interested in the actual job of cultivation. So we find apart from the State there were four classes of people connected with land with different kind of rights in it. They were (a) Zamindars, (b) the tenure holders, (c) the Raiyats and (d) the under-raiyats (Abdullah, 1976).

After partition of India in 1947 into India and Pakistan the leadership of the both the countries were taken by the indigenous leader who by their education and outlook were supporter of Western policy on agricultural development as it suited them most. The partition of India which took place on the basis of religion had serious implications for the pattern of landownership and landlessness in Bangladesh. Because most of the Zamindars are Hindu and after partition they migrated to West Bengal (India) and their land was transferred to the Muslim peasantry by sale, property exchange, by forced occupation or forgery (Matin, N.I. 1984). A major change in land administration was passed in 1950. Through it the Zamindari system was abolished under East Bengal Land Acquisition and Tenancy Act. The main features of the Act were:

a) all rent receiving intermediaries were abolished;

b) a ceiling on the land holding was fixed to 33.3 acres.

This ceiling was not applicable in the case of Tea, Sugarcane, Rubber Plantation. Thus the actual tiller of the land become direct tenants under the Government. They got the permanent, heritable and transferable rights in their land.

They were also allowed to use their land at their will. Certain amendments were made to this Act time to time. In 1961, through the introduction of East Pakistan Ordinance No.XV, the ceiling was raised from 33.3 acres to 125 acres. In 1964, the exemption of ceiling was extended to cooperative societies.

The Zamindar were compensated and the excess land were redistributed to the cultivators holding less than three acres with a fees/money charged for land. Ultimately this fees were charge at full market price. This in turn benefitted the urban based middle class. The peasant remained unprotected. The main effects of this Act were the elimination of Zamindari system and to increase the Government land revenue earnings. This Act did not bring about any changes in the agricultural production and its impact on peasant remain nil because the peasant hardly feel motivated by this Act rather they did not felt any difference in paying rent to the Government and to an individual.

Thus the agrarian scene of Bangladesh is characterised by a complex set of peasantry----the surplus producing well-to-do farmers at the apex of the peasant society in conjunction with their allies--the absentee landlords, at the bottom lies a bulk of the rural labourers who are also share cropper with or without holding a piece of land and in between them a big space is captured by the peasantry who are subsistence farmers but not free from market situation. This complex set of peasantry is again characterised by a complex pattern of social relation of production and exchange.

This relation is governed by the principal object of production, the land. It is through this set of relation peasantry is facing differentiation and polarisation. This process of differentiation and polarisation has been dealt by many studies and a considerable amount of literature has been produced by researchers and academicians. These literature also differ from each other.

Bertocci (1970) examined two villages of pre-liberation Bangladesh emphasising mainly the social structure and community organisation. He attributed a great deal of fluidity to the system in which different families rise in power as a rich peasants but are unable to maintain their superior wealth for a long period of time because of the vicissitudes of agriculture in a monsoon climate and because of the existing system of multiple inheritance. He referred this process as "cyclical kulakism" where "there appears to occur a regular rise and fall of families, the decline of wealth (and hence a key basis for power) for some and increase of these for others" (Bertocci, 1972, p43). Interestingly Mukherjee, offered a long term and permanent view of this mobility patterns by studying six villages of Bogra district in the famine period of 1942-44. Mukherjee clearly reject a very egalitarian aspects of Indian society during the British time and indicates 'this myth of "equality" among the Indian or Bengal villages has, of course, been exploded by many economists; but the fact can not be ignored that the "traditional" simple life which the bulk of the people led in the rural areas and the regular deteriorating appearances of the villages which could not pass unnoticed even by the most superficial observers tended to support this belief in the age-old static character of India's village society' (R.Mukherjee, 1952, p2). Thus he concludes that 'therefore in order to establish the need for studying the economic structure of rural Bengal in the British period of her history, it will of interest to refute at the outset this illusion of egalitarianism of her rural society' (Ibid, p2).

Atiar in his 'Peasant and Classes', 1984 holds the similar opinion "the Bengal peasantry had been differentiated even during the British period and a different group of surplus muslim raiyats had come into being. Various means of exploiting the peasantry such as money-lending, trading etc.

were utilised and the stability of the peasantry was affected subsequently. Thus a process of disintegration had already started even before the partition of 1947" (p93). Floud Commission in 1938 recorded a high degree of differentiation of the Bengal peasantry and found that 74.6 per cent of the household had holding below the subsistence level; only 25.4 per cent had more than 2 acres of land only 7.7 per cent household had holding larger than 10 acres. The differentiation of Bengal peasantry was also conformed by Ishaque's plot to plot survey (1944/45). The result of the survey have been recalculated by Abdullah (A.Rahman: Peasant and Classes, 1986, p95 from Hussain 1981 [table V p19] compiled by Abdullah 1976 [table VI p105]). Recognising Ishaques' data, Hussain concludes that only 15.3 per cent household own more than 5.0 acres of land (compared to 25.4 percent in 1938, according to Floud Commission report) and they owned more than 60 percent of the total land. However they share-cropped out more than one third of their land and because of that, their share of cultivable land was not as high as owned land. They accounted for about 78 percent of the total share-cropped out land. On the other hand, mainly the poor were share-cropped (Atiar, 1986).

M.M.Islam mentioned in his Ph.D thesis (Bengal Agriculture 1920-1946) that by 1920 the possibilities for further expansion of cultivation had become limited. An important development which accompanied the process of widening of the market was the gradual increase of the pressure on land along with the growth of population. As the expansion of agriculture was not accompanied by industrial--urban development on a sufficient large scale the land-man-ratio gradually deteriorated. He also mentioned that the low productivity of Bengal agriculture during 1920-1946 seems to be due to the low level of capital formation. It could be argued that capital formation was adversely affected by the

low and declining per capita income in the agricultural sector.

The unequal agrarian structure of Bengal was revealed by another study of the Indian Statistical Institute (1946). It reveals that "only 11.5 percent of the total households owned 5 acres or more" (Atiar, 1986, p95 quoted from Mukherjee, 1952). Now if we compare the findings of the various surveys of 1938, 1944-45 and 1946 we clearly see the increasing trend of land concentration of those days.

W.V. Schendel has argued by using the mobility scheme of T. Shanin, that there exist a centrifugal and centripetal tendency of peasant mobility and thus concludes that rise and fall of peasantry happen in crisis situation.

Commenting on the same sets of data used by the Abdullah et al (comparison of 1960 Agricultural Census data on land distribution and tenancy with those from 1967/68 Master Survey) G.Wood has focused on the fact that land was being concentrated in small holdings (less than 2.5 acres) category, while at the same time there was a reduction of holdings in 7.5 + acres category as well as a reduction in the share of land belonging to the later big farmer category. Rather than polarisation, Wood interpreted that data as indicating "a slight movement towards equalisation in the distribution of land holdings" and further maintained that the existence of a significant "kulak" class employing labourers, renting to share-croppers and appropriating a marketed surplus is denied (K.Westerdaard). He pointed out that the crux of the problem is the capital formation. Other uses of rural capital have been more attractive than the investment in transforming and expanding the scale of agricultural production (G.Wood, 1981, Rural Class Formation in Bangladesh 1940-80, Bulletin of Concerned Asian Scholars, vol.13, No.4).

B.K.Jahangir in his study focused that differentiation and polarisation are predominant factor in present economy of

Bangladesh. In a study of two villages of Savar Upazila of Dhaka District he found a clear process of differentiation which "led to the formation of a rich peasant layer of impoverished peasants composed of middle and poor peasants on the other" (B.K.Jahangir, "Differentiation, Polarisation and Confrontation" Ph.D.thesis, University of Durham, 1976).

Thus we can summarise by saying that whether Bertocci's "cyclical kulakism" in the main trend in the rise and fall of the rural households or R.mukherjee's polarised peasantry is the predominant trends in the rural Bangladesh of today, but it is reveals by the literature that the set of social transformation in Bangladesh is changing and in this changing process concentration of land in a few hands and dispossession of it from the many has been accelerated. Moreover it is on increase in today's Bangladesh. Thus we can conclude that the main obstacles of adequate agricultural performance are the agrarian structure, inadequate investment in agriculture, high degree of concentration and high rate of population growth. All these in turn created landlessness, unemployment and poverty in the rural areas. "One calculation for Bangladesh showed that each cropped hector would have to productively absorbed about 298 mandays at the given cropping intensity if agriculture were to provide a reasonable level of employment to a reasonable proportion of those who depend on this sector as the major source of income. This figure was 61 percent above the current rate in the country, and 16 percent higher than the level reached in Japan in 1950 (the latter itself being considered quite an impressive achievement). Considering the difference in environmental and technological conditions between Bangladesh and Japan (e.g. relatively lower use of animal labour and the prevalence of more irrigation based on labour-intensive means in Japan at that time) this figure is, perhaps, beyond what Bangladesh could hope to achieve when all the possibilities have been



exploited" (Non-farm Employment in Rural Asia: Issues and Evidence: Rezanual Islam, ILO/ARTEP, August, 1983).

#### 1.3.1. De-industrialisation process

Rural industries which include a diverse range of small scale activities with diverse level of technology, has undergone ups and downs and invited a lot of debate on the subject. This ups and downs are known as de-industrialisation. The term de-industrialisation has different meaning. We will see here how de-industrialisation can occur in a variety of ways. There is a 'positive' de-industrialisation, which is the normal result of sustained economic growth in a fully employed and already highly developed economy (R.E.Rowthorn and J.R.Wells: De-industrialisation and Foreign Trade, 1986). It occurs because growth in the manufacturing sector is so rapid that despite the increasing output employment in this sector is reduced (Ibid. p5). But this does not lead to unemployment because new jobs are created in the service sector in such a scale that can absorb any worker displaced from the manufacturing sector. This kind of de-industrialisation is a symptom of economic success (Ibid, p5). It can occur only in a highly developed economies.

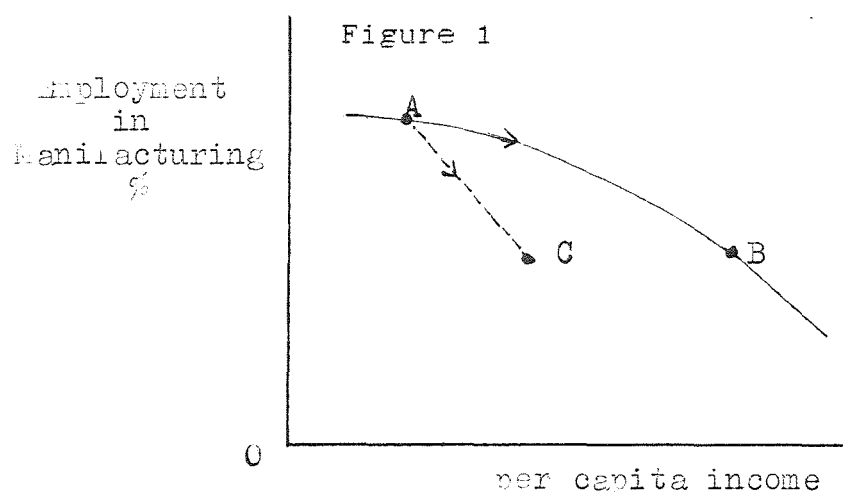
At the opposite extreme is 'negative' de-industrialisation. This can affect economies at any stage of development. It occurs due to economic failure particularly when industry is in severe difficulties and the performance of the economy is poor. Unemployment will arise due to the falling output or higher productivity in the manufacturing sector and they will not be reabsorbed into the service sector. Thus, negative de-industrialisation is associated with stagnant rural income and rising unemployment (Ibid, p6).

The third type of de-industrialisation occurs due to the changes in the foreign trade. It occurs when the pattern of net exports shifts away from manufacturing towards other

goods and services. This shift will lead to a transfer of resources from manufacturing to other sectors of the economy which in turn will cause a decline in the share of manufacturing in the total employment. With the help of the following diagram we will see how the economy may de-industrialise in two ways. The economy may de-industrialise when it grew rapidly, maintain full employment and trace out the path shown in figure 1. Beyond a certain point in the normal process of growth employment will shift from manufacturing and other sector to service sector. Thus labour displaced from manufacturing and other sector will be absorbed in the service sector. This is a kind of positive de-industrialisation.

On the other hand, in recession the economy may experience stagnation in real incomes and industrial output. In this case labour displaced from manufacturing and other production industries will fail to be absorbed in the service sector, and unemployment will arise. This is a kind of negative de-industrialisation.

These are two extreme possibilities, and many intermediate combinations are possible. The contrast between these two extremes is pictured in figure 1.



The diagram shows what happens through the course of time to two mature economies which start from the same point, A. At the initial point there is full employment in both the

economies. One of the two economies is extremely dynamic-- whose real income rises very fast, unemployment remains low and manufacturing employment follows the continuous line shown in the diagram. The other economy is almost stagnant, real income increases very slowly, the level of economic activity falls well below its full, potential, unemployment rises and manufacturing employment falls (Ibid, p25). The path of this economy is shown by the broken line. If we compare both the economies we find that after a given point of time the dynamic economy has reached the point B, where manufacturing's share of employment is well below its initial level but the real income has risen a great deal and the economy is closed to the full employment (Ibid, p25). By contrast the other economy (stagnant economy) at point C, the share of the manufacturing's total employment has fallen just as much as in the dynamic economy but the real income has hardly risen, the economy is operating well below its full potential and unemployment is very high. Thus we see that the positive de-industrialisation is associated with full employment and rising real incomes while the negative de-industrialisation is associated with stagnant real incomes and rising unemployment.

Let us now see how de-industrialisation has taken place in the Indian sub-continent. Rural industry for generating income and employment in the rural sector has come to draw a considerable attention in the development literature of present time. Deneil Throner was one of the first scholars to investigate the alleged phenomenon of the de-industrialisation of India (A.K.Bagchi, Journal of Development Studies, vol.12). He implicitly defined de-industrialisation as a decline of the working population engaged in the secondary industry, or a decline in the proportion of the total population dependent on the secondary industry (Ibid, p136). "Thorner comes to a conclusion that a meticulous analysis of the census data alone provide no

ground for believing that de-industrialisation occurred in the India over the period of 1881-1931" (Ibid, p136). But he also admits that the India's national handicrafts have declined sadly from their prestine glory. He also said that this was not a phenomenon peculiar to India but a world-wide development affecting different countries at different times. He also said the ruin of the old-style craftsman is an integral part of the Industrial Revolution (Thorner, 1962, p70 quoted from A.K.Bagchi, De-industrialisation in India, Journal of Development Studies, vol.12). It is pertinent to quote here the remark of Sir John Hicks: " The English handloom weavers, who were displaced by textile machinery, could (in the end after much travail) find re-employment in England; but what of the Indian weavers who were displaced by the same improvement"?

Secondly in England, the initial effect of the technological revolution in the cotton spinning industry was to increase the employment and wages of the handloom weavers. Further it took a long time for the British woollen industry to feel the impact of the technological revolution in other spheres of the economy. The destructive effects of the industrial revolution were considerably cushioned by absolute growth in the demand and other protective devices fashioned in the mercantile era (Ibid. p137). By contrast, protective devices were used---perversely--to further cripple the indigenous industries in India (Ibid. p137). In India handloom weaving and hand-spinning constituted the largest traditional industry and enormous number of people were involved in it. Hence the destructive effects on this sector had a depressive effect on the rest of the economy.

We also see that the Western capitalist powers constantly followed a policy in their colonies which resulted in a process of decline in rural industries with severely adverse effects on employment, rural investment and income distribution. The prime objective of the colonial power in

the sub-continent were invariably the extraction of surplus and the commercialisation of the colonial economies. The process of surplus extraction placed rural sector artisans in great adversity while the policy of commercialisation by exacerbating poverty and favouring capital intensity acted against the rural craft sector. Import of cheap manufactured goods from the imperial countries resulted in the destruction of local artisans and handicraft trade and de-industrialised the economies of the colonies (Saith, 1982).

A.K. Bagchi (1972) mentioned that export by other manufacturing nations to India were discouraged by the government policy; government patronage was extended almost exclusively to British manufacturers alone; import of non-British manufacturers were probably even more effectively discouraged by the prevailing ethos. The emergence of Indian entrepreneurship in most part of the India was systematically discouraged by the political, administrative and financial arrangements maintained by the British ruler (A.K. Bagchi, 1972).

Chowdhury (1974) writes that "(B)efore the discovery of the machine spinning and weaving in Britain ... the Indian sub-continent was probably the world's greatest producer of cotton textiles". The condition of the weavers deteriorated after 1757 when the East India Company assumed political authority over Bengal. From that period the decline of Bengals textile industry began (A.K. Datta and Hein Streefkerk, 1983). The most important cause for this destruction was the technological invention and the rise of machine-based cotton industry in England, and the import restrictions that accompanied these development (Ibid, 1983). In the then Bengal, taking only the cotton growers, cotton weavers, spinners, dressers and embroiders about one million people were thrown out of employment by 1928 (Ibid, 1983). But this was not followed by a corresponding increase of employment in other sector. In India when de-

industrialisation drove labourers to seek employment in agriculture, they faced a high imperfect market, the most important asset land being already concentrated in the hands of the few (landlords). Thus findings no alternative the unemployed already joined the vast reservoir of un/underemployed in agriculture.

#### 1.4. Problems of rural poverty

It has been argued by many scholars that the poverty and unemployment is not merely a condition of resource endowment but the way in which man organise their lives, relationship with one another and production system. Moreover there has been a substantial increases in rural labour force. In 1961 total labour force was 17.4 million but in 1983-84 it was gradually increased to 24.7 million making employment situation worse (Bangladesh Bureau of Statistics, Statistical Year Book 1984-85).

Like unemployment the poverty situation in Bangladesh is alarming. The table below summarise the situation of poverty in rural Bangladesh.

TABLE 1.1

INCIDENCE OF POVERTY IN RURAL BANGLADESH(percentage)

Year	Absolute Poor		Extremely Poor	
	Households	Population	Households	Population
1963-64	51.7	40.2	9.8	5.2
1968-69	84.1	76.0	34.6	25.1
1973-74	86.7	78.5	54.1	42.1
1975(first quarters)	70.3	61.8	50.5	41.0

Source:Khan,A.R. "Poverty and Inequality in rural Bangladesh", ILO, 1977, p147.

The table indicate that there is a sharp increase in the absolute and extremely poor from 1963-64 to 1975. In 1980 World Bank formulated a quantitative index of poverty in Bangladesh by defining the poverty line as the monthly per

capita expenditure which permits a recommended daily calorie intake of 2122 calorie per person. Absolute poverty is define as per capita expenditure permit only 85 percent of the minimum calorie intake. In the following pages we will see to what extent poverty has increased in Bangladesh.

#### Trends in rural poverty

a. Change in Absolute Rural Poverty: In order to understand what is happening to absolute poverty, poverty line is to be constructed and the percentage of the population below the poverty line is to be measured. Here we will examine the estimate made by the different sources. Estimate made by

Khan shows that the proportion of rural people living below poverty line increased from about 40 percent in 1963-64 to 61 percent in 1975 (table 1.1). A recent estimate made by the Bureau of Statistics shows that the proportion of people living below poverty line is 81 percent for the rural areas and 78 percent for the urban areas for 1976-77 (Bangladesh Bureau of Statistics, Socio-economic indicator of Bangladesh p70-73). Proportion of people living below poverty line can be found by applying the cost of minimum dietary pattern as recommended by the FAO. FAO recommended for a minimum per capita daily consumption of 2332 calories which is 11 percent higher than the average calorie intake in Bangladesh as estimated by the 1975-76 Nutrition Survey (Nutrition Survey of Bangladesh, 1975-76). According to FAO recommendation 83 percent of the rural people are living below poverty line in 1976-77 but FAO recommendation adjusted for Bangladesh dietary practices (estimate II) shows that 61 percent of the rural people are living below poverty line in the same period (Ahmed, Q.K. and Hussain, M. "Rural poverty alleviation in Bangladesh Experiences and Policies, ILO, 1984, p15).

Physical quality of life indicator (PQLI):

a. Food consumption and Nutrition :

The daily per capita food consumption deteriorated in the country. The Nutrition Survey of Rural Bangladesh, 1975-76 estimates that the daily per capita food intake decreased from 841 grams in 1962-64 to 806 grams in 1975-76, a decrease in about 4.2 percent (Nutrition Survey of Bangladesh, 1975-76). The most alarming in this decline is found a drastic reduction in the consumption of fish, meat and pulses--- the source of major amount of protein intake in the country. The Nutrition Survey of 1975-76 also shows how various landholding groups in the rural areas are differentiated with respect to nutrition. It shows that for landless (0.01--0.49 acres) food intake was 694 (gr/person) and nutrition intake per person for the same group was 1925 calorie (K.cal.), 52.9 gram protein but the landholding group 3.00 and above acres it was 843, 2375 and 67.6 respectively.

b. Literacy and Education :

The level of literacy is very low in Bangladesh. The Bureau of Statistics indicates on looking into the trends in school enrolment ratio at the national level that the rate of illiteracy may further increase in the future. The enrolment in the primary schools of the population of 5-9 year age group declined from 71 percent in 1978 to 67 percent in 1982 and the enrolment ratio in the secondary schools declined from 17 percent to 14 percent in the age group of 10-16 years. This has occurred in spite of 50 percent increase in the public expenditure on education in real terms (BBS, Statistical year book of Bangladesh, 1981). The situation is happened due to the deterioration in absolute poverty which precludes them from enrolling in schools. The expenditure in the purchase of cloths, books and other materials can not be met even induces parents to be more concerned about the opportunity cost of educating children.



Trends towards marginalisation and landlessness

a. Increase in Population and Change in Land-man ratio: For the most part families in our country can not feed themselves from the land. Predominance of subsistence family farming and heavy pressure of population on land have led to the shrinking land-man ratio. The ratio is declining which is shown below.

TABLE 1.2  
LAND-MAN RATIO IN BANGLADESH

	Index of popu- lation	Index of Net Sown Area	Land-Man Ratio
1890	63	87	138
1901	69	89	129
1931	85	96	113
1941	100	98	98
1951	100	100	100
1981	208	102	49

Source: ILO/ARTEP, 1984, p201 "Poverty in Rural Asia", edited by A.R.Khan and Eddy lee.

Due to the increasing deterioration of land-man ratio, holdings have become increasingly fragmented.

b. Concentration of Land Ownership: The most important factor causing rural poverty is the pattern of distribution of land. Ownership of land is also an important determinants of one's social position and access to government supplied resources, which are often subsidised and this is a mechanism through which landownership determines the distribution of rural incomes. It is hard to get an accurate position about the pattern of distribution of landownership in Bangladesh because of under-report by the large land owners about their land. The Land Occupancy Survey, 1978 give us information on this. The findings are shown in table 1.2 which indicates the pressure of inequality in the distribution of land ownership. About 29 percent of the rural household did not owned any land other than the homestead. At the other end 2.7 percent

rural households own land in sizes of more than 10 acres and control 25 percent of the total land. Households

TABLE 1.3

THE PATTERN OF DISTRIBUTION OF LAND OWNERSHIP, 1978.

Land ownership size(acres)	% of house- holds	% of popu- lation	% of land owned
No land except homestead	28.2	23.4	--
upto 1.00 acres	30.6	27.7	8.3
1.00 to 3.00 acres	23.9	25.1	25.1
3.01 to 5.00 "	8.3	10.4	18.2
5.01 to 10.00 "	5.8	8.5	22.9
10.01 to 15.0 "	1.5	2.6	10.4
15.01 and above	1.2	2.2	15.1

Land Occupancy Survey, 1978.

owning more than 5 acres constitutes 8.5 percent of the rural population. It is clear from the land ownership pattern that increase in income from land based development programs will be highly unequally distributed and contribute in deteriorating the poverty and employment situation in the country.

c. Growth of Landlessness: The agricultural census of 1960 and 1970 reported on the distribution of the land ownership. As a result it is not possible to give direct evidence on the changes in the distribution of land ownership. There are some indirect evidence which shows that the concentration of land ownership has increased.

The first is the growing incidence of landlessness. Estimate made by Ahmed, Q.K. and Hussain, M. in their "Rural Poverty Alleviation in Bangladesh Experience and Policies", ILO, 1984 by using the result of the population census and agricultural census of 1960 and 1977 shows that there is a increase of landless and near landless by about 3.2 percent per annum, compared to population growth at a rate of 2.4 percent per annum (p25). As a result of this differential growth the share of the landless in the rural population increased from

35 percent in 1960 to about 46 percent in 1977 (Ibid, p25). Evidence derived from micro studies that there is concentration of land ownership among the land owning households due to the sale of land by marginal and small owners to large owners. "A survey of eight villages in Bangladesh reveals that 52 percent of the land transacted during 1972-74 was sold by people owning less than two acres, but only 30 percent of the land was purchased by this group" (M.Alamgir, Bangladesh: A case of Below Poverty Level Equilibrium Trap, 1978). "A similar trend was found in the survey of two villages in 1979. It was also found by the survey that the top 12 percent of the households purchase about two-thirds of the total land transacted during this period and nearly half of the land was sold by households owning less than one acre" (Ahmed,Q.K. and Hussain,M. 1994, p26).

d. Changes in Land Holdings: Although there is inequality in landownership, land is cultivated in small and medium size family based holdings. Small and medium size land owners rent in land and cultivate a larger size of holdings than their ownership. On the other hand large land owners rent out their land and cultivate holdings based on their family workers. As a result of this system of land transfer through tenancy market, the operational holdings is much less unequal than the distribution of land ownership. Table 1.4 shows the changes in the pattern of distribution of operational holdings during 1960 and 1977.

TABLE 1.4  
CHANGES IN THE DISTRIBUTION OF OPERATIONAL HOLDINGS,  
1960 AND 1977.

Size of Farms(acres)	% of farms		% of land operated		% changes in land (1960-77)
	1960	1977	1960	1977	
Upto 1.00 acres	24.3	15.9	3.2	2.7	-17.4
1.01 to 2.5 acres	27.3	33.8	12.9	16.3	25.1
2.51 to 7.5 acres	37.7	40.9	45.7	49.4	8.2
7.5 and above	10.7	9.4	38.1	32.7	-14.2

Source: Agricultural Census, 1960 and 1977.

The data shows that there is less inequality in cultivated land holdings than land ownership and shows a trend in concentration of land ownership in the hands of the medium and small farmers. "This is a sharp contrast in the growing inequality in the distribution of land ownership. This has happened because of the large reduction in the number of marginal farmers who have presumably joined the rank of land less agricultural labourers" (Ahmed, Q.K. and Hussain, M. 1984).

#### Employment and income

a. Distribution of rural income: Table 1.5 shows the distribution of rural income among different fractile groups. It is estimated from the Quarterly Survey of Current Economic Condition (QSCEC) in 60s and Households Expenditure Survey (HES) of 70s. The data shows that the rural income are unequally distributed. The top 5 percent in 1976-77 enjoys about 17 percent income while a similar percentage are accrued by the bottom 40 percent. The Gini co-efficient is about 0.40. There was an improvement for bottom 40 percent during 1968-69 but a decline for top 5 percent.

TABLE 1.5  
PERCENTAGE SHARE OF CURRENT INCOMES OF DIFFERENT FRACTILES OF  
RURAL HOUSEHOLDS, 1963-64 TO 1976-77.

Fractile Groups	1963-64	1966-67	1968-69	1973-74	1976-77
Bottom 40%	20.1	20.5	23.6	19.2	18.3
Middle 40%	38.0	38.1	39.4	40.1	39.0
Upper middle 40%	24.1	25.2	23.9	24.6	25.4
Top 5%	16.8	16.2	13.1	16.1	17.3
Gini Co-efficient	.342	n.e.	n.e	.340	.403

Source: Ahmed, Q.K. and Hussain, M. 1984.

1976-77 shows a deterioration in the distribution of income for bottom 40 percent. Their income fell from 24 percent in 1968-69 to about 18 percent in 1976-77 and there was an increase for top 5 percent from about 13 percent to 17 percent during that period. Deterioration in the concentration of agricultural income is a major reason behind this change. The Gini Co-efficient of agricultural income rose from 0.48 in 1963-64 to 0.58 in 1976-77 (Ahmed, Q.K. & M. Hussain).

Thus from the above precarious condition of poverty and unemployment of the people, it is widely believed that an appropriate agrarian reform is essential for agricultural growth and thereby to remove poverty and unemployment from the rural areas. But the present land-man ratio is so low that the expansion of employment in agriculture, even if there is appropriate agrarian reform, is likely to be very much limited. Agriculture could absorb only a small proportion of the annual incremental labour force and it has no employment opportunities for a large proportion of the annual increase and the backlog of unemployed. The modern industrial sector employs less than 2 percent (BBS, 1983) of the civilian labour force and no realistically conceivable rate of growth in this sector can make a dent in the prevailing unemployment and underemployment situation.

It can be seen from the table below that there is no change in the structure of the economy. Though during the period GDP has risen and the share of the agriculture, industry has somewhat changed, agriculture still remain the dominant sector of the economy. Share of the agricultural sector declined over the period. While usually in a growing economy the share of the agriculture tends to decline and that of the manufacturing increases, this has not been happened in Bangladesh.

TABLE 1.6  
GROSS DOMESTIC PRODUCT OF BANGLADESH 1979-85

	1979-80	'81-82	'82-83	'83-84	'84-85
1. Contribution of agriculture to GDP at current prices(%)	50.3	45.9	47.1	48.4	48.4
2. Contribution of industry to GDP at current prices(%)	9.9	9.7	9.7	8.8	8.6
3. GDP at current market prices(in crore tk.)	18,206	23,739	26,787	31,368	34,965
4. Population(in million)	872.3	919.2	943.2	967.5	992.0
5. Per capita GDP(in tk.)	2087.0	2582.0	2840.0	3242.0	3524.0
6. Annual rate of growth of GDP	--	13.18	12.84	17.10	11.47
7. Per capita rate of growth of GDP	--	10.25	11.0	14.15	10.87

Source: Economic Survey of Bangladesh 1986-87  
Bangladesh Bureau of Statistics, 1984-85.

In view of the above consideration, increasing attention came to focused in this country on the role that the rural industries and non-farm activities might play in the development process in general and in the creation of employment opportunities in particular. It has drawn considerable attention in the development literature of the present time.

### 1.5. The case of rural industrialisation as a strategy for unemployment and poverty alleviation

Bangladesh faces as we have discussed earlier a chronic unemployment problem which as an acute manifestation of the syndrome of poverty. Numerically, the level of unemployment for 1979/80 is estimated at 31.3 lakhs that is about 3.1 million but this call for several qualification (Second Five Year Plan). The subsistence agriculture, informal rural and urban sector which is characterised by self-employment in agriculture, a considerable disguised unemployment in the farm occupation and an extensive use of child labour, make arithmomorphic concept of employment operationally meaningless. In spite of all these difficulties, it is not difficult to comprehend the employment problem when over 90 percent of the population directly or indirectly continues to depend on land with a declining land-man ratio while the share of modern industrial sector continues to remain as low as 6 percent of GDP (Second Five Year Plan, 1980-85). With the frontier of agriculture virtually closed by scarcity of land and lack of investment, unemployment problem could not but have worsened with the increase in population in recent decades.

According to the occupational breakdown of employment of 1979/80, 200 lakhs (20.0 million) people were engaged in agricultural activities on an average a person spends only 115 days in a year (Second Five Year Plan). Even, with the fullest development of possibilities for labour absorption in crop production there will remain a large surplus of labourers for whom employment opportunities need to be created in non-farm sector. Thus it appears that the level of employment/work opportunities in agriculture is so low that an average farm worker has to supplement his income by engaging in non-farm activities.

Thus because of the labour adsorption problem in agriculture and high cost of modern industries to create employment,

there has been increasing emphasis on non-farm employment generation in rural areas, in non-crop sectors like fisheries and livestock, rural infrastructure and rural industries. During the past decade, the growth of employment in modern industry has been very limited (Second Five Year Plan). Public sector investment was mostly directed to rehabilitation and much of the new capacity created in the public sector industry has been capital intensive. Modern industry employ only about 500,000 people (less than 2 percent of the labour force) and it would be require a huge amount of resources to absorb any significant proportion of the increase in labour force. But because of the deteriorating employment situation in the rural areas and limited capacity of modern industries, non-farm activities are given high priority in solving unemployment and poverty from the rural areas.

So we see in recent years an emphasis to rural areas is noticeable in the development strategy of the country. A gradual realisation by the economic planners and policy makers of the fact that the overall socio-economic development of the country depends on the prosperity of the rural economy. Thus the main thrust of the program is on rural development with special attention to rural industrialisation as a strategy for removing unemployment and poverty from the rural areas. Thus rural industries would be of great significance as the sector has the immense potentiality of enlarge employment opportunities, diversify rural occupations, develop agro-based industries, reduce the extent of underemployment and disguised unemployment. The contribution of this sector would be of far reaching in the economy where unemployment and underemployment is widespread. Thus the main thrust of the Second Five Year Plan is on the development of rural industries. The emphasis on rural industries can be further attributed to a set of three factors. Firstly, in Bangladesh the industrial sector has



been unable to generate employment growth at a rate which can make an appropriate impact on the high levels of unemployment (ILO/ARTEP, 1985). This is due to the high capital intensity of modern industrial production techniques. Over and above the labour absorption capacity of the agricultural intensification strategies has also proved quite limited. The agrarian differentiation and structural shifts induced by the technological change have further aggravated the situation by intensifying the on-going process of rural marginalisation of resource poor rural groups (Ibid, 1985). In this situation rural industry is expected to provide cheap jobs for the rural poor and prevent migration into already over burdened urban centres.

Secondly, the emphasis in rural industrialisation as an instrument of employment generation for the rural poor and as a substitute for agricultural growth. Thus keeping agrarian structure and vested land interest not affected rural industrialisation is seen by-passing the political problems. Thus at the present situation we witness the revival of interest in favour of rural industry by Government and Non-government and other international agencies. But the potential role of the rural industry is much wider than what implied above. Firstly by carrying industry to the villages, rural-urban migration can be pre-empted.

Secondly, the extent that additional employment is created in towns, matching flows of marketed surplus of foodgrains have to be ensured (assuming stable real wages), while rural industrialisation based on employment of surplus rural labourer by-passes the need to manage these transfers. Thirdly, rural industries could stop the skill drain from the country side (Ibid, 1985). Fourthly, rural industrialisation could lead to greater degree of regional and sectoral equality and decentralisation. Fifthly, rural industries could utilise low cost local resources. Sixthly, rural industrialisation may have a positive spin-off for the

agricultural sector by improving the local infrastructure, which in turn assists in agricultural development.

Over and above the most important thing that should be considered is the condition under which the earning and employment are generated. It may be under extreme exploitative conditions. Different micro studies reveals that workers in rural industry receive extremely low wages, frequently not significantly different from those of landless agricultural labourers whose incomes are generally below any conventional poverty line. Moreover the work condition in rural industries are notoriously primitive and worse than large scale industries and relies relatively more on female workers.

#### 1.6. Overview of rural industry and non-farm activities

In rural areas people are found engaged in a number of occupation simultaneously. This is due to the fact that (i) in a subsistence economy the level of specialisation is low, so a person may perform several jobs to eke out a living for the family. (ii) most of the occupation are found self-employment type which favour one to perform a number of jobs simultaneously. (iii) thirdly farming are found seasonal in our country so people do other non-farm jobs in peak season. Studies shows that the contribution of non-farm employment to total employment varies from 40 percent to 65 percent.

Some recent micro studies shows that well over 40 percent of the rural workers are engaged in the non-farm activities in term of primary involvement and 55 percent if secondary involvement in these activities are taken into account. This is shown in the table below.

TABLE 1.7

PERCENTAGE OF GAINFULLY EMPLOYED RURAL LABOUR FORCE WITH  
PRIMARY AND SECONDARY INVOLVEMENT IN THE NON-FARM ACTIVITIES

Micro Studies	Primary in- volvement	Secondary in- volvement
Rural Industries Study Project, 1981	45.6	7.6
Barisal Area III Project, 1980	43.0	12.0
Grameen Bank Evaluation Study	43.7	13.3

Source: Q.K.Amhed: Bangladesh Food Strategy, Review Exercises, 1984.

Another study by the ARTEP shows that it is 64.6 percent in village in Chittagong and 59.2 percent in village in Dhaka (R.Islam, "Non-farm employment in Rural Asia: Dynamic Growth or Proleterisation", 1984). But the Government statistics, Manpower Survey of 1979 shows a much lower country average figure of 26 percent, the highest figure found for Dhaka is 30 percent (Pilot Manpower Survey 1979, Bangladesh Bureau of Statistics). The discrepancy is significant. This may be due to the definitional differences but it is clear that these activities are an important source of income and employment of the rural poor.

A survey on six villages in Chandpur Irrigation Project area shows that 30 to 40 percent of the total household income of these villages came from the rural non-farm activities (Q.K.Ahmed, 1984, p18).

Self and wage employment

The Manpower Survey of 1980 shows that 56 percent of the rural male and 45 percent of the rural female are self-employed in subsistence and cash crop agriculture, trade and other non-crop activities or as unpaid family workers. The remaining 44 percent male and 55 percent female labour force are in labour market for employment on wages; but majority of them are un or under employed (Ibid, p8).

Non-farm employment and farm holdings

More insight on the role and importance of non-farm employment particularly for different categories of households, can be had by looking at the extent of such employment compared to total employment for different size groups of farm holdings (R. Islam, The Journal of Contemporary Asia, 1984). This is shown in the table below. The information is broken into--wage and self-employment.

TABLE 1.8CONTRIBUTION OF NON-FARM EMPLOYMENT TO TOTAL EMPLOYMENT FOR DIFFERENT SIZE GROUPS OF OCCUPATIONAL HOLDINGS

	Size Groups (acres)	No. of workers in sample	% of NFA Wage	Contri- Self	buti- on
<u>Villages in Dhaka</u>					
	0	77	56.0	13.8	69.8
	Above 0 & upto 1	143	39.1	23.9	63.0
	Above 1 & upto 2.5	37	14.0	30.7	44.7
	Above 2.5 & upto 5.0	46	9.6	32.6	42.2
	Above 5.0	26	4.1	44.5	58.2
	All Groups	329	33.6	25.6	59.2
<u>Villages in Chittagong</u>					
	0	140	45.5	28.5	74.0
	Above 0 & upto 1	29	58.8	22.0	80.0
	Above 1 & upto 2.5	46	29.2	12.4	41.6
	Above 2.5 & upto 5.0	43	26.0	12.9	38.9
	Above 5.0	9	41.5	0.2	41.7
	All Groups	267	42.1	22.5	64.6

Source: R. Islam, Non-farm Employment in Rural Asia, The Journal of Contemporary Asia, 1984.

Several features on non-farm employment emerges from the table. Firstly, the percentage contribution of non-farm employment varies inversely with size of the operational holdings. The second feature is that much of the employment in non-farm activities is wage employment. Wage-employment constituted more than half of the employment in non-farm activities.

TABLE 1.9

INCIDENCE OF WAGE-EMPLOYMENT IN NON-FARM ACTIVITIES

	Wage-employment in non-farm activities as % of total non-farm employment
Village in Dhaka	56.8
Villages in Chittagong	65.2

Source : R. Islam, Non-farm Employment in Rural Asia, Journal of Contemporary Asia, 1984.

The third important fact, and one related to above, is that the incidence of non-farm wage employment also varies inversely with farm size.

The Rural Industries Study Project (RISP) found that in non-farm employment the involvement of landless and near landless are very high and the involvement of larger land owning group in these activities is also significant.

Composition of non-farm employment

The broad sector composition of non-farm employment is shown in the table below which are drawn from different micro studies.

TABLE 1.10

BROAD SECTORAL COMPOSITION OF RURAL NON-FARM EMPLOYMENT----  
Findings of Recent Micro Studies

Components	(in percentage)		
	RISP	Barisal Area III Project Evaluation	Chandpur II Irr- igation Project Evaluation
Livestock, Poultry			
Raising	10.8	6.8	6.8
Trade and Commerce	23.6	37.2	27.2
Processing and Manu- facturing	38.7	25.9	13.2
Transport	3.2	8.0	11.5
Services	10.9	20.0	27.6
Construction	3.5	--	7.0
Miscellaneous	10.6	2.0	7.1
Total	100.0	100.0	100.0

Source: Q.K. Ahmed, Bangladesh Food Strategy, Review Exercise, p14.

It appears from the table that in trade and commerce and processing and manufacturing highest number of people are engaged.

#### Wage rate in non-farm employment

RISP study found that the hourly wage rate is tk.1.32 for all types of work; tk.1.40 for workers in enterprise located in urban areas, and tk.1.28 in enterprise located in rural areas. The daily wage rate for rural enterprises estimated at tk.9.47, which about the same as the daily wage of unskilled agricultural labourers (tk.9.35) prevailing in 1977-78 (RISP, p93). A considerable variation is found in the wage paid to child and female workers. A child worker received about 55 percent lower wage compared to the adult workers, and female worker about 57 percent lower compared to the male workers. RISP also found that the products in which wage rate is very low are those which are operated mainly by family female workers.

#### Gender relation in non-farm activities

On female employment the RISP found 65 percent are employed in non-farm activities, taking primary employment but the proportion going upto 66 percent if secondary employment is considered (RISP, p34). The reason for women workers to concentrate in rural industries is that most of these activities are cottage type run in premises largely with family workers. So women can involve in these activities without violating the persisting norms and values and also they do not have to compete with the male jobs. RISP also found that 84 percent of the female rural industrial workers working as unpaid family helpers.

Over and above R. Islam opined that the low return to non-farm activities is not only a feature of wage-employment, non-farm family enterprises are also characterised by low productivity and hence low return. One particular reason for the low

productivity of non-farm family enterprises in rural areas is the nature of the activities in which they engage. In most cases these activities consists of rudimentary cottage manufacturing for domestic use or the local market, petty trading, services, and so on. They require very little capital and skill; the market also is usually limited, and the consequences is a very low productivity and/or returns (R.Islam, p318).

#### Small and cottage industry sector

In 1962 cottage industry survey identified 66 industrial product manufactured by the rural households. The RISP also identified 66 industrial product produced in the villages.

A high concentration of employment is found in a small number of industrial activities. In 1962 only 13 product counted for about 95 percent of the enterprises and 96 percent of employment generated (ILO/ARTEP, 1983). RISP found only 13 products counted for 87 percent of the enterprises and contributing to 87 percent of the employment generated. These industries are dairy products and sweetmeat making, rope making, net making, handloom waving, tailoring, blacksmith, gold smith and pottery. RISP found rice processing by "dhenki" is the second largest rural industry after handloom in their study area but the BSCIC do not considered this as a industrial activity.

Appendix I.1 gives information on the number of enterprises and employment in the major cottage industries found in the BSCIC survey of 1962 and 1980. It is noted that handloom was the single major cottage industries accounting for 45 percent of the total employment in 1961. Other industries generated less than 10 percent of employment each. The rate of growth of employment as estimated from the figure, is about 2.2 percent per annum in the sector and 1.7 percent in the major industries. It appears from the data that minor industries have grown at a faster rates then these traditional major

industries. The rate of growth of employment and enterprises are found uneven across industries. Tailoring and carpentry expanded at a faster rate and generated employment at more than 4 percent per annum. The rate of growth of handloom, bamboo product and fishing net are also respectable. Oil pressing, gur making, rope and mat making activities have declined at a very rapid rate over this period. The oil pressing and gur making industries decline because of competition with formal industries, imports and government restriction imposed on gur making industries (ILO/ARTEP, 1983).

#### The small industries

There were two surveys on small industries in Bangladesh--- one in 1962 and the other in 1978. The survey do not provide data separately for rural and urban areas (ILO/ARTEP, 1983). But is useful to look into the growth of the small industries based on the two surveys. But the task is made difficult because the classification of industries is different for the two surveys. Instead we will look into the growth of the major industries during that period. Appendix 1.2 provides the necessary data.

11 industries included in the table accounted for over 84 percent of all units and 81 percent of total employment in small industries in 1978. In 1961 they accounted for only 54 percent of the total employment in small industries excluding handloom (ILO/ARTEP, 1983). Appendix I.2 shows that the total employment in these 11 industries increased at a rate of 7.41 percent per annum compared to the 4.82 percent for all industries excluding handloom. This average rate of growth conceals---6.05 percent in the case of bricks and tiles to 13.73 percent for rice mills. Rice mill have the largest employer in 1961 and continued to be so in 1978. It registered highest rate of growth in employment. But according to a report of World Bank the country wide



establishment of rice mill is reducing employment at a rate of 5 million mandays a year. They are mostly rural poor women. The engineering sector is the second largest employer in 1978. Bricks and tiles, soap factory and modern furniture shows a negative growth rate of employment.

#### Locational concentration

The RISP survey found that most of the cottage industries are located in the villages and small industries are located in market places, upazila centres. More than 95 percent of handloom weaving, rice husking, bamboo products, mat making, fish net making, jute products, pottery and gur making enterprises are located in the villages (RISP, p50). Blacksmith, carpentry and dairy product enterprises are located in market places.

Many of the cottage industries in Bangladesh are founds highly concentrated geographically. The RISP found that the major factor behind locational concentration as the availability of raw materials, locational concentration of demand and the concentration of cast and cultural tradition and skills associated with it.

#### Linkage

It can be noted from the list of the major cottage industries that they have a strong forward and backward linkage with other rural activities like farming, livestock production, forestry and fisheries. A large part of the raw materials for rural industry come from the agricultural sector. The RISP found the following composition of raw materials used in cottage industries.

TABLE 1.11  
COMPOSITION OF RAW MATERIALS USED IN COTTAGE INDUSTRIES

Type of Raw Materials	Percentage
Agricultural products	52
Processed agricultural products	4
Textile products	32
Other manufactured products	6
Fuel	3
Transport and service charges	3

Source:RISP,1981.

Imported materials are found 13 percent of the value of intermediate consumption (RISP, p127-133). Cottage industries have forward linkage by producing a large number of intermediate and capital goods used in rural areas. Forward linkage are provided by blacksmith which supply metal agricultural and non-agricultural implements, carpentry which manufactured boats, tools for handloom and fixture for rural construction, bamboo product supply wall fences for construction of houses; jute and coir rope making supply ropes for construction activities (ILO/ARTEP, 1986). It is estimated that the intermediate and capital goods produced by the cottage industries account for about 13 percent of the value of goods produced in this sector(Ibid, 1985, p21).

Thus it appears that rural industry and non-farm activities play an important role in removing unemployment from the rural areas. In terms of linkage both forward and backward, income and employment its contribution to the rural area is promising. Looking into all these advantages the government is given higher priority to this sector. In the next chapter we will look into the government strategies and policies for rural industrialisation.

## CHAPTER II

### GOVERNMENT STRATEGIES AND POLICIES FOR RURAL INDUSTRIALISATION

#### 2.1. The official strategy and policy of rural industrialisation.

Discussed in Chapter I that even with the fullest development possibilities for labour absorption in crop production there will remain a large surplus of labour for whom employment opportunities need to be created in the non-farm sector. So the main thrust of the Government in the Third Five Year Plan (TFYP) 1985-90 on the development of rural industries. There is already a broad rural industrial base in the cottage industries. Currently, about 1.5 million person or about 7 percent of the labour force is directly employed in rural industries (TFYP). But the present production pattern of the industries can neither cater efficiently to urban demand nor the demand of the small affluent rural population for production and consumption (TFYP). They largely cater to largest number of rural households who are poor thereby creating a symbiotic relationship with the general poverty condition (TFYP). The rural non-farm sector thus appears to be locked in a circle of low income depending on low demand and low level of investment and technology (TFYP). A dynamic growth of the rural industry can not be possible feeding on poor household. Hence a comprehensive rural development covering agriculture and industries will be necessary so that they reinforce each other by increased supply and demand of goods, increasing thereby employment opportunities. Thus the development of rural industries, according to the TFYP is the logical way of creating optimum possible employment opportunities close to the markets of their products and labour and should be encouraged to base mainly on locally available raw-materials and indigenous resources so that maximum benefit is derived from them through multiplier effect. In other words, the official version continue in saying, it has to be built around the agricultural development program. It will follow two specific lines

emphasising agro-support and agro-processing industries and consumer goods industries to satisfy rural demand mainly. To derive maximum benefit from the first set of activities for rural development, development of consumer goods and services industries in the rural areas should be given equal emphasis so that increased rural income is largely spent on goods produced in the rural areas (TFYP). For accelerating growth of agriculture and rural industries there will be also need for development of transport and communication, rural electrification, man-power training and credit and marketing facilities (TFYP).

So the Government stressed in the TFYP that rural industries should be by nature labour intensive than otherwise. However, along with the number, the productivity aspects of employment will have to be taken into account so that wage level is sufficient to enable the workers to have effective demand for their basic needs. So in promoting rural industries technological improvement of cottage and small industries along with agriculture will be given great importance (TFYP). Improved technology can increased productivity and improve the quality of many of the products of rural economy and lead to the lowering costs and prices to reach a larger market (TFYP). Rural industries development will call for development of infrastructures such as roads and civil structures using labour intensive methods which can provide substantial short-term employment in the operation and maintenance of assets created (TFYP). The policy of administrative decentralisation has a great impact on the development of rural infrastructure besides those created under Food For Works Program as the TFYP continue in explaining rural industrialisation policies. Food For Works will, according to TFYP, generate considerable volume of employment on a temporary basis during the plan period. About 80-100 lakhs (8-10 million) man-days of employment will be created by year under this program (TFYP).

The success of development strategy which emphasis rural non-farm employment in its stride for poverty alleviation is closely linked to the country's capacity to choose and develop technologies appropriate to these objectives. In the absence of a necessary connection with appropriate choice and application of technology, it is found that many technologies used in Bangladesh have adverse effects on employment, e.g. rapid increase mechanical milling of rice has led to the displacement of traditional employment opportunities at a rate of 3.5 to 5 million days per year (TFYP). So there is a need for selectivity in technological choice. It will be therefore, necessary in improving rural technologies to impart training for skill formation so that, machines and man can effectively communicate in improving their output. Non-Government Organisations are also involved in occupational skill training.

So this sector has given priority by the government in planing so that they holds the prospects of development at a lesser investment and larger employment and export potentials that are likely to be achieved in a relatively shorter time and with easier efforts, but they will need support for credits, supply of raw materials, new product designs and ideas and assistance in marketing including export. The TFYP aims to set up Employment and Resource Centre (ERC) at Upazila level so that its products is established on the basis of local demand and resources. This centre may need to set up local training-cum-demonstration units for development of local crafts and new product lines.

A National Coordination Council for Development of Small and Cottage Industries with agencies concerned as members should be set up (TFYP). The TFYP emphasis that its (National Coordination Council for Development of Small and Cottage Industries) function will be to formulate policies, coordinate the activities of various agencies engaged in the

promotion and financing of small and cottage industries and review performance and achievement of such agencies.

In addition to building up of an institutional arrangement as suggested above appropriate policy measures and incentive package will have to be provided reflecting total commitment of the government for rapid development of this sector. Such policy and incentive package will cover the following:

a) Financial incentives system with a preferential treatment to small and cottage industries such as credit at concessional rate should be provided.

b) Medium industrial units with strong linkage effects should be encouraged to disperse in rural areas through similar incentives as small and cottage industries.

c) A preferential treatment should be given to such medium, small and cottage industries in store purchase by the government departments, autonomous organisation and local bodies.

d) Sufficient local and foreign currency credits should be made available on easy terms of repayment, liberal debt/equity ration and minimum legal formalities.

e) Formation of association or cooperatives by industries of same or similar product lines should be encouraged for development of common facilities, e.g., for bulk purchase of raw materials, marketing of goods, advertisement, product identification, testing of products for conformance to quality standard and advisory services.

The financial out lay of this sector in the TFYP is shown in Appendix II.1.

In implementing government program and policies, currently, there is fairly large number of government or government sponsored organisations which are fully or partially concerned with the promotion of Small and Cottage Industries in Bangladesh. These are (RISP, Final Report, 1981):

1. Department of Industries
2. Bangladesh Small and Cottage Industries Corporation (BSCIS)

3. Bangladesh Management Development Centre
4. Investment Advisory Centre of Bangladesh
5. Bangladesh Industrial Technical Assistance Centre
6. Bangladesh Standards Institutions
7. Bangladesh Handloom Board
8. Bangladesh Sericulture Board
9. Central Testing Laboratories
10. Nationalised Commercial Bank
11. Bangladesh Shilpo Bank
12. Investment Corporation of Bangladesh
13. Chief Controller of Exports and Imports
14. Bangladesh Shilpa Rin Sangstha
15. Export Promotion Bureau
16. Trading Corporation of Bangladesh
17. Cooperative Department
18. Bangladesh Rural Development Board
19. Haor Development Board
20. Bangladesh Council of Scientific and Industrial Research
21. Bangladesh Women's Rehabilitation and Welfare Foundation
22. Directorate of Social Welfare
23. Divisional Development Boards
24. Chittagong Hill Tracts Development Board
25. Swanirvar Bangladesh
26. Off-shore Islands Development Board
27. Non-government Organisations (NGOs).

It is very clear from the above list that a large number of agencies/organisations are working on this line. Each have their own strategies and policies. It is very difficult to deal with all these agencies because of the time and length of the research paper and the non availability of data. But instead of all these difficulties we will try to discuss the Bangladesh Small and Cottage Industries Corporation (BSCIC)-- the government sponsored corporation for the development of small and cottage industries in Bangladesh, the Food For Works and Rural Works Program of the government and NGOs and we will try to see how far they are successful in creating employment opportunities and removing poverty from the rural areas through rural industrialisation and non-farm activities. NGOs will be dealt exclusively in Chapter III.

### 2.1.2 Rural Works Program (RWP) and Food for Works Program (FFW)

The Rural Works Program (RWP) was first introduced in 1962 as a component of the Comilla approach and was tested in Comilla Kotwali thana (Q.K.Ahmed, 1984). The resources came from the counterpart funds generated from USA's PL-480 assistance. Soon it expanded significantly and implemented at various level---division, district, upazilas and unions. Available evidence suggest that it generate employment for some 0.6 to 1.0 million persons per year in the 1960's (Ibid, 1984). But since than its contribution to employment creation declined steeply. In recent years some donors shows renewed interest in these program but in relation to the extent of unemployment (10 million and more man-years), this program's contribution remain negligible (Ibid, 1984).

The Food For Works Program was introduced in 1974/75 and while the RWP declined, the FFW program expanded in size. From the modest beginning, the program has risen to the level of 371 thousand tons of wheat utilised in 1982-83 involving 3921 schemes and 101 million mandays (Ibid, 1984, table 11). The impact of the schemes on the unemployment situation is certainly positive but quite small accounting for, in recent years, on an average about 1 percent of the total available mandays.

These programs are implemented in agricultural slack season. The employment provided is for such a short period, a few week only, that it makes only a temporary impact on the poverty and unemployment problem of the family concerned. Misappropriation (of wheat and money) is the major allegation against these programs. It has been found that workers are paid about 30 percent less than the officially admissible amount of wheat. Very few women are found employed by these projects. Moreover, these agricultural infrastructure development program only benefit the land owner vis positive impact on the agricultural production, while landless and



landpoor labourers only get a temporary relief while creating these facilities.

Let us now look into BSCIC.

### 2.1.3 Bangladesh Small and Cottage Industries Corporation (BSCIC)

BSCIC was exclusively created for promotion and supporting rural industries and we will concentrate on BSCIC in this section. It is a matter of regret that very little information is available on Small and Cottage Industries in Bangladesh. It implied the attention and implementation of government plan and strategy in this sector. So considering this constraints our analysis depends mainly on (i) the Rural Industries Study Project (RISP) of Bangladesh Institute of Development Studies (BIDS), (ii) survey report on Small Industries of Bangladesh in 1982, (iii) BSCIC's survey on cottage industries of Bangladesh in 1983, (iv) ILO/ARTEP reports, and (v) annual reports of BSCIC.

Bangladesh Small and Cottage Industries Corporation (BSCIC) is the prime mover organisation for the promotion and development of small and cottage industries in the country. It is successor organisation of former East Pakistan Small Industries Corporation which was established by the Act of the Parliament in 1957 (BSCIC's Annual Report, 1985-86). During the initial years of operation the corporation discharged some commercial activities like import of raw materials, dyes and chemicals and spare parts etc. for distribution in private sector entrepreneurs (Ibid, 1985-86). But these services were very much insufficient to cater the need of the Small And Cottage Industries sector and as such the nature of activities of the corporation shifted. In the early part of 60's the BSCIC commenced to draw up implementation of project like Industrial Estate, Services and Common Facilities Centres, Small Industry Advisory Services, Design Centre, Light Engineering Service Workshops

(Ibid, 1985-86). Arrangement were made with commercial banks style Consortium arrangement for providing local currency support as the counterpart of foreign exchange loans.

Since the Independence in 1971, BSCIC assumed the responsibility of trading and distribution of yarn in addition to the promotional functions. In 1973 BSCIC was bifurcated into two organisations--- Bangladesh Small Industries Corporation and Bangladesh Cottage Industries Corporation. But as the function of the two organisation is more or less similar and inseparable, it was merged again in 1977 as Bangladesh Small and Cottage Industries Corporation. The trading of yarn was found incompatible with BSCIC's objectives and function so in 1977 the yarn distribution activity was stopped and transferred to two newly formed organisation---Bangladesh Sericulture Board and Bangladesh Handloom Board.

BSCIC identified the following objectives as their key area and strategies (Ibid, 1985-86):

- a. To ensure accelerate growth of the small and cottage industries in Bangladesh.
- b. To increase productivity of the existing small and cottage industrial units in Bangladesh (resource maximisation of existing capacity).
- c. To ensure optimum utilisation of financial resources.
- d. To provide infrastructural facilities.
- e. To create and develop marketing facilities including market information for products of small and cottage industries.
- d. To innovate product process and technology.
- e. To ensure development of skills.
- f. To help socio-economic development.

In order to achieve these objectives BSCIC has undertaken the following program.

#### A. Industrial Estate Program

The concept of the Industrial Estate (IE) has been regarded as effective vehicle for dispersal of industrial activities and balanced economic growth. Theory suggests for example that there are considerable economies of scale in the development and provision of infrastructure, that it would therefore be more economical for many industrial plots to be developed centrally than it would be for each enterprise to go it all by itself. Again, location in an IE many potentially create conditions of external economies. These two rationale have contributed to the premise, within the framework of the evolution of small and cottage industry policy in Bangladesh favouring IEs. After the completion of 20 IEs BSCIC during the Second Five Year Plan (SFYP) took 9 more to be completed by 1990 (Ibid. 1985-86, p10). Appendix II.2 gives the distribution of BSCIC's revised ADP allocation to IEs.

#### B. Design Centre

The real success of an enterprise lies with efficient and successful marketing of the products. It is challenged to the entrepreneurs in the days of hard competition to satisfy the desire of the consumers having diversified and changing tastes and aptitude with success. The small and cottage industry entrepreneurs in our country can neither make individual endeavour nor they can take joint program of marketing due to resource constraints, lack of technical know-how and scattered location. This needs continuous research and taste for product development, upgradation of skill, introduction of new designs and new look to the products. In order to bridge the gap BSCIC set up Design Centre in 1960 with a view to supply improve designs and prototypes to the private sector entrepreneurs and provide training to the artisans and craftsman in producing and adopting new designs in selected areas (Ibid. p30).

### C. Development of Rural Industries (DRI)

It has been mentioned earlier that the scope of absorbing unemployed labour force in agriculture is very limited. The high labour-capital ratio and low capital output ratio of the small and cottage industries can play a crucial role in accelerating employment in relatively short period of time (BSCIC, Annual Report, 1982-83, p36).

In view of the above fact BSCIC undertook a project for "Rural Industries Services" in 1959 (Ibid, p36). It aimed at imparting training, extension and technical services, arranging credit, improving the quality of product, developing skills of artisans and craftsman.

In 1977 a Committee was formed by the Government with the help of UNDP/ILO to examine the problems of rural industries and recommend ways and means for development of this sector (Ibid, p37). On the basis of their recommendations the Development of Rural Industries was undertaken. Its activities will cover:

- i) the income generating activities for the landless, near landless and artisans covering 9 groups of items:
- ii) revitalization of 14 traditional and 17 non-traditional crafts including products development and
- ii) skill development in educational institution, orphanages, common facilities centres and workshops.

The objectives of DRI are the following:

a. Income generation for the landless, near landless, marginal farmers and artisans by making 9000 entrepreneurs by June 1985 in order to help the clients to meet their basic minimum needs (food, clothing and shelter, etc.) (Annual Report BSCIC, 1982-83, P37).

b. Revitalization of 14 traditional product groups and 17 non-traditional product groups through intensive technical assistance and credit input for product development. These will generate employment of 27000 skilled and semi-skilled crafts persons:

- c. Skill development in modern trades like mechanical, electrical, electronic, wood works and textile. This component will generate employment for 1740 students;
- d. Skill development in 4 common facilities for 3270 unemployed person;
- e. Skill development through 4 workshop for 1980 unemployed person/craftsman;
- f. Skill development in orphanages and charitable institutions for 1380 orphans/distressed persons; and
- g. To evolve a methodology (through UNDP Technical Assistance) for development of cottage/rural industries in the country by its intensive extension activities, experiments and research---in the selected districts. The methodology thus evolved by the UNDP will be applied for development of cottage/rural industries in the country.

#### D. Women Entrepreneurship Development

This program was undertaken on the following objectives:

- a. To generate income for women particularly for the rural and semi-urban poor women through entrepreneurship development to set-up cottage industries;
- b. To motivate women and engage them in industrial activities and thus increase the family income;
- c. To make women gradually self-reliant and place in the society with some dignity and thus free from exploitation (BSCIC, 1984-85, p44).

#### E. Promotion of Sub-contracting Linkage Between Small, Medium and Large Industries and Ancillary Units

BSCIC initially took up sub-contracting program in 1982. Its main objectives are to:

- a. Promote and develop sub-contracting linkage between small, medium and large industries with a view to effective utilisation of scarce capital and available resources;
- b. To develop and set up ancillary industrial units.

#### F. Promotion for Marketing of Small, Cottage and Handicrafts Industries Products

Marketing of small and cottage industries products and creation of new marketing outlets in and abroad is one of the key function of BSCIC. The marketing programs has two components one is promotional and the other is commercial. The promotional activities consists of arranging fair and exhibition both at home and abroad, foreign visits/study tour and awards the best master craftsman of the country in each year at national level.

The commercial activities of setting up 8 sales and display centres at different places of the country.

#### G. Small and Cottage Industries Training Institute

The efficient performance of small and cottage industries sector is mostly dependent on proper utilisation of man, machine and materials. This can be ensured through imparting training of human resources in the field of Industrial Management, Skill development and upgradation of entrepreneurship development.

#### H. National, Regional and District level Institutional Network for Development of Small, Cottage and Rural Industries

BSCIC develop this program with a total of 1277 personnel (BSCIC, 1985-86, p25). It established Industries Service Centre (ISC) one in each district headed by mid-level managerial people assisted by lower level experts.

#### I. Pilot Project for Reclaimed Rubber

One of the major function of BSCIC is to set up small and cottage industries on pilot basis in the area of national interest where private investment is very shy due uncertainty and risk. The main task of this program is to attract and assist the private entrepreneurs for setting up enterprises

of new products and new process as well as to narrow the risk.

#### J. Program for Development of Specific Products

BSCIC has taken up this project for implementation during the Third Five Year Plan to faster the economic base and generate the higher income through promotion and development of specific products in the small and cottage industries sector. It has two sub-projects---(a) development of salt through solar process and (b) entrepreneurship development on modern bee keeping.

It appears from the above different BSCIC program that BSCI emphasises entrepreneurship development in all of its program. It tried to upgrade the existing traditional cottage industries, have initially been aimed at those who have the specific skills and some establishment. However, follow-up programs have been formulated in such cases with the stated objective of identifying new entrepreneurial groups. The BSCIC project on Development of Rural Industries (DRI) is one of such scheme. We will latter in this chapter see how far DRI has been successful in its objectives.

Let us now see the performance of BSCIC. Appendix II.3 shows the progress report of BSCIC activities from 1978-79 to 1982-83. It appears from the Appendix that BSCIC's major

emphasis on entrepreneurship development. But if we see the expenditure as on 30-6-86 we find that the major consumer of BSCIC fund is still the Industrial Estate which is followed by the administrative expenditure and the third on the list is the Development of Rural Industries. This is shown in the Appendix II.4

So far we have seen the overall emphasis of BSCIC is on the development of entrepreneur and the development of industrial estates. Let us now look at the performance of the DRI program.

BSCIC require some skill in the activity to be persuaded from the participants. It has been found by an evaluation of ILO/ARTEP, 1988 of 4 villages of Comilla that 60 out of 65 participants have fulfilled the criteria. It has also been found that 5 out of 65 members are female. This low female participation was due to "skill" criterion which they can not fulfill. Other striking feature is that 95 percent of the participants are literate. This bring us an important issue of the participants with regard to their ownership of land and other assets. It was found that participants under BSCIC would seem to be the most resourceful (Ibid, p21). Thus poorest among the landless poor were not accommodated in the DRI program. It was also found that hired labour employment, as a percentage of total labour used has been 68 percent (Ibid, p44). Thus it can be said that heavy reliance on hired labour employment goes contrary to the ideals of self-employment creation.

The RISP found that not significant proprietors have received any assistance from government in the form of extension services nor they approached for such assistance (RISP, 1981).

This is completely different from that of ILO/ARTEP evaluation. This might be due to the sample. RISP commenting on the BSCIC that "except the small number of enterprises in industrial estates, small-scale and cottage industries in the country sides have remained essentially outside the scope of BSCIC's extension works" (RISP, 1981, p455).

Thus the overall contribution of BSCIC in alleviating poverty and unemployment is very negligible even it failed to reach the poorest of the poor. Over and above the unemployment and poverty is increasing making the situation critical. An alternative intervention to tackle the situation is by the NGOs which will be discussed in the next chapter.



### CHAPTER III

#### RURAL INDUSTRIALISATION AND NON-FARM ACTIVITIES OF NON- GOVERNMENT ORGANISATIONS --- A REACTION TO THE GOVERNMENT POLICIES

##### 3.1. The emergence of non-government organisation (NGO) and their strategic differences in approach

In this chapter we will also try to see the performance of NGOs in alleviating poverty and unemployment from the rural area through their various activities. According to a World Bank (1983), many NGOs in Bangladesh have developed a unique understanding of local institutions and of socio-cultural environment and have been able to make valuable contributions to the socio-economic development of the country. They gain confidence of the target population by reason of familiarity with local conditions and at the presence of their worker at local level. This process of involvement with local problems and the motivational work is able to bring together the target population into productive units. Let us now see the emergence of NGOs and their strategic differences in approach.

The term NGO--non-government organisation may be defined any institution outside the government, therefore political parties, private commercial and industrial enterprises and academic institutions can be called NGO. But these are not the institution which is referred by this term, rather a host of organisation which are involved in the development of the poor in the rural and urban sectors are described the NGO. The term NGO are largely a post Second World War phenomenon. NGOs which were active before the Second World War were mostly in nature of christian mission like Catholic Mission or the Salvation Army (Fox, World Development, vol.15. Autumn 1987). Immediately after the Second World War NGOs appeared with secular role providing Relief in West Europe and later in the Third World. In the Third World it traced back to the Ghandian movement. "Poverty, disaster, war and other

misfortunes provided grounds for NGOs to flourish in the developing world" (S.Ahmed, Non-government organisations from the Third World: Their role in development cooperation. Paper presented at the Annual Conference of the Swiss Cooperation, Bern, Sept.12, 1988).

The history of the NGOs in Bangladesh is coincides with its birth that is their development is a recent phenomenon. Many opined that the development of NGOs are due to the aegis of UN, multilateral and bilateral agencies. Sometime people treat NGO as a homogeneous and almost monolithic. This generalisation is due to the assessing one NGO and applying to all. Instead NGOs are diverse and plural. This diversity and plurality are due to the differences in approach, ideology, intervention, stages of institutional development or generation of NGOs. Thus in Bangladesh, Gazi frugue Ahmed (unpublished document) have opined that NGOs can be put in categories based on ideology and approach, like: welfare oriented, development service oriented and empowerment service oriented. There are number of NGOs whose program are found out across all these categories. There is a second way to categorise the NGOs on monosectoral and multisectoral. Monosectoral NGOs have only one project and the choice is made either from credit (e.g. Grameen-Bank), agriculture, health, family planning etc. and the multisectoral NGOs combine several of these in their program approach. There is a third way to categorise NGOs according to their level of interventions. Local NGOs cover only a few villages in a upazila whereas national level NGOs cover a few thousand villages in a number of upazilas. International NGOs having their headquarter in the North and from there they operate their program in several Third World Countries. David Korten, (World Development, vol.15, Autumn, 1987) used the following framework to categorise the NGOs.

Three Generation of POV Development Program Strategies

	First	Second	Third
Defining Features	Relief and Welfare	Small-scale self-reliant	Sustainable system dev't
Problem defined in terms new for	Goods and services	+ Local Self reliance	Supportive Institution and policies
Time Frame	Immediate	Project Life	Indefinite Long term
Spatial Scope	Individual or Family	+Neighbourhood or village	+Regions or Nation
Specific actors	POV	+Beneficiary organisation	+Government +Private Enterprises +Universities +Other POVs etc
Capacity required POV	Logistic	+Community organisation +Project Management	+Strategic for management backed by social and institutional analysis +Facilitation Coalition-building +Grant Making

Source: David Korten, World Development, vol.15, 1987.

The First Generation NGOs are those who are exclusively engaged in relief and welfare assistance. Their prime efforts are geared towards instantaneous provision of good and services for individual and families who fall victim to unfortunate extreme situation that demand immediate responses. The Second Generation NGOs are those who have made a transition from relief and welfare oriented activities to developing self-reliant organisation of the poor. The Third Generation of NGOs is represented by those who endeavour to extend the breath of their program inputs, ensuring sustainability through undertaking large-scale program,

complementing the national development system and involving various organisations---both public and private. It should be evident that there is considerable complexity in putting NGOs in neat categories. This is further worsen by the fact that a NGO can be fall into several categories simultaneously. This complexity lies not, however, a premediated designs by NGOs to confuse everyone. It merely reflects the complexity and diversity of the modern society where NGOs have to exist and interact.

But it should not be fair to assess from the above discussion that NGOs do not have similarities and point of conversion. In fact, from careful analysis it would appear that NGOs have more in common than their differences and commonness is increasing with the time as NGOs are driving similar conclusion about the functioning of the society and the causes of the poverty through their own particular intervention. Today, in Bangladesh more and more NGOs are of the belief that participation of the poor in decision and action affecting their life and livelihood is a pre-requisite for any genuine development. Conscientization process is a necessary if poor are to understand and transform the situation of the poverty and organisation of the poor are to be harnessed for their own development (Q.F.Ahmed, unpublished document). Even in this convergence NGOs differ and the difference are mainly in the methods and practices to achieve participation, conscientization and organisation rather than in the perception of the need of these elements in an effective rural development strategy.

In recent years NGOs have risen from relative obscurity to national prominence. They are praised by some for their ability to reach the poor effectively and criticised by others as conspiring to subvert the real transformation of the society.

From praise to criticism, applause and dismal one thing is clear: NGOs are a new institutional reality in Bangladesh.

This institutional emergence has created tension and possibilities with existing institutions---the state, political parties and academic institutions. These are manifested by states control and political parties hostilities towards NGOs.

Question may be asked as what made NGOs emergence and spread possible? Firstly, the conventional development paradigm, followed by the government, has not, in fact, shown much success in ameliorating the poverty of the rural poor who constitute the bulk of the population of Bangladesh (Huda, ADAB, May-June, 1987). Secondly, political parties are unwilling or unable to abandon their rhetoric and dogma and relate people in a dialogical manner (O.F.Ahmed, unpublished document). Thirdly, academic and research institutions, from their comfortable seclusion, were satisfied to give prescription for development, as they were not required to apply what they were preaching. These three factors contributed to the emergence of NGOs.

Today there are many NGOs are working in the different corner of the country and their program varies from monosectoral to multisectoral. Looking into the deteriorating condition of the rural poor most of them have taken employment generation program in the non-farm and rural industries sector. To understand the effectiveness of their non-farm and rural industries program in generating employment for the rural poor we will discuss a credit based NGO---the Grameen Bank (GB) and an integrated based NGO---the Bangladesh Rural Advancement Committee (BRAC) in section 3.2. and 3.3. GB and BRAC supposedly represents two distinct approaches in the field of development of the rural poor, moreover GB has gained international reputation as a success case and the choice of BRAC is due to my personal involvement in working with it since 1976. These factors are appealing to us while making the choice among a number of NGOs.

In Bangladesh a large number of NGOs are concentrating on income and employment generation activities for the rural poor. Other than NGOs Bangladesh Rural Development Board (BRDB)---a government sponsored rural development organisation is also working in the same field. We will try see the activities of some of them.

### Proshika

Since 1976 PROSHIKA has been working as an NGO in Bangladesh. It involves in organising the rural poor for development through education, training and various support services including credit. It give particular attention to the need and concerns of the rural poor and seek to organise and hence empower them in order to facilitate a process of take-off where in the rural poor themselves take charge of their own development towards self-reliance (PROSHIKA: A Praxis in Participatory Rural Development, 1984-85). PROSHIKA's overall activities in alternative development endeavour could be grouped into several major program areas.

They are (Ibid, 1984-85):

1. Organisation of the Rural Poor;
2. Development Education;
3. Employment and Income Generation Activities (EIG);
4. Community Services;
5. Emergency Relief and Rehabilitation Activities.

All these programs are interlinked and intersects each other as a result it is very difficult to talk of individual program in isolation. Instead of these difficulties we will try for practical purpose to analyse the EIG activities.

On the basis of mode and sources of financing the Proshika's EIG activities could be grouped into three categories (Ibid, p99):

- a. EIG activities based on group's savings;
- b. EIG activities with revolving loan fund;
- c. Socialisation of minor irrigation assets.

During 1985 a total of 1443 EIG activities have been undertaken by organised groups based on their own savings (Ibid, p100). The total investment was tk. 2287288.50 has been invested by the group and a net profit of tk. 146961.50 has been earned (Ibid, p100). EIG activities with Revolving Loan Fund (RLF) assistance have been undertaken by the groups involving a aggregate investment to tk. 6489972.50 (Ibid, p100). The total number of projects under RLF financing during 1985 was 664 (452 male and 212 female) and a total beneficiaries was 11671 (8404 male and 3267 female). Since 1980 credit facilities extended through RLF amount to tk. 3.5 million (Proshika's Approach to Benefiting Income and Employment - Paper presented by Shahabuddin in a Seminar on Self-employment for the Rural Poor, January, 1984, Dhaka, Bangladesh).

Socialisation of minor irrigation assets program has been introduced in 1980 and till its achievement are:

- a. Around 4280 group members involved in irrigation projects are being benefited either directly or indirectly in terms of added income and employment opportunities (Proshika, 1984-85):
- b. Employment opportunities for not less than 300 group members for 6 months in a year on the average;
- c. Repayment/recovery rate of Bangladesh Krishi Bank/Proshika's loan against irrigation assets is 75 percent (Shahabuddin, 1984).

Proshika's loan is interest free and they take only 5 percent as service charge against the sanctioned loan for the whole period (Shahabuddin, 1984).

From the above the performance of Proshika's EIG activities does not give us a clear picture in terms of total employment (in mandays) it created, total investment, recovery performance and the profit generated from these projects (note: for more details on Proshika please see the research paper of Mr. Shahabuddin, ARD 1987/88).

Bangladesh Rural Development Board (BRDB)

BRDB is the successor organisation of Comilla Approach. In the late 70's it started organising landless and rural poor into cooperative of men and cooperative of women organisation around non-farm activities. Based on its limited experience BRDB, in 1983 embarked on Rural Poor Program as a national program and started organising Bityahin Samabay Samity/Bityahin Mohila Samabay Samity (BSS/MSS) (N.I. Islam, Self-employment For Rural Poor: BRDB's experience. Paper presented at the seminar on Self-employment for the Rural Poor, held at Dhaka, in January, 1984). Rural landless family owning 0.5 acres of cultivable land and those earning their livelihood mainly through wage labour are considered Bityahin (Ibid, 1984). They are organised around the following activities for generating income and employment. These activities are :

1. Pond Fisheries.
2. Rice Husking.
3. Goat Rearing.
4. Poultry Raising.
5. Cattle Fattening.
6. Rickshaw/Rickshaw van.
7. Cane and Bamboo works.
8. Cottage Industries.
9. Beekeeping.
10. Weaving.
11. Oil Ghuni.
12. Muri making.
13. Mat making.
14. Small trade.
15. Carpentry.
16. Pottery.
17. Kitchen Gardening.
18. Sewing and Garment making.
19. Livestock for milk production (Ibid, 1984).

At the end of 1982-83 BRDB arranged 3 crore (30 million taka) taka and invested the same as term credit for the rural poor program for generating income and employment for the rural poor, which in addition to credit invested for the MSS under women's program and for BSS and for BSS and in other Area Development Projects. Another 6 crore taka (60 million taka) disbursed during the financial year 1983-84. But there is up till now, no study in BRDB to see how much employment could be created through this program (Ibid, 1984).



### 3.2. The case of Grameen Bank

Started as an NGO in 1979 by Md.Yunus, Professor of Economics, University of Chittagong, Bangladesh on a pilot basis for extending credit to the landless in an area near the University. In view of the limitations of the traditional banking system it was lunched as a project with the objective of designing an organisational framework which can provide a reasonable dependable forum through which the banking system can extend credit to the landless without collateral (M. Hossain, Credit for the Rural Poor, 1984, p5). It aimed to test the hypothesis that if financial resources are made available to the poor at reasonable terms and conditions they can generate productive self-employment without any external assistance and thereby their economic condition will be improved (Ibid, 1984. p6). In 1979 with financial support from the Bangladesh Bank the project was formally lunched in Tangail District and in 1983 it was declared as a schedule bank for providing credit to the landless. It has an authorised capital of tk.80 million with paid up capital of tk.30 million---40 percent of the share contributed by the GB clients, 40 percent by the governments, 10 percent by the Bangladesh Krishi Bank, 10 percent by the Sonali Bank. The bank extended loan to any person belonging to a household owning 40 decimals of cultivable land. In order to get credit loanee must belong to a group of five like minded persons with similar economic and social status. Loans are given to individuals and groups. It can be extended to any activities according to the choice of the loanee. Repayments are made on weekly basis. The other conditions of loan is that the group members must save one taka every week plus 5 percent of the loan amount which is kept aside at the time of loan disbursement. Because of its (GB) "remarkable" achievement GB has gained international reputation as a success case. The following questions may be asked and investigation will be made in order to assess its "remarkable" performance in

alleviating poverty from the rural area and also creating employment for the rural poor. These are:

1. How far GB is successful in reaching the poor?
2. How is its repayment performance?
3. What is the rate of return on investment for the activities financed by the GB and their capacity to generate and augment investable surplus, which is necessary for sustained growth?
4. Impact on income and employment.

#### Reaching the target group

GB credit is forwarded to the poor persons belonging to households upto 40 decimals of cultivable land. Question may be asked whether ownership of land is proper criteria for identifying the poor, as they are engaged in other non-farm activities, it may be that they are differentiated with respect to non-land assets, although they may own very little land. The following table shows the distribution of the sample loanees according to the size of the owned cultivated land.

TABLE 3.1  
DISTRIBUTION OF LOANEE HOUSEHOLDS BY SIZE OF OWNED CULTIVATED  
LAND, 1982

Size of Group (in decimals)	Number of Loanees	Percentage of Loanees
Nil	413	67.7
Upto 40 decimals	164	26.8
41--100	24	3.9
101--250	9	1.5
Over 250	1	0.2
Total	611	100.0

Source: M. Hussain, Credit for the Rural Poor, 1984.

The table shows that 68 percent owned no cultivable land and only 5 percent owned more than 40 decimals. From this table it appears that GB appears to have succeeded in reaching the poor. A study by ARTEP, 1988 shows that landless has been

less common among the participants of GB than the non-participants (ILO/ARTEP, 1988, p17-18). The study used different size of land holding criteria than the former (M.Hussain). The report said that the poorest among the land poor are not adequately accommodated with the schemes. But from the GB point of view it can be argued that the loanee may have substantial amount of non-cultivable land and may rent in sizable amount of land which may give them a good source of income. From the pattern of the distribution of land ownership and land holdings (M.Hossain, 1984, p58) it appears that about 19 percent of the loanees own more than 40 decimals of land but only 5 percent of the loanees own more than 1 acre. About 10 percent of them cultivate more than one acre of land by renting in land from others. Thus land does not appear to be an important source of income of the majority of the loanee which validate the argument that the loanee may have substantial amount of income for non-cultivable land and through rent in land but the number is not very high. Let us now see the non-land assets of the GB loanee households. It appears from a the study of M.Hossain (M.Hossain, 1984, Table II, p60,) that the average value of non-land assets is tk. 1300.00 per loanee households. About 62 percent of them have assets valued upto tk. 1000.00 and only 1.4 percent have over tk. 7500.00. Very few members have sizable amount of non-land assets. But the study made by the ARTEP, 1988 shows that the value of non-land assets per participants family is tk.10,095 (ILO/ARTEP, March, 1988, p20) which differ from the study made by the M.Hossain. The personal investment by the participants in scheme activities is tk.491.00 which shows that the participants are near landless (Ibid, p21). Another important thing is worth looking is that to what extent the GB has reached different occupational classes within the target group. It was found that those engaged in trading and manufacturing have been reached relatively more than those engaged in agriculture as

tenants and wage workers (M.Hossain, 1984, p61). Agricultural wage labourers were about 34 percent among the target households in the control villages but they were only 9 percent in the loanee households and 19 percent among the GB clients in the project villages which shows that the GB has relatively less successful in reaching the poorest of the poor i.e. the agricultural wage labourers (Ibid, 1984, p61). The proportion of target group reached by the GB in its area of operation by September 1984 an average branch of GB has reached 18 villages and 1022 members and in each village about 56 members on average has been reached by the GB (Ibid, 1984, p61). "There would be approximately about 200 households in a village and 112 would be in the target group. Thus the GB has covered nearly 50 percent of the target group household in the area of operation" (Ibid, 1984, p61).

#### Repayment performance

The repayment performance of the GB loanee is excellent according to the official record of the bank. The amount of the overdue loan is less than one percent (Ibid, 1984, p63). On examining some unpublished document of the GB the extent of the overdue loan are found as follows. The information have been processed for the month of November 1982 and the result are reported in the table 3.2.

The table shows that there were only 548 cases where the loanee had not fully repaid within one year involving tk.835 thousands. Overdue cases were 2.5 percent of the number of the current loanees-- 1.6 percent for less than 6 months. The amount overdue was 2.6 percent of the outstanding loan at that time, of which 1.8 percent for less than 6 months. It may be mentioned here that in the above table two branches in Chittagong were excluded where by November 1982 these two branches had an overdue of tk.733 thousands (Ibid,p65). If these two branches are included the amount of overdue loan

after one year would be 5-6 percent of the amount of outstanding.

TABLE 3.2

AMOUNT OF THE OVERDUE LOAN BY PERIODS: END NOVEMBER, 1982

Loanee Type	Loanees who have not fully repaid the loan within 52 weeks			Amount of loan over-due after one year of contracting		
	52-77 weeks (Number)	78-103 weeks	Over 103 weeks	52-77 weeks (thousand taka)	78-103 weeks	Over 103 weeks
<b>Male Loanee</b>						
Number/000 tk.	274	116	47	334.9	138.3	42.8
Percentage *	1.8	0.9	0.3	3.1	0.8	0.3
<b>Female Loanee</b>						
Number/000 tk.	105	32	1	89.8	27.8	1.3
Percentage *	1.2	0.4	--	1.2	0.4	--
<b>All Loanee</b>						
Number	352	148	48	424.7	1.3	44.3
Percentage *	1.6	0.7	0.2	1.8	0.6	0.2

Source : M.Hossain. Credit for the Rural Poor, 1984.

\* For defaulting loanees the percentage are the total number of current loanees. and for overdue loans the percentage are the total outstanding loan.

Another estimation on the recovery performance of the loanee by asking them the time of issue of current loan and the number of instalment repaid by the date of the interview shows that (Ibid, 1984, table III 14, p66) loan remained overdue with only 4 percent of the loanees and only 1.9 percent of the loans issued to the sample loanee remained overdue. The recovery performance is best for the processing and manufacturing and less satisfactory for livestock. It also shows that the repayment is better for the female loanees compared to the male.

The main features which contributed to the excellent performance of the GB loans are (Ibid, 1984, p70): (i) personal interest and close supervision of the activities in the field by the Managing Director who is himself the founder of the GB. (ii) the committment of the bank workers in

providing services to the poor, (iii) providing loans to activities which generate regular income, and (iv) the procedure of collecting repayments in small amounts through weekly installments.

#### Operational expenses of GB

It is a closely supervised credit program. Its each branch consists of a field manager, five to six bank workers and an office bearer. The staff are required to identify the clientele, training them, disbursing loan and collecting repayments. As the repayments are collected on a weekly basis so it requires heavy paper works and the over-head expenses of the Head and Zonal office whose intensive services is required for the close supervision of the program. These in turn increases the operating cost Bank compared to other credit programs. Accordingly information was collected from 7 bank branches on expenditure on various heads, total credit disbursed and interest earned, and the time of the staff of the participatory bank devoted to the operation of GB work for the year 1981-82 (Ibid, 1984, p90). The finding shows that the cost of running the project field unit plus the bank charges on the loans is estimated at about 12.3 percent of the amount of loan disbursed (Ibid, 1984; p90). This figure is slightly lower than the interest charged by the bank when it was a project. The interest at that time was 13 percent. So if only GB expenses are taken into account the program was running at a small surplus. It was reported that over 40 percent time of the staff of the participatory bank were spent for operating GB loans. If the salary and other allowances of the bank staff are appropriated according to this proportion and attributed to GB the estimate cost comes to about 20 percent of the amount of loans disbursed (Ibid, 1984, p91). On this consideration GB was running at a loss. The GB now runs as a separate institution and the work being done by the participatory bank is now being done by the same

member of the staff. And the average amount of loan disbursed also increase and hence further economics of scale has been reaped (Ibid, 1984, p91). Also the Bangladesh Bank now charges 8.5 percent for the amount it has lend to the GB instead of 4.5 percent concessionary charges before, and the rate of interest charged to the loanee raised to 16 percent (Ibid, 1984, p91). At this operation and interest rate GB is found earning profit.

#### Return from investment in activities financed by the bank

There are conceptual problems in estimating the rate of return on investment for the informal sector for a number of reasons---The first problem is the identification of the labour with activity because rural people are found engage more than one activity on the same day. The second problem is to identify investment with the activity when the household is engaged in a number of activities. The full amount of loan may not be utilised for the activity for which loan is taken. Thirdly, the activities financed by the GB are run mostly with the family labour. For estimating the rate of return on capital one must deduct the cost of labour from the family income. But the major problem arises here is how to impute the cost of family labour. As because market hardly exists for these activities so it is difficult to get information on the wage rate which could be used to impute the cost of mainly labour.

Considering the above constraints estimate made by Hossein (table 4.1 and 4.2, p82-84) shows that the net return to family labour from the investment comes to nearly tk. 6.7 thousands per annum for trading and tk. 5.2 thousands for manufacturing activities. Per capita incomes become tk. 1182 for trading and tk. 905 for manufacturing sector. The net return to family labour is estimated at tk. 1.83 per hour for trading and tk. 1.27 per hour for manufacturing sectors. Thus trading sector gives a high rate of return on labour compared

to the agricultural wage rate of tk. 1.60 per hour, but the manufacturing sector gives a lower rate of return to labour. For trading sector return of investment is estimated at 61 percent of the working capital employed but in manufacturing sector it gives a negative rate of return on investment.

A large variation in the return from investment among different activities can be found with the sector. In the trading sector the rate of return on capital is positive then the cost of capital for the activities except in peddling and cottage industry products. On the other hand in manufacturing sector the rate of return on credit is negative except weaving, pottery and miscellaneous industries (gur making, dairy products, etc.). The negative rate of return on credits implies that the rate of return on labour employed with credit is lower than the agricultural wage rate. Undertaking these activities with negative rate of return, e.g. oil pressing, rice husking, mat making and cane and bamboo works with GB loan may be still "profitable" for the loanee if the opportunity cost of employment of family labour is lower than the opportunity cost of labour.

#### Impact on income and employment

The following methods are used to measure the impact of GB on the income of its members. The first one was comparing the income as reported by the sample loanee with that of the bench mark income reported by the prospective loanee at the time of joining the GB. The second one was as estimation of income from the expenditure account of the loanee. The third one was comparing the impact of income of the target group households who received loans from GB with that of the same who did not receive the loan (the control).

#### Increase in Income over the Bench Mark Level:

The level and distribution of income of loanees before



joining the bank and at the time of the survey is shown below.

TABLE 3.3  
LEVEL AND DISTRIBUTION OF INCOME OF LOANEEES BEFORE JOINING  
THE BANK AND AT THE TIME OF THE SURVEY

Size of percapita income (tk./annum)	Before Joining Dec.--March '80		At the time of the May--June '82	
	% hous- eholds	% inc- ome	% house- holds	% income
Upto tk.750.00	27.7	16.4	18.0	8.0
tk.751.00 to tk.1000.00	23.5	21.3	15.0	10.35
tk.1001.00 to tk.1500.00	32.5	38.4	28.9	27.8
tk.1501.00 to tk.2000.00	11.7	15.2	18.4	21.4
tk.2001.00 & above	4.8	8.7	19.5	31.9
All Groups	100.00	100.00	100.00	100.00
Average per capita income (at constant prices)	1037.00		1374.00	
Percentage change in per- capita income	32.3			

Source: Muqtada: Special Employment Schemes in Rural Bangladesh: Issues and Perspectives. ILO/ARTEP, 1984.

In order to compare the level of income and the pattern of its distribution at the time of the survey (made by M. Hossain) as reported by the loanee with the bench mark situation Hussain measured the income at constant prices of the base period by deflating it with the consumer price index. The table shows that the average per capita income in real terms increased from tk. 1037.00 before joining the bank at the beginning of 1980 to about tk. 1374.00 by May--June 1982. The increase is about 32 percent over two and a half year. Hossain compared this increase of per capita income with that of the Bangladesh. During 1979-80 to 1981-82 the per capita income of Bangladesh increased by 2.6 percent (M.Hossain, 1984, p97). Thus comparing the national situation with regard to the increase in income of the GB loanee one must appreciate it as very impressive one. The income of the poor groups among the loanees also appeared to have increased. The households with per capita income less than tk. 1000.00 per annum were about 51 percent at the time of

joining the bank; this proportion has come down to 33 percent (Ibid, p97). There is also an increase of the other end of the households with per capita income above tk.2000.00 increased from 4.8 percent from the bench mark situation to 19.5 percent at the time of the survey. Thus it appear from the above table that the income of the loanee move considerably up along the scale. The ARTEP, March 1988 study shows two-thirds of the total income earned by the GB participants came from scheme sources.

#### The Level of Income from Expenditure Account of the Loanee:

Let us now see the estimation of income from the expenditure account of the loanee. It has been found (M.Hossain, table 5.3, p99) that the average per capita income at constant prices is tk. 2049 per annum which is about 12 percent higher than the income estimated from reports of the loanees. The average national per capita income at current prices is estimated at tk. 2942 for 1982-83 (Ibid, p99). The average income of the loanee households was 30 percent lower than the national average in 1982; it was about 50 percent lower at the time of joining the GB which shows a considerable improvement of the loanee with a period of two year. About 15 percent of the loanee have incomes higher than the national average. Thus we have seen that the bank had a positive impact on the income of the loanees.

#### Income of the Loanee Compared to Control Groups

In comparing with the control (M.Hossain, table 5.2, p98) it has been found that the per capita income of the loanees is about 31 percent higher compared to the control groups and the difference is found statistically significant at less than 5 percent probably error. It was found that within the project villages the income of the GB members is about 18 percent compared to the non-members.

### Impact on Employment

A major feature behind the growth of income is the generation of self-employment for the landless. GB by offering members with credit on reasonable terms helps them to acquire the elements of production, namely, raw materials, simple tools and equipment, these when combined with unutilised labour generate additional output and income and thereby the extent of self-employment increased significantly for the loanees. Another avenue through which family income could be increased is through increasing the activity ratio. For instance, if a member---male or female---of a beneficiary household is drawn into the new scheme this would register an increase in the earner/family size ratio with also a subsequent rise in the activity ratio (and a reduction in the dependency ratio) [Muqutada, ILO/ARTEP, 1984]. Muqutada also mentioned that in order to test this one would require information on the changes of the household earner/number ratio "before" and "after" launching the program. Muqutada holds that this information, too, is unavailable. The table below provides an approximation of employment generation.

TABLE 3.4  
AVERAGE NUMBER OF WORKERS, FAMILY SIZE AND ACTIVITY RATIO OF  
GB LOANEE HOUSEHOLDS COMPARED TO CONTROL HOUSEHOLDS

Household categories	Number of observation	Average no. of workers	Average Family size	Activity Ratio
1. Loanee households	609	1.75	5.77	30.0
2. GB clients in Project villages	66	1.64	5.45	30.1
3. GB non-client target households in Project villages	149	1.34	4.09	32.8- /
4. Target households in Control villages	62	1.37	5.63	24.3

Muqutada, ILO/ARTEP, 1984. Quoted from M. Hossain, Credit for Alleviation of Rural Poverty: An assessment of initial experiences of GB in Bangladesh (draft) BIDS, 1984.

Note: - / In the source quoted, this figure mistakenly given as 26.4 percent.

It is found that the loanee households register a higher number of workers on average than non-clients, whether in project or in control villages. It implies that GB project has probably ensured higher employment to beneficiary households. "Perhaps it has, but the above figure are inadequate to support this because of the "control" could not, logically account for the differential" (Ibid, p29).

Moreover, as Muqutada holds that "the study mistakenly records a lower activity ratio (26.4%) than should be the case (32.8%) for non-clients of GB, which incidently points to limitation of the use of "control", and jeopardise the highly likely contention that such special schemes as GB bank enhances activity ratio" (Ibid, p29).

We find indication of generation of employment from bank loan particularly for women. Hossain, (p104) mentioned that 65 percent of the female members and 2.5 percent of the male members reported at the time of loan application that they did not have any previous productive occupation. This clearly shows the generation of employment through GB loans.

The GB loan has basically been used for undertaking non-farm activities. In 1983, 40 percent of the loan were used for trading and shopkeeping, 26 percent for livestock and poultry raising (M.Hossain, p125). Less than 2 percent of the loans were disbursed for agricultural production. Trading and shopkeeping accounted for nearly 50 percent of the loans disbursed to the male members, while 83 percent of the loans disbursed to female members for livestock raising and processing and manufacturing activities.

The major constrains to the expansion of non-farm sector is said to be the small size of the market, lack of effective demand and inferior goods arguments. All of them will be discussed in chapter V. But in the context of GB it could be argued that the members have not yet faced this problem because it is still operating within a small area (Ibid, p112). The services of the bank have been extended to only

about 3 percent of the villages of the country. The problem may arise with the nation wide expansion of GB the competition among the non-farm producers will increase and the members have to depend more on the local market. But if the income of the rural people does not increase at a fast enough pace and if the increase in income is not translated into a larger demand for goods and services of the non-farm sector so it is difficult to expand the operation of the bank---so they have to face problem from the side of the market.

It appears from the analysis of GB operation that it may face in expanding its operation is a limitation from the demand side. Expansion of non-farm activities through GB finance may face problem from the small size of the market and it will have limited prospects for its expansion due to the sluggish growth in per capita income of the majority of the population. The present increase of income of GB beneficiaries/members through non-farm activities is from non-members. Thus the increase of income is just the transfer of money from one pocket to another instead of increasing the income of the masses through agricultural development where most of them are dependent.

Another important thing is that the success of the GB depends on the charismatic leadership of the Managing Director who is still now manages to participate in the recruitment and training of all bank workers and even plays a direct role in the supervision of their activities, and the bank workers. The catalyst Managing Director soon have reached the limits of his capacity to extend himself. Once his personal touch is lost it will be so much more difficult to imbibe the bank workers with proper motivation and dedication.

### 3.3. The case of the Bangladesh Rural Advancement Committee (BRAC)

Immediately after the Independence of Bangladesh, BRAC started their activities with the relief and rehabilitation program with a spirit to rebuilt the nation. They began their activities in February 1972 to rehabilitate the liberation-war-affected families of Sulla, Derai and Baniyachong thana of the Sylhet district---a north-east district of Bangladesh. In order to alleviate the suffering of the people returning from India they provided relief materials which includes--- clothes, housing materials, cash loan, supply os seeds to farmers, boats and nylon twines to the fishermen cooperatives, etc. Soon the workers realised that relief is not the solution where people do not have basic means of subsistence. It was also found that the relief materials were sold off in order to meet their basic needs. So after much discussion among the workers, BRAC concluded that instead of relief some development program should be taken up. Accordingly from November 1972 BRAC started its second phase of Development program which continued upto December 1975. In this phase sectoral programs like, agriculture, fisheries, functional education, cooperatives, community centre development, health care and family planning, vocational and human development training were taken up. But within few years of its operation BRAC workers realised that this community development approach, that is, involving the member of the whole community is not the right path to solve the problem of the common people. In this second phase it was also found that a group of people who were rich and influential before were benefitting more and becoming more powerful and influential. According th a report of BRAC:

"Lessons from the second phase has prompted BRAC to be more realistic and responsible to the actual development needs and problems of the people and is reflected in its change of approach from integrated community development to more

comprehensive people oriented approach in its third phase of operation. Identification and organisation of the disadvantaged people is the basic elements of this people oriented approach. BRAC continues to provide support and services to build people capacities and organisational skills to deal with their life problem" (BRAC:1980). Thus from 1976 BRAC started its third phase and extended its activities to in a multi-directional approach.

#### BRAC Objectives

"BRAC's broad objective is to support the rural poor of Bangladesh by assisting them to set up rural institutions, in which local leadership and organisational skills may be developed among the disadvantaged and powerless, to enable them to assist their rights and to improve their socio-economic condition through employment and income generating activities" (BRAC:1986-88). Another important objective of BRAC is to influence the policy making at a wider level for the interest of the poor. Accordingly BRAC has taken many programs at national level to tackle the national problems at grass root levels.

BRAC activities includes: Rural Development Program in 45 centres---spread over 27 upazilas in 15 districts covering 1266 villages; 3 Integrated Rural Development Projects; 4 Training And Resource Centres; Non-formal Primary Education Project; Primary Health Care and Child Survival Project; Rural Enterprise Project; Craft Development and Marketing Services; Material Development and Publication unit; Research and Evaluation Division; 2 Commercial Projects--BRAC Printers and a Cold Storage Plant. BRAC activities now felt over 1700 villages and reaches about 2.25 million people (BRAC :1986-88). It covers 2.39 percent of the people and about 2 percent villages of the country.

### Strategy

Although the beneficiaries of BRAC's work are often felt community wide, BRAC aims to reach a definite target population, namely, those without access to the means of production---landless and marginal farmer, fishermen and artisans without implements and raw materials, labourers and women (BRAC:1986-88).

### BRAC Organisation

At present the total number of BRAC staff is approximately 2000 and the BRAC's annual operating budget is about tk.80 million (BRAC:1986-88). The following is the structure of BRAC's Rural Development Program's (RDP) centre office.

Each (RDP) centre has a Centre Manager who is assisted by about three Program Organiser. Each program organiser supervise 20 village Organisations which are spread over 8-10 villages. The program organisers are responsible for identifying, mobilising and organising the rural poor into village organisations. They are also assist in setting up group norms and financial disciplines. They also supervise the fund management of the groups and assist the groups to find, plan and implement viable economic schemes. They assist the village organisation in preparing loan proposals and monitor and supervise such loans. To assist program organisers work, Palli Shebok (PS, Male village workers) and Gram Shebika (GS, Female village workers) are recruited from the villages. PS and GS assist the program organisers in supervising the mens' and women' group activity. They help in functional education program, economic activities, group accounts, banking services and technical program. One PS covers 5 villages and one GS cover 2 or 3 villages.

### Institution Building

The corner stone of all BRAC's rural development works is the establishment of rural institutions or organisations of poor



people that can take decisions to solve their own problems at rural levels (BRAC:1986-88). BRAC believe that if rural institution building is not through, than all subsequent rural welfare program/activities undertaken will be crumble. BRAC also believes that rural welfare is a direct function of the organisation and mobilisation of the rural poor, who can 'be' developed unless they develop themselves (Ibid, 1986-88). BRAC rural group members have learnt that only organisation can bring them power, as one women said, "there are two sources of strength, money and numbers. We have no money so numbers is our strength (Ibid, 1986-88). The objective of BRAC's rural institution building activities is to stimulate the poor themselves to define, formulate and act to eliminate the cause of their poverty through organisation and mobilisation (Ibid, 1986-88). BRAC supports the development of their human potential by organising the creation of an institutional framework and the awareness through participatory (functional) education, training and guidance from BRAC staff. As the consciousness of the target people raises, they are able to perceive the causes of their grievances---the unjust and exploitative social and economic structure that oppress them and causes their poverty (Ibid, 1986-88). BRAC believe that rural institution take a long time to consolidate, and their formation involves a number of stages. includes (Ibid, 1986-88):

- a. Awareness building and group formation;
- b. Functional education, which create group solidarity;
- c. Establishment of group norms (weekly meetings,etc), rules and discipline and the saving habit;
- d. Training of key group members in human development, leadership and communication skills, situational analysis, etc.;
- e. Internal resource mobilisation, using savings fund productively (seri/eri culture, poultry raising, etc.), external resource mobilisation, obtaining khas (govt.) land

and ponds for agriculture and pisciculture, obtaining vaccines for animal husbandry, getting UNICEF tubewells, health facilities (vaccines, family planning services), food for works from official sources, etc.;

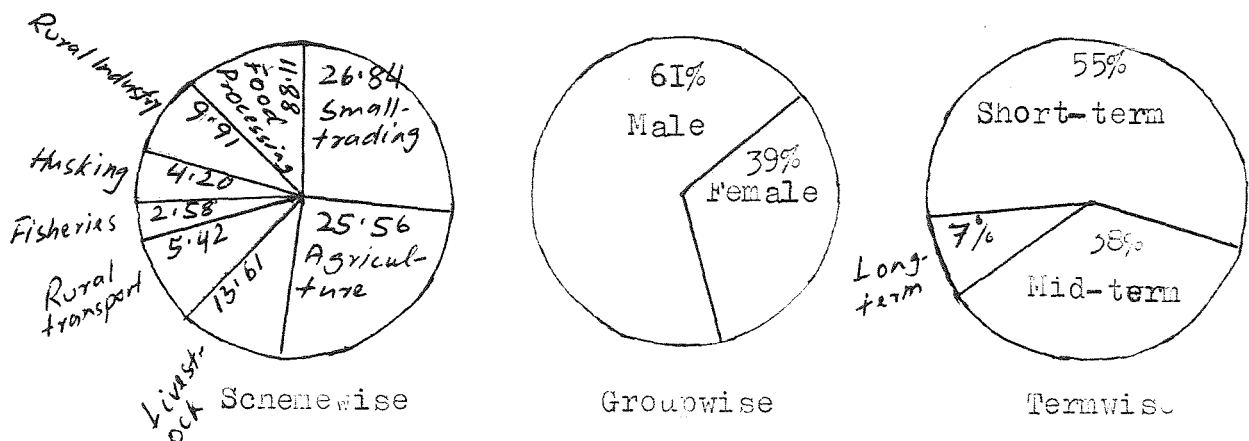
f. Training in financial management (of group savings etc.) and in skills to support economic activities;

g. Social development, health, family planning, education, ecology awareness (forestry), human rights, legal awareness.

BRAC view that institution building is the front line program which provide the basis for multi-sectoral program. Once the ground work for the organisation and mobilisation is well established, the introduction to credit to the target people can then enhance their ability to obtain more material benefit and thereby to remove unemployment and poverty from the rural areas. Thus BRAC's principal objective will be to tackle the un/underemployment problem by helping to create the maximum number of employment opportunities.

#### Rural Credit

BRAC's credit program started operation in September 1979 with the objective "to develop an effective mechanism to extend credit to the rural poor supported by necessary human development and occupational skills training" (BRAC:Rural Credit and Training Project, 1985). Till December 1986 it has distributed upto tk. 97,737,8666 with an on time cumulative repayment rate of 87.36 percent (BRAC:1986). 26283 numbers of group members have been provided with different training facilities (Ibid, 1986). The report, Rural Development, 1986 of BRAC shows the following classification of loan disbursement.



The above pie chart shows the group wise, term wise and scheme wise loan distribution by BRAC. 25.58 percent of the total loan disbursed are on agriculture. It implies that BRAC give importance of this sector which is consistent to our national statistics showing leadership of agriculture in GDP.

#### Village Organisation's Fund Generated

Village organisation's funds are generated basically from two board sources namely, (i) internal and (ii) external. Internal fund are derived from members savings, profit from schemes, etc. and external fund derived from other institutions and sources. Till December 1986, tk. 23,728,783 was generated internally. Saving accumulated by group members in 1986 amounted to tk. 6,466,303. The rate of saving increased over 1985 (tk. 8,170,064) is 79.4 percent (BRAC: Annual Report, Rural Development Program, 1986). The group saving in 1986 covers only 17 percent of total loan issued in 1986.

#### Income and Employment Generation

BRAC believe that employment generation is an urgent need in Bangladesh where 1 million people are entering the labour market every year, and where government and nascent industrial sector create only 100,000 new jobs annually (BRAC: 1986-88). Thus BRAC's primary objective is to tackle this problem by helping to create the maximum number of employment opportunities in the following sector. Till December 1986, the Rural Development Program have implemented 10,714 income and employment generating projects and 2 million mandays of employment have been generated in these schemes (BRAC: RDP, 1986).

#### A. Agriculture and irrigation

Agriculture, as the most important economic activity in Bangladesh, is considered by BRAC as the sector in which it

is essential to involve more labour (BRAC: 1986-88). Thus BRAC emphasis on:

-- increase the coverage of irrigation, one crop area to become three crop, thus increasing agricultural employment three folds;

-- diversify the cropping, vegetable cultivation, a high labour intensive activity, can be increased, particularly using new technologies. "bio-intensive gardening" and "homestead agriculture" experienced in Philippines and Japan have produced 6-7 fold increases in yields on tiny plot (BRAC, 1986-88),

-- crop intensification, all possible land is cultivated in Bangladesh, but crop intensity is 1.4, this could be doubled: a major problem in population pressure that gives over potential arable land to homestead (BRAC: 1986-88).

The acreage under irrigation during 1985-86 were 3359 acres. Total loan disbursed against the sector till December, 1986 figured tk. 24,753,215. The income accrued to the landless over the period totalled tk. 6,406,000. Group members involved with this sector till December 1986 were 4288 (BRAC: RDP, 1986).

#### B. Livestock

According to the Second Five Year Plan, livestock contributes to 16.4 percent of GDP and provide full and part time employment of 14 percent of the total labour force (Masum, Employment in Non-crop Activity. Employment Expansion through Local Resource Mobilisation). BRAC gives major emphasis in the sector as an important sector for increasing the income and employment of the rural women. Moreover livestock production generate significant employment in other sectors because of its immense forward linkage. A variety of dairy and meat products, as well as hide and skins, shoes and other leather products, and other are based on livestock.

Poultry rearing has proved to be one of the most popular income generating activities among the women in all BRAC project areas (BRAC: 1986-88).

#### B.1. Cattle rearing program

The program has been introduced in 23 RDP Centres (BRAC: RDP, 1896). Till December 1986 RDP has covered 391 villages under livestock program. This program comprises credit, vaccination and health services (preventive and curative) and rural veterinary workers. The program has three stage: First, vaccination to prevent diseases; second, to develop par-veterinary workers in order to provide curative services. Third, to improve the feedings and housing condition. Till December 1986, 6587 group members are involved in cattle rearing program. Total loan disbursed was tk. 11,762,140. The profit accrued to the group members from the animal sold figured tk. 822,340 (BRAC: RDP, 1986).

#### B.2. Poultry rearing program

BRAC found it is the most viable program for generating income at the household level. The program does not require sizable amount of credit but it require support services like: regular supply of vaccines, training of vaccinators, management and supervision of vaccine routine, supply of hybrid eggs and chicks and training of rearers. Till December 1986, 520 villages in RDP were brought under this program. Total amount disbursed were tk. 1,406,628. The rearers earning from the program on December 1986 were tk. 6,862,002. In each village one or two group members are trained as vaccinator who collect vaccine from the government livestock office and earn substantial amount against vaccinating birds in the locality.

### C. Fisheries

According to the Second Five Year Plan, fisheries contribute to 5 percent of GDP, more than 6 percent of the nations' export earnings. 80 percent of the country's animal protein supply and directly and indirectly provide employment to 6 percent of the labour force (Masum, Employment in non-crop Activity. Employment Expansion Through Local Resource Mobilisation).

Inland fisheries form the major components in Bangladesh. There are some 524,000 ponds and tanks covering a total area of 171,600 acres, besides 2 million acres of water in rivers and canals and 224,000 acres in reservoir (Ibid). In addition there are 'beels', 'haor' and 'baors' and paddy field which remain under water for about six months of the year (Ibid). Fish is produced in all these waters. Considerable potential for income generation exists in pond fisheries. It is one of the important income and employment generation activities of BRAC. Till December 1986, a total of 799 unused and derelict ponds were re-excavated to raise fish (BRAC: RDP, 1986). Of the total ponds undertaken for fish culture 362 were fit for seasonal cultivation and 447 for year round cultivation. As of December 1986, the village organisation's earning from the sale of fish figured tk. 3,103,779.

### D. Small-scale trading

Small -scale trading plays an important role for self-employment in the rural areas. 26.84 percent of the total disbursement were made in this sector at the end of December 1986. BRAC believes that for proper implementation of such schemes close and continuous supervision by BRAC staff is needed because the target group who come forward in different trade basically agricultural labourers or small farmers, they have little experience in trade. Although employment generated in trading is small but it has the potentiality of yielding a per capita per working day income of tk. 35.20

(BRAC: RDP, 1986). This can be said to be positive since the rate of profit stand at 17.20 after deduction of the traders opportunity wage rate (tk. 18.00 at the prevailing wage rate) from per capita per working day income (BRAC: RDP, 1986).

#### E. Rural industries

Rural Industries for the development of handicrafts contribute another area in which a large number of BRAC target people are involved. At the end of December 1986, 9.91 percent of the total disbursement were made in this sector. This sectors comprises activities such as cottage industries, oil crushing, net making, coire rope making, rice mills, ice factory and brick making enterprises. In 1985-86 the brick field alone have employed 200 men and women for period of 6 months and 3 persons for the whole year (BRAC: RDP, 1986). BRAC has set up its Rural Enterprise Projects (REP) which will provide advisory services and facilitates to potential rural entrepreneurs among BRAC group members.

#### F. Employment

In the absence of any detailed information on employment generation it is very difficult to assess them in terms of employment expansion. The only recorded information found available is one furnished by BRAC (Rural Credit and Training Project, 1983, p28-29). The table below shows selected branch activities, estimates of total mandays available for participants (ensuring a flat norms of 125 mandays each) and the extent of employment (in man-days) created by the activities of the region.

TABLE 3.5  
EMPLOYMENT GENERATED THROUGH CREDIT BASED ACTIVITIES IN  
SELECTED BRANCHES OF BRAC

BRAC Branches	Total Participants		Mandays available for participants		Mandays employed in credit based activities (000)		Mandays created as % of available mandays before activities	
	Male	Female	Male	Female	Male	Female	Male	Female
Monohordi	1457	902	182.1	112.8	56.5	38.6	31.0	34.2
Shibpur	2011	343	251.4	42.9	77.2	16.2	30.7	37.8
Gheor	1451	438	181.4	54.8	61.0	18.6	33.6	33.9
Fulbaria	1718	462	214.8	57.8	10.9	15.2	5.1	26.3

Source : Muqutada, 1984: Quoted from BRAC, Report on Rural Credit and Training Project, 1984, p28-29.

The table shows that more than one-third of the available mandays is absorbed in special schemes introduced by BRAC.

#### Women

Women have traditionally worked within the home in Bangladesh with a small proportion working outside, mostly domestic labour in other households and remunerated mostly in kind (BRAC: 1986-88). It has been found women who are divorced, widow and without any male guardians are obliged through economic necessity to go out to earn their livelihood, but this found changing. Moreover these women are found double exploited. BRAC is therefore working to create new income earning opportunities for them. Accordingly BRAC has established a new 'training, production and service centre' for women. The services provided by the centre includes:

- skill training,
- producers more space,
- appropriate technology, design, and product diversification,
- purchase and storage of raw materials and finished goods,
- financial management and cost accounting,
- quality control and marketing.



A brief activities of this centre is provided in the appendix.

The following are the constraints that BRAC is facing:

a. Regarding the expansion of BRAC many opined that the "growth of BRAC was accompanied with a bureaucratization of its structure and programs, which had a negative influence on the participation of BRAC personnel within the organisation" (Development for Whom? NOVIB policy in Bangladesh: The case of BRAC, 1982).

b. The RDP centres with high amount of overdue loans are also the oldest centres. The overdue, in these centres is analysed to have resulted from the lack of experience of loanees in handling the big sum, inadequate investment plan and project analysis, low level of group spirit, loss and overdue in schemes with unfamiliar technology and sensitive to the nature and low recovery rate of old overdue loans.

Apart from the these constraints and the economic activities analysed above group development have been reached upto a level where the group member can enforce and factor hindering their common interest through united efforts. The landless people used to depend on the rural elite for solving any local dispute/conflict. But organisation into groups resulted the landless to make visible change in the existing dependency relation. They can now solve their own problems unitedly instead of depending on the local elite which they used to do before forming group. The command of the landless in solving local issues ensure their more participation which changes the attitude and behaviour of elite on the other hand. In most cases they have established their rights on untapped local resources and government supports and services like poultry and livestock vaccines, ownership of agricultural inputs etc. Above all, they are self-aware and self-confident in managing their own issues without depending on elites. Even some of them are now in a position to manage schemes involving huge investment like market-lease, brick-

field etc. The condition of women has changed a lot. Before joining the group they were oppressed, tortured not only in society but also in family. But now their supplementary incomes have changed the outlook of their family and society. They are no longer treated as merely as dependent mother and docile daughter and face the red eyes of polygamy, divorce, abandonment etc. They are now united and resist those evil norms of the society. They have proved their ability to manage economic schemes. All of these resulted in creating higher bargaining power on the part of the women and improve their living condition.

### 3.4. COMPARATIVE ANALYSIS OF GB AND BRAC

#### a. Reaching the target group and level of income

The following table 3.6 shows the land ownership pattern between participants and non-participant member households of BRAC and GB.

TABLE 3.6  
LAND OWNERSHIP PATTERN

Land holding(in decimals)	BRAC		GB	
	N	NP	N	NP
Nil	18 (28)	13 (37)	37 (57)	28 (80)
Positive below 20	6 (9)	1 (3)	10 (15)	3 (9)
20 to below 100	31 (48)	12 (34)	17 (26)	3 (9)
100 to below 200	4 (6)	3 (9)	1 (2)	1 (3)
200 and above	6 (9)	6 (17)	--	--
Total	65	35	65	35

Source: ILO/ARTEP, March 1988 p18

Note:(i)'P'stands for the participants of schemes and 'NP' for non-participants.

(ii)Figures within parenthesis represents percentages of total number of participants/non-participants in each scheme.

The table shows that landless has been less common among the participants than the non-participants for GB than for BRAC. In the case of BRAC the poorest among the land poor are accommodated within the schemes. This comparison is contrary to the conclusion reached earlier in the case of GB where we have seen that GB has reached the poorest segment of the rural area. This might be due the sample and also due to the size of the holdings. Another important thing to see whether there exists any definite relationship between the amount of the scheme loan extended to a participant and the amount of loan owned by his households through regression analysis (see ILO/ARTEP, March, 1988, p19) it shows that for GB there exists a tendency to disburse higher loans to participants with higher land ownership at household level. The personnel investment made by the participants in scheme activities can reflect their economic position.

In the study of ILO/ARTEP, March 1988 it has been found that personnel investments made per participant family in scheme activities during 1987 under different schemes are as follows:

BRAC	TK.491.00
GB	TK.677.00

It appears that most of the schemes, on one count or another, was not able to reach the unemployed and underemployed rural population. But it is very difficult to come to such a conclusion because it did not talk about the maturity and age of the group. It may be that the economic position of the group member has improved.

In the following table 3.7 an overall picture provided of target beneficiaries reached by the GB and BRAC (relate only to its Rural Development Program since its coverage of target population through its multifarious projects and activities is reportedly much higher).

TABLE 3.7  
TARGET BENEFICIARIES OF GB AND BRAC,s RURAL DEVELOPMENT PROGRAM

	GB	BRAC
1.Number of branches in operation	95	45
2.Village covered	1592	1266
3.Estimated target households as % of total households in project area	55	53
4.Number of members of benefitted('000)	84	121.7
5.Beneficiaries as % of the target population in the project villages/areas	--	58
6.Total loan disbursed (million tk.)	287.9	96.7
7.Average loan per beneficiary member(tk)	3427.0	794.0

Source: Muqutada, ILO/ARTEP, 1984, BRAC: RDP, 1986

Note: The figure for BRAC relates to end of December 1986 while those of GB relate to April, 1984.

The above table shows that GB and BRAC's credit has been advanced to more than 300,000 poor people and that GB has disbursed loan more than four times that of BRAC. GB has also had a greater penetration in terms of number of village covered as well as the amount of average loan extended to beneficiaries members. The information in the table must be treated as relative since the coverage in terms of target group members and villages is extremely small compared to the country as a whole. Muqutada holds that the true impact on income and poverty alleviation is also not easily seen from sheer number of the loanees. To highlight the later---M. Hossain's study on GB the only available in-depth impact study that makes use of "before-after" as well as "control" samples. In the table 3.3 one can see that the loatee households in the GB program appear to have registered a 32.5 percent increase in their real per capita income in less than three years. The increase in income is estimated to have pushed the loatee households from being 50 percent to 30 percent below the nutritional level (M.Hossain, 1984, p92). Muqutada (1984) commented that "despite the increase in income a rather long route to poverty alleviation in as much

as the base (number of beneficiaries) is too small and that even such increase in income is still far to inadequate to ensure a threshold living" (Muqutada, 1984). The BRAC program too do not enable us to make quantifiable approximation of poverty alleviation.

ILO/ARTEP, March 1988 study brings a very interesting feature. It shows that (ILO/ARTEP, March 1988, table 5.2, p52) all schemes, except the one under BRAC, were able to raise income level quite significantly. But the study explain itself by saying that "total income earned per participant family under BRAC falls a little shorter than income per non-participant family, it should not be taken to mean that the BRAC participants would have been better off without getting involved in the scheme. Despite the fact that the non-participant families were chosen from among those was more of a socio-economic background stated as necessary for obtaining membership, this small income differential may have emerged due to the imperfection of the samples" (ILO/ARTEP, March 1988, p80). Another important difference is that two-thirds of the total income earned by the GB participants come from the scheme sources whereas in the case of BRAC, over a third of the total income of the participants accounted for by scheme income.

b. Credit

GB has offered the highest amount of loan per participant family compared to BRAC.

c. Nature of employment

There is also difference between GB and BRAC on the activities persuaded. It appears from our discussion that GB concentrate more on non-farm activities. This findings resembles with ILO/ARTEP, March 1988 study where it shows that 17 percent participants under BRAC and 9 percent under GB had taken up crop cultivation as scheme activities.

In the absence of any detailed information on employment generation the schemes of GB and BRAC can not be assessed in terms of employment expansion. Some indicative judgement may be provided using the proxy variables. For example, if a member of a beneficiary households is drawn into some special scheme this would register in an increase in the earner/family size ratio with also a subsequent increase in the activity ratio. In order to see the impact on this one would need information on the changes of household earner/member ratio "before-after" launching of the program. This information is also unavailable. In the case of GB table 3.4 provides an approximation of employment generation. It appears from the table that 3.4 that the loanee households register a higher number workers on average than the non-clients, whether in project or control villages. It implied that GB project has probable ensured higher employment to beneficiary households. Perhaps, it has, but the figure in the table are inadequate to support this because the "control" could not, logically, account for the differential. In the case of BRAC table 3.5 shows that one-third of the available mandays of the target group is absorbed in schemes introduced by BRAC.

d. Cost of employment creation and profit earned

The cost of employment creation both for GB and BRAC are higher. The ILO/ARTEP (1988) shows that the cost incurred in generating a manday of employment is tk.24.80 for BRAC and TK.23.96 for GB (ILO/ARTEP, March 1988, table 6.2, p58).

The volume of profit per participants as well the rate of return were lower for BRAC in comparison to GB. GB performed best in this regard (Ibid, table 6.2, p60). But it is very difficult to judge the average performance of BRAC looking into the study of ILO/ARTEP, 1988 in only 5 villages out of 1266 villages.

## CHAPTER IV

### THE CRUCIAL IMPORTANCE OF MACRO ECONOMIC FACTORS

#### 4.1. Demand for rural industry product

In chapter III we have concentrated our discussion of rural industry and non-farm activities in micro level and we have seen that NGO's activities have a profound impact in removing unemployment from the rural areas. In this chapter we will discuss them in macro context. Question may be asked, is the NGO's lesson can be replicated nation wide? Is there any constraints in the context of demand? Or is it essentially a demand pattern that hinder its expansion? Or is it due to internal factors or external constraints?

We have discussed that the rural industry and non-farm activities are not without limitations. Instead its contribution to employment generation can not be ignored. As we have seen that the contribution of non-farm employment to total employment varies from 40 percent to 65 percent. About 40 percent of the population are dependent on this sector in terms of primary involvement and if secondary occupation are taken into consideration it rises to 55 percent. Studies shows that 30-50 percent of the total household incomes comes from this sector. The return to labour in rural industry and non-farm activities are found very low and in some cases lower than the agricultural labourers. Thus internally this sector need reforms. Over and above the de-industrialisation of the country side, linked with the government policies, has to be first halted.

In chapter II explaining the government strategies and policies it has been emphasised that rural industries can neither cater efficiently the urban demand nor the demand of the small affluent rural population. They largely cater to largest number of rural households who are poor. It is also argued that one possible constraints on the development of the rural industry in Bangladesh is the demand for rural industrial products. It is no doubt important that the

development of any product is largely depends on the effective demand of the product. It is convenient for our analysis to break up the current and potential demand by its sources. ARTEP in their report for the Planning Commission of Bangladesh entitle 'Employment Expansion through Rural Industrialisation' identified the following sources of demand mainly, household demand (rural and urban), inter-industry demand (rural and urban) and export demand. The Advisory Committee on Rural Development of ILO in their tenth session, Geneva, 22 November to 1st December 1983, identifies the following sources of demand, namely :

- farming operations;
- rural non-farm private sector;
- local public sector demand;
- national demand;
- foreign demand.

BIDS in their RISP found that the rural industrial sector is dominated by the following three sectors---textiles, food and agricultural products and wood, cane and bamboo product enter directly into households consumption basket. In Appendix IV.1 shows that these three products together account for 93 percent of all industrial enterprise and 94 percent of labour employment in the study area (RISP, 1981, p48).

There are two distinct constraints the needs explanation in the context of household demand. First, it is arguable that given the sheer magnitude of poverty in Bangladesh, rural industry products can have a very limited market. On this view point rural industry rather than being engine of growth depends on the prior growth in income through faster agricultural growth. Second, there is another view that rural industrial product are inferior goods, that is, people consume less of them as their income rises. ARTEP in their report to Bangladesh Planning Commission have tried to explain the above constraints on the following two issues-



1. To what extent current levels of income limit the market for various rural industry products in Bangladesh.
2. How the growth in income likely to affect the demand for these products.

The data for this analysis utilise were generated from the sub-project of RISP called the Income-Expenditure-Employment Study (IEES). Both ARTEP and RISP uses the same set of sample households. The sample households were chosen from 11 villages. Information on expenditure, consumption of food and a few non-food items and consumption and purchase of non-food items are discussed.

#### 4.1.1. Expenditure profile of the sample households

This study used the expenditure as a proxy of income. Here expenditure includes---all food and non-food consumption, acquisition of consumer durables, tools and equipment (both for domestic use and household enterprise activities), and repairing and consumption of residential housing.

Appendix IV.2 shows the quartile distribution of total expenditure and its major components. The Appendix shows a close similarities between the sample households in the study area and all Bangladesh in terms of--household size, per capita expenditure and composition of expenditure. The per capita expenditure in the sample is tk. 1817.00 (1979/80) as compared to tk. 1642.00 in rural Bangladesh in 1978/79. The two figure reasonably consistent.

Before analysing the household demand for the rural industrial product an idea about the nature of income constraints can be acquired from Appendix IV.2. About 80 percent of the average expenditure goes to food. Cereals alone accounting for more than 50 per cent (both home-pounding by 'denkhi' and milling) is conventionally treated as a part of rural industry but it has very meager contribution to total value-added. Over and above it will expand automatically due to an increase in food grains

production. In the policy context, therefore ARTEP reported "it is more helpful to leave out grain processing from a discussion on the problems and prospects of rural industries proper. If one leaves out food grains and also notes that a large part of non-cereal food is purchased virtually unprocessed, the scope of rural industrial products to enter the rural household baskets does not appear to be very wide at the existing levels of income. The picture is not much different even for the richest quartile of rural households" (ILO/ARTEP, 1985, p75).

Appendix IV.3 shows a detailed list of rural industry products entering rural household budget, along with their budget share. The budget are given for three groups of households--all households, bottom 75 percent of household (in terms of expenditure per consumer unit) and top 25 percent of households. The comparison between the later two groups shows how the "poor" and "non-poor" differ in their demand for rural industrial products when grain processing both at home and in the mill are included in rural industry its product occupy a large share of rural household budget-- 58.7 percent for all households, 60.2 percent and 55.1 percent for poor and non-poor respectively. But when rice is excluded, the share of rural industrial products falls drastically, that is, to 12.3 percent for all households. Moreover rural industry product is seen to occupy a larger share of non-poor households budget compare to the poor households. Now it appears that the demand for the rural industry products (excluding rice) rises in both absolute and relative terms with the rise in income. The share of the major commodity groups in the rural industry products entering the household budget are shown in Appendix IV.4.

Here in addition to the top 25 percent of the households top 10 percent are included to show what happens to the volume and consumption of demand at a very high income levels. The following facts are clear from the Appendix:

a. Consumption goods account for an over-whelming share of rural industrial products entering the budget of all rural households;

b. Non-rice food items alone account for nearly half of all rural industrial products, which falls marginally with income;

c. Cloth account for a constant share of nearly one-third in all income groups;

d. In terms of the per capita expenditure demand for all major groups and sub-groups rises with income, except for capital goods--which falls (demand) slightly for the households of top decile;

e. Finally the share of all rural industrial products entering rural household budget is found to be roughly a quarter of non-food grain expenditure which is almost constant at all income levels. The per capita expenditure for the top decile is 2.5 times of average for all rural households. Yet the share of the rural industrial products does not decline, the share would in fact rises.

So far we have consider the place of rural industrial products on their own. But let us analyse by comparing the relative share of these products and their substitutes originating form outside the rural areas which is shown in Appendix IV.5. It is clear from the Appendix that 72 percent of all industrial products entering rural household budget comes form the rural sector. The share is higher (75 percent) for the poor households and somewhat lower (68 percent) for the richer ones. This is what is expected that the richer households are likely to demand more of the higher quality and higher priced non-rural products.

But the most interesting thing is that there is low rate at which such substitutes occurs. Even for the top decile the share of rural industry is around 70 percent. This table clearly shows the dominance of rural industry products on their non-rural substitutes to all income groups. But there

appear some exception with regard to 'gur', 'bidi'/tobacco and pottery utensils.

#### 4.1.2. Income elasticity of demand

Let us now use the income elasticity of demand in order to measure how the demand for the rural industrial products changes with income. These elasticities, along with the marginal budget share, are reported in Appendix IV.6.

The elasticity figures in the Appendix are self-explanatory. Some of its features are--

- i) the inferior good hypothesis is certainly not valid for the rural industrial products in Bangladesh. 'Dhenki' rice is the only commodity which has negative income elasticity;
- ii) Secondly, most of the commodities have elasticities either greater than or close to unity. This means that high income elasticity of demand for rural industry products. Pottery utensils and bidi/tobacco have relatively low elasticity of demand (0.26, 0.65 and 0.48 respectively).

Let us now compare the elasticities and marginal budget share of some of the competing products in order to assess the ability of rural industry product to withstand competition from substitutes in a situation of rising incomes. This is shown in Appendix IV.7.

Here pottery and bidi/tobacco appears at a serious disadvantage not only because of their own low elasticity of demand but also because of the threat from the substitutes whose demand is highly elastic. The other commodities which are at a relatively disadvantage are 'gur' and handloom 'than' cloth. Elasticity of demand for handloom sari is less than that for mill sari; but the marginal budget share of handloom sari is so much higher than the mill sari that competition from mill sari is not likely to constrain the demand at all with rising level of income. The same is true with jute and coir rope vis-a-vis their substitute nylon rope.

In Appendix IV.8 the elasticity for the richest 10 percent of the households have been estimated in order to see what

happens to the competition with substitute products at a very high level of income.

The following features are emerges from the Appendix:

i) At the average income level of all the rural households the elasticity of demand for all rural products (1:26) is greater than unity implying a high elastic demand. The substitutes are even more elastic (1:50). But the marginal budget share of rural industrial products is much higher (16.25) than their substitute (6.45) signifying that competition from substitutes is not likely to pose a serious threat within a considerable level of income growth. For the top 10 percent households marginal budget share for the substitutes remain constant but the rural industry product tend to rise. This "due to the fact that some of the important non-rural intermediate goods purchased by the rich households (such as cement, C.I.sheets, etc.)" (ILO/ARTEP, 1985. p87).

ii) Another important features emerges from the Appendix is that the overall dominance of rural industrial products which enmates essentially from the dominance of rural consumer goods over this substitutes. This is practically true for non-cereal food items and handloom clothing and the dominance maintained even at a very high level of income. The substitutes are found to enjoy a high elasticity of demand, but their relative share in the incremental budget does not rise much as one moves up the income scale.

Thus from the discussion above it is clear that household demand constitute the major source of demand for rural industrial products in Bangladesh. That the market for rural industry products is severely limited at the current level of income. The main constraining factor is the poverty not the competition from the substitute. Moreover in terms of elasticities and marginal budget share the rural industry products have an edge over substitutes implies that the demand will expand considerable with rising level of income.

It can be emphatically stated that within the existing ranges of income, rural industry products are not inferior goods. Thus it is clear from our analysis that there is a great prospect for rural industrial product in Bangladesh but the expansion of it depends on the increase of income of the rural people. Policy measures are needed to be taken for increasing the income of the rural people who are mostly depends on agriculture and thereby giving the scope to rural industry to benefit by employing a large number of rural unemployed and underemployed.

#### 4.2. East Asian experience

At this stage it is pertinent to cite the example of East Asia Countries experiences of rural industrialisation. The countries are post-War Japan, Republic of Korea, Taiwan-China. All these countries experienced significant agricultural growth prior to their success in industrialisation (ILO/ARTEP, 1985, p204).

In the case of Korea and Taiwan-China both agriculture and industrial sector have been expanding rapidly and simultaneously (Ibid, 1985, p175). Secondly, the modern industrial phase is preceded by significant growth in the colonial period in the field of agriculture, transportation, education, etc. which created a basis for modern growth. Thirdly, the land reform created a basis for technological transformation of agriculture; generated a significant increase in the rural demand; and allowed the government to extract a substantial surplus through terms of trade policies (in Taiwan-China) without lowering agricultural incomes (Ibid, 1985, p175). The both countries had a massive inflow of foreign capital which was used productively. Both of them are in the orbit of Japanese satellite and grew in the wake of Japanese industrialisation.

The Japanese case is different from the above. It is the first Asian industrial developer in the modern sense. Its

external economic environment was dissimilar to that facing LDCs now (Ibid, p167). Thus the timing of the industrialisation is extremely important. Japan was never colonised. It was an imperial power. Its colonial policy was different from that of British and Dutch. Another important thing is the militarisation strategy which had a profound impact in generating industrial growth through state bureaucracy and channelled backward linkages and technological development (Ibid, p167). Japan was not burdened with the kind of unemployment backlogs as Bangladesh have been, and had lower capital intensities in agriculture and industry than one which characterised modern industrial development (Ibid, p168).

Japan's growth performance in agriculture was not impressive. The rice riot in Japan made her possible to overcome it through import from her colonies.

Textiles (both silk and cotton) were the chief suppliers of Japanese exports through the first phase (Ibid, p170) and the success of textile industries were possible mainly due to price under-cutting, ruthless exploitation of domestic labour through tyrannical systems of labour control. It was especially through the exploitation of girls.

The Japanese growth process was highly inegalitarian and the rural working population remained relatively poor through much of the period (Ibid, p168). These make it less attractive as an example than say, Korea, where rural development was faster and more egalitarian. In all these East Asian cases experienced significant agricultural growth prior to their success in industrialisation (Ibid, p204). In the case of Bangladesh we see a decline in the land productivity, more significantly, population growth rates are high and in the absence of any industrial expansion, led to a plummeting trends in productivity per person (Ibid, p205).

In the case of East Asian countries one can not be definitive as to how much contribution to egalitarian growth was made by

an increase in non-farm activities relative to the implementation of land reform. "It could be argued that the reforms, by promoting a more egalitarian income distribution, helped to generate demand for the products of a wide range of non-farm activities and thus fulfilled a necessary precondition for their growth" (R. Islam, Journal of Contemporary Asia, p134). South-Korea and Taiwan-China instituted egalitarian land reform and related institutional change. Since none had large landless population like Bangladesh (even not in Japan), the reform provided access to land to the great majority of the rural population (ILO/ARTEP, 1985, p206). The land-to-the-tiller reforms transferred rent to the tenants but this allowed state policies of surplus extraction through the payment of land purchase, and/or through terms of trade (Ibid, p206). This provide significant flows of primary accumulation for industrialisation (Ibid, p206).

Land-to-the-tiller type reform, even if feasible politically is unlikely to cut significantly into the existing landless masses. Question may be raised that is it possible to achieve growth without the poor having direct access and ownership over adequate productive assets, specially land? All micro checks, suggest an unequivocally negative answer. Bangladesh in removing poverty and unemployment, is appear unable or unwilling to follow this lesson of history. Moreover we have also seen in the East Asian case that land reform as a success in the sense that it accompanied other economic policies. In Bangladesh neither land reform nor economic policies helped in removing poverty and unemployment. This realisation has increasingly highlighted the institutional dimension, and provide focus on NGOs. But the efforts of NGOs can not make a significant contribution to alleviate poverty and unemployment from the country.

Over and above the expansion of this sector is seriously limited by the size of the income of the rural people. Unless



the income of the rural people are not increased the scope of this sector in removing unemployment and poverty is limited. In order to increase the income---we should look into the sector where the majority of them are depending, that is, the agrarian sector. The percent agrarian set-up is govern by land. It is the structure of agricultural production and the land relations that would determine the degree of response to create employment and improve the rural poor. But the performance of the agricultural sector is not satisfactory. This is what we have seen due to the present agrarian structure, inadequate investment, high degree of concentration (land) and a high rate of population growth. Thus in order to make a respectable rate of growth of agriculture the present agrarian must be changed.

CHAPTER V5. Conclusion

In this paper an attempt has been made to present a picture of rural industry and non-farm activities in employment generation. The main emphasis has been on the possibilities of expansion of rural industry and non-farm activities at the present income level of the rural people. In doing so an attempt has been made on the possibilities and limitation of agriculture in employment generation. We also analysed the Government and NGOs strategies and policies and macro economic factors.

a. The structure of unemployment---Agriculture and land:  
Study shows that by 1920's the possibilities for further expansion of cultivation had become very much limited. An important development which accompanied the process of widening of the market was the gradual increase of the pressure on land along with the growth of population, deteriorating the land-man ratio. Over and above the expansion of agriculture was not accompanied by the industrial development. The low level of agriculture during 1920-46 seems to be due to the low level of capital formation. It could be argued that capital formation was adversely affected by the low and declining per capita income in the agricultural sector. During the quarter century from 1920 there was hardly an improvement in yields at the aggregate level. We also found that during the British rule land become commoditize through the Permanent Settlement Act of 1793. The main purpose of the coloniser to extract surplus through the local power structure. So instead of improving the agriculture they strengthen the existing rural hierarchy based on land. After partition in 1947 the condition of agriculture was not improved even after the abolition of the Zamindari system. The peasantry hardly feel motivated by the abolition of the Zamindari system rather they did not feel

any difference in paying rent to the Government and to an individual. After Independence of Bangladesh in 1971 we do not see any changes in the structure of the economy rather we find that share of both agriculture and manufacturing sector to the GDP has declined over the period. Over and above we have found that a set of social transformation in Bangladesh is changing and in this changing process concentration of land in the hands of few and dispossession of it from the many has been accelerated. These in-turn created unemployment in the economy. Thus we find that the main obstacles of adequate agricultural performance are the agrarian structure, inadequate investment in agriculture, high degree of concentration, high population growth rate and virtually close agricultural frontier.

b. De-industrialisation:

We have also seen that the unemployment problem become more serious due to the negative de-industrialisation---which is associated with the stagnant real incomes and rising unemployment. The colonial power consistently followed a policy which resulted in the process of decline in rural industries and severely adverse effects on employment, rural investment and income distribution. Study shows that before the discovery of machine spinning and weaving in Britain, the Indian sub-continent was the World's greatest producer of cotton textiles. We have found that in the then Bengal about one million cotton growers, weavers are thrown out of employment by 1928. All these drove the labourers to seek employment in agriculture and thereby finding no alternative the unemployed joined the vast reservoir of un/under employed in agriculture.

c. Poverty situation:

After the Independence in 1971 the above situation has not changed instead all these are found continuing making

unemployment and poverty situation critical. Studies shows through using different methods to measure poverty that people living below poverty line increased from 40 percent in 1963-64 to 61 percent in 1975. A recent estimate shows that people below poverty line is 81 percent for the rural area and 78 percent for the urban area. In terms of Physical Quality of Life Indicator we found there is a deterioration in terms of food consumption and nutrition. We also found that there is a direct relationship between land holdings and nutrition intake.

d. The Case of Rural Industries and Non-farm Activities:

In the above circumstances it is widely believed that appropriate agrarian reform is essential for agricultural growth and thereby to remove unemployment and poverty from the rural area. But we have found that the expansion of employment in agriculture, even if there is appropriate agrarian reform, is likely to be very much limited due to the causes mentioned above. Agriculture could employ only a small proportion of the annual incremental labour force and it has no employment opportunities for a large proportion of the annual increase and the backlog of unemployed. In 1983 World Bank estimated that only one-third of the incremental labour force could be absorbed in agriculture during 80's. The annual increment would be three-quarter of a million.

In the above circumstances increasing attention is focused on the rural industry and non-farm activities that might play in the development process in general and in the creation of employment opportunities in particular. It has been found that the level of employment/work opportunities in agriculture is so low that an average farm worker has to supplement his income by engaging in non-farm activities. Modern industry employ less than 2 percent of the labour force and it require a huge amount of resources to absorb a significant proportion of the increase in labour force. In

these situation rural industry and non-farm activities are given higher priority by the Government in solving unemployment and poverty from the rural area. The emphasis on rural industry and non-farm activities can be attributed to a set of three factors. Firstly, the employment opportunities in both agriculture and manufacturing has been proved quite limited. The agrarian differentiation and structural shifts through technological changes has further aggravated the situation which intensifies the on-going process of marginalisation of the rural poor. In this situation rural industry is expected to provide cheap jobs for them. Secondly, keeping agrarian structure unaffected it by-pass the political problem. But we found its role is very much wider then this. It can stop rural-urban migration; by-pass the need of transfer of food grains to towns; it can stop the skill drain ; it can utilise low cost local resources. Thirdly, rural industrialisation may have positive spin-off for the agricultural sector.

e. Over view of Rural Industry and Non-farm Activities:

It has been found that in the rural areas people are found engaged in a number of occupations. Studies shows that the contribution of non-farm employment to total employment varies from 40-65 percent.

It has been found that non-farm employment varies inversely with the size of the operational holdings. Much of non-farm employment are found as wage employment. It contributed to half of the employment in non-farm activities. The incidence of non-farm employment to wage employment varies inversely with farm size. RISP study shows that the involvement of the land owing group in these activities is significant.

Wage rate in non-farm employment are found very low for the female and child compare to the male. Even they are found working under a very high exploitative conditions. On female employment it has been found that 65 percent are employed in

non-farm activities. It has been found that these activities are characterised by low return and low productivity. This is due to the nature of work they are found engaged. Accordingly there appear a basis for some contention that the growth of many of these activities in Bangladesh is a more a symptom of distress adaption to increasing poverty and landlessness rather a dynamic of growth. It can be said on the data presented on non-farm employment that the proliferation of non-farm activities in Bangladesh is a part of the process of papurisation that is going on the rural areas of the country. If non-farm employment has to play an important role in the rural development of the country, R.Islam opined that there is a need for a transition from 'odd job' regime to a regime of more productive employment.

f. Government Strategies and Policies for Rural Industrialisation: Currently, there is a fairly large number of government and government sponsored organisations are concerned with fully or partially with the promotion and development of small and cottage industries in the country. We have found that each of them have their own strategy and policy and work accordingly. As a result there is a lack of integration and cooperation among them. Looking into these constraints the Government in the Third Five Year Plan proposed to set up a National Coordination Council for Development of Small and Cottage Industries with agencies concerned as member. The Government also proposed in their TFYP to set up a Employment Resource Centre (ERC) at Upazila level for the promotion of non-farm employment.

We have also found from our discussion with the Public Works Program and Food For Works Program that these programs are very important by providing seasonal employment in agricultural slack season. The impact of them on the unemployment situation is definitely positive but quite small in relation to the available mandays. Moreover, the

infrastructure it created benefit the land owner via positive impact on the agricultural production while the landless get temporary relief.

Among the government sponsored, Bangladesh Small and Cottage Industries Corporation (BSCIC) is the prime mover organisation for the promotion of small and cottage industries in the country.

BSCIC is till now mainly concern with the industrial estate and small industries, cottage industries basically remain outside the scope of its extension works.

It appears from the program of BSCIC that BSCIC emphasis entrepreneurship development in all of its program. It tried to upgrade the existing traditional cottage industries, have targeted towards those who have the specific skill and some establishment. Data presented on the expenditure of BSCIC shows that the major consumer of BSCIC fund is the Industrial Estate which is followed by the administrative expenditure.. An evaluation of BSCIC's Development of Rural Industry Program shows that female participation is very low (5 out of 65). It was found due to the skill criterion which can not be fulfilled by the female. 95 percent of the BSCIC participants are found literate.

Looking into the personal investment made by the participants in scheme activities shows that participants under BSCIC are most resourceful compare to GB and BRAC. Over and above the failure to reach the unemployed and underemployed rural population was most pronounced for BSCIC compare to GB and BRAC. Thus poorest among the land poor were not accommodated in the DRI program.

It was also found that the hired labour employment as a percentage of total labour used has been high for BSCIC.

#### g. Non-government Organisations:

The emergence of NGOs in Bangladesh was mainly due to three

factors. Firstly, the conventional development paradigm followed by the Government failed to alleviate poverty and unemployment from the rural area. Secondly, the political parties unwillingness to abandon their rhetoric and dogma and relate people in a dialogical manner. Thirdly, academic and research institutions, from their comfortable seclusion, were satisfied to give prescription for development, as they were not required to apply what they were preaching. We also found that NGOs are diverse and plural. This diversity and plurality are due to the difference in approach, ideology, intervention and stages of institutional development or generation of NGOs. We also found that there are multisectoral and monosectoral NGOs. We discussed a credit based NGO--the Grameen Bank (GB) and a multisectoral NGO--the Bangladesh Rural Advancement Committee (BRAC).

Both the GB and BRAC found successful in reaching the poorest of the poor but in the case of GB it was found that GB has been less successful in reaching the agricultural wage labourers. It was also found that there exist a tendency to disburse higher loan to participants with higher land ownership. The personal investment made by the participants in scheme activities is tk. 491.00 for BRAC and tk. 677.00 for GB. It was also found that the loanee household in the GB program appear to have registered a 32.5 percent increase in their real per capita income in less than three years. But we have seen that despite the increase in income a rather long route to poverty and unemployment alleviation in as much as the base is too small and that even such increase in income is still far too inadequate to ensure a threshold living.

There is also difference between GB and BRAC on the activities persuaded. It appears that GB concentrate more on the non-farm activities. Data presented on it showed that 17 percent participants under BRAC and 9 percent under GB had taken up crop cultivation as scheme activities.



With regard to credit it found that GB has offered loan per participants more than four times higher than that of BRAC. In terms of number of villages covered it was found that GB had a greater penetration in terms of number of village covered. But the coverage in terms of target group members and villages is extremely small compared to the country as a whole. The true impact on income and poverty alleviation is also not seen from the sheer number of the loanees.

With regard to the cost of employment and profit earned we found that in generating a manday of employment BRAC incurred tk. 24.80 and GB incurred tk. 23.96. The volume of profit per participants as well as the rate of return were lower for BRAC compared to GB.

h. NGO and Government's (BSCIC) strategy and policy of rural industrialisation and non-farm activities--a comparison:

All of the schemes under NGOs and Government discussed in this paper are found targeted towards a specific group of people having either some skill and establishment or landless having 40 decimals of land per family or sell manual labour for survival to a third person. This targeting excludes female participants in the program of BSCIC while in the case of BRAC and GB at least 50 percent members are female.

Comparing the educational background of the participants we found that participants under BSCIC have on the average, relatively higher academic qualifications. Over 95 percent of them are found literate.

There is also difference in the personal investment made by the participants in scheme activities which inturn reflect their economic position. It was found that in the case of BRAC, GB and BSCIC the personal investment are tk. 677.00, tk. 491.00 and tk. 11,984 respectively. It shows that participants under BSCIC are most resourceful.

With regard to loan disbursement it was found that under BRAC and GB it is very quicker compared to BSCIC.

BSCIC has a very large marketing units consists of two components--one is promotional and the other is commercial. The commercial activities consists of 8 display centre in the different part of the country. BRAC has 4 marketing centre (Aarong) in the different part of the country. 'Aarong' provide regular follow up services to the producers group in order to maintain the quality and to upgrade the skill and design. In the case of BSCIC we did not found any such program.

With regard to the nature of employment we found that BSCIC design schemes exclusively for employment in the non-crop activities whereas in the case of GB participants they have greater freedom to choose activities in which investment ot be made. The primary motive of the schemes of NGOs and BSCIC is to create self-employment but all of them are found to have used hired labour to some extent. Hired labour employment as a percentage of total labour used are found highest for BSCIC (almost 66%) compared to BRAC (1.4%) and GB (4%). This bring us an issue to be investigated further whether a heavy reliance on hired labour goes contrary to the ideals of self-employment creation.

We have found that two-third of the total income earned by the GB participants came from the scheme sources whereas in the case of BSCIC and BRAC it was found over a third of the total income of the participants was accounted for by the scheme income.

We also found the cost of employment creation is lower for BSCIC compared to BRAC and GB. The cost incurred in generating a manday of employment is tk. 21.59, tk. 24.80, tk. 23.96 respectively for BSCIC, BRAC and GB. BSCIC was found most cost-effective in generating a manday of employment compared to BRAC and GB but we have found that BSCIC have used relatively more hired labour and this might be due to the low wages to the hired labour. The hired labour use undermine the spirit of self-employment creation.

The loan repayment performance is excellent for GB. The amount of overdue is less than one percent. In the case of BSCIC it was found very much unsatisfactory.

We also found that BSCIC emphasis more on the entrepreneurship development on the individual basis whereas in the case of BRAC and GB is more on collective basis.

i. Macro economic factors:

On the side of demand we have seen that the market for the rural industry product is severely limited at the current level of incomes. The main constraining factor is the poverty and not the competition from substitutes. Moreover in terms of elasticities and marginal budget share rural industry products have an edge over the substitutes implies that the demand will expand considerably with the rising level of income. It can be emphatically stated that within the existing ranges of income rural industry product are not inferior goods.

With regard to the rural industrialisation of other countries it has been found that in the case of South Korea and Taiwan-China both agriculture and industrial sector have been expanding rapidly and simultaneously. The land reform has created a basis for technological transformation of agriculture; generated a significant increase in rural demand. It was found that the reform by promoting a more egalitarian income distribution helped to generate demand for the product of rural industries and non-farm activities which fulfilled a necessary condition for their growth. In the East Asia case we found that land reform as a success in the sense that it accompanied other economic policies. As it has been said that "land reform is a trump card; if its belt is ill-timed and not part of a strategy, it pays temporary dividends" (ILO/ARTEP, 1985 p209).

Concluding Remarks:

Empirical evidence shows that both GB and BRAC have recorded micro level institution building. But the structural constraints inherent in this system latent unchallenged (ILO/ARETP, A.Saith, 1986, p93). Such institutional experimentation can be appreciated but these are not without potential constraints. For example, their micro effort may not create any demand problems for the product they are producing. This is possible due to their direct involvement in the marketing process. One success criterion of the implementation of the activities would be to seek how far the activities can be sustained if the organisation were to withdraw its support. Given the present state of involvement, a success of the above kind appear suspect, and the present level of income and employment may fall into jeopardy. Again the small landless group that the NGOs are forming in each villages may not pose any political problem. Such experimentation can be replicated. But without organising the entire rural poor of the villages, is there any possibility of providing the bargaining power of the poor as a whole? Petty trading and other small scale activities could be set-up but how far the poor could organise large-scale units characterised by high productivity and profits? NGOs have successfully implemented in transferring irrigation and other assets to the landless but such efforts are not taken on broad as part of a macro strategy. It has been clearly mentioned by A.Saith (1986) that the reliance on the trickle-down mechanism can only be regarded as an ideological evasion of the necessity to confront obstructive production relations prevalent in rural areas. It is particularly important to note that the entire range of their programs are operate within a particular agrarian set-up. This set-up which we have seen are governed by land. Although their program mostly geared towards non-land assets, and that the target population, is by and large, landless, it is still the

structure of agricultural production and land-relation that would determine the degree of response to create employment and improve the rural poor. The most important pre-condition for sustained growth of non-farm activities capable to generate attractive return would be a dynamic egalitarian agricultural sector. The two sector have to grow in a mutually reinforcing manner.

In Bangladesh where nearly half of the population are landless, land-to-the-tiller type reform, even if feasible politically is unlikely to cut across significantly into this landless masses. Bangladesh, in removing unemployment and poverty is appear unable or unwilling to follow the lesson of history.

Over and above the market for the rural industry product is severely limited at the current level of incomes. It is clear from our analysis that there is great prospect for the rural industrial product in Bangladesh but the expansion of it depends on the increase of income of the rural poor. Thus the findings reveals that the growth of rural industry and non-farm sector is very much dependent on the pattern of growth of agriculture--which is still the major source of per capita income. The average rural income is so low that, after meeting the basic needs, there is very little left for the purchase of agricultural goods. Infact, when income falls, the demand for the rural industry product decline more then proportionately. So the hypothesis developed in the beginning of this paper that rural industry is crucial for removing unemployment from the rural areas but we have found that it is by itself is insufficient to solve the problem of unemployment from the rural areas. Hence an alternative hypothesis is developed that unless steps are taken to invigorate the agricultural sector and ensure a respectable rate of growth of income of the rural poor it would be difficult to promote rural industry and to remove unemployment from the rural area.

## APPENDIX I.1

Changes in the Number of Enterprises and Employment  
in Major Cottage Industries, 1961-1980

Cottage Industry	No. of Units		Annual Rate of Growth (%)	Total Employment		Annual Rate of Growth (%)	Percentage of Employment Generated by the Industry 1961
	1961	1980		1961	1980		
Sweetmeat and dairy products	8,524	8,516	nil	25,393	29,263	0.7	2.16
Oil pressing	25,060	7,989	-5.8	65,280	21,130	-5.8	5.58
Gur making	17,881	8,234	-4.0	63,665	31,443	-3.6	5.44
Bamboo products	24,878	45,344	3.2	73,190	133,963	3.2	6.25
Mat making	22,864	12,616	-3.0	77,602	40,460	-3.4	6.63
Carpentry	16,462	34,20	3.9	42,098	97,181	4.5	3.60
Coir rope	9,880	2,295	-7.4	38,996	6,581	-8.9	3.33
Fish netting	9,688	19,599	3.8	34,511	58,211	2.8	2.95
Handlooms	137,304	105,874	2.2	521,213 <sup>a/</sup>	897,498 <sup>a/</sup>	2.9	44.53
Tailoring	18,824	46,251	4.8	43,581	102,840	4.6	3.73
Pottery	24,322	16,522	-2.0	85,094	76,007	-0.6	7.27
Blacksmithy	12,020	10,610	-0.7	28,604	25,710	-0.6	2.44
Goldsmithy	10,172	12,265	1.0	19,658	16,600	1.6	1.67
Major industries	337,879	430,324	1.3	1,118,885	1,546,807	1.7	95.58
All industries	354,358	499,544	1.8	1,170,632	±,759,417	2.2	100.00

Note: a/ Handlooms were excluded from the survey of 1980. The figures are estimates from the Handloom Census of 1978.

Source: Employment Expansion Through Rural Industrialisation in Bangladesh. Potentials, Problems and Policy Issues. ILO/ARTEP; 1985

## APPENDIX I.2

Changes in the Number of Enterprises and Employment in Major  
Small Industries, 1961-1978

Industries	No. of Units		Annual Rate of Growth (%)	Total Employment		Annual Rate of Growth (%)
	1961	1978		1961	1978	
Flour mills	604	1,315	4.68	3,732	20,981	10.69
Rice mills	3,583	12,242	7.50	17,053	151,913	13.73
Bakery	1,159	2,167	3.75	9,889	21,863	4.78
Saw mills	214	713	7.34	2,863	8,541	6.64
Wooden furniture	361	122	-6.18	3,253	2,711	-1.07
Bricks and tiles	392	167	-4.90	20,734	7,171	-6.05
Printing	693	995	2.15	6,610	9,974	2.45
Engineering	401	1,390	7.60	4,061	25,065	11.30
Other metal products	128	218	3.18	2,376	3,870	2.91
Soap factory	166	143	-0.87	1,659	1,531	-0.47
Hosiery	632	732	0.87	5,397	8,112	2.43
Major industries	8,333	20,204	5.35	77,627	261,669	7.41
All industries	16,331	24,005	2.29	144,695	322,126	4.82

Source : Employment expansion Through Rural Industrialisation:  
in Bangladesh: Potentials, Problems and Policy Issues. ILO/ARETP, 1985.

SUB-SECTOR-WISE ALLOCATION FOR TFYP

(tk.in crore)

Sub-sector	Public sector		Private sector		Total	
	Amount	%	Amount	%	Amount	%
1.Jute Textile	64.0	2.4	25.0	0.8	89.0	1.5
2.Cotton Textile	285.0	10.9	500.0	15.6	785.0	13.6
3.Metal working/Light Engineering,including non-electrical,and electronic machinery and appliances	65.0	2.5	200.0	6.3	265.0	4.6
4.Transport Equipment (including shipbuilding)	45.0	1.7	125.0	3.9	170.0	2.9
5. Base metal(iron & steel)	145.0	5.6	650.0	20.3	795.0	13.7
6. Fertilizer	1130.0	43.5	850.0	26.5	1980.0	34.1
7.Cement	245.0	9.4	--	--	245.0	4.2
8.Pulp and paper	75.0	2.9	50.0	1.6	125.0	2.2
9.Chemical and Pharmaceuticals	25.0	1.0	200.0	6.3	225.0	3.9
10.Glass,Ceramics	15.0	0.6	50.0	1.6	65.0	1.1
11.Leaner & leather products	20.0	0.8	100.0	3.1	120.0	2.1
12.Sugar	205.0	7.8	25.0	0.8	230.0	4.0
13.Food & Allied Products	21.1	0.8	75.0	2.3	96.0	1.7
14.Mining.& Mineral based Industries	25.0	1.0	--	--	25.0	0.4
15.Wood,Bamboo,Cane & Coir Products	10.0	0.4	100.0	3.1	11.0	1.9
16.Printing	10.0	0.4	50.0	1.5	60.0	1.0
17.Agro-supportive small scale rural industries	65.0	2.5	200.0	6.3	265.0	4.6
18.Export Promotion	25.0	1.0	--	--	25.0	0.4
19.Small and Cottage Industries Promotion	60.0	2.3	--	--	60.0	1.0
20.Other Industrial Promotion	65.0	2.5	--	--	65.0	1.2
<b>Total</b>	<b>2600.0</b>	<b>100.0</b>	<b>3200.0</b>	<b>100.0</b>	<b>5800.0</b>	<b>100</b>

Source: TFYP, 1985-90, Government of Bangladesh, p247.



## APPENDIX II.2

PERCENTAGE DISTRIBUTION OF BSCIC REVISED ADP ALLOCATION TO  
VARIOUS DEVELOPMENT PROJECTS (in percentage)

Name of the Project	First Five Year Plan	Two-Year Plan Period	Second Five Year Plan
Development of Rural Industries	0.9	3.0	16.6
CHT cottage & rural ind- ustries dev't	4.0	5.4	5.6
Handicrafts dev't & marketing	0.1	1.6	3.4
Institutional Framework for rural industries	--	--	35.5
Handicrafts design centre	3.0	4.8	3.8
Development of Salt industry	3.6	4.4	1.9
SCI pilot project	--	3.8	9.3
Industrial Estates	43.3	32.7	15.1
Integrated small metal- working dev't	--	--	12.1
BSCIC administrative scheme	25.5	42.7	--
Sericulture and silk dev't	13.6	--	--
All others	7.1	1.9	9.4

Source: Naimuddin Chowdhury. BSCIC's Industrial Estate Program: An assessment, May, 1987, p40.

## PROGRESS REPORT OF BSCIC ACTIVITIES

Sl.no. Services\Year	1978-79	1979-80	1980-81	1981-82	1982-83
1.Pre-investment Counselling, identification of entrepreneurship(in person)	3069	4250	4290	3660	5477
2.Post-investment counselling(in person)	290	1722	1722	1874	1969
3.Identification of Women entrepreneurs(in person)	--	--	--	200	5674
4.Project Feasibility study(in no.)	--	--	1200	700	2000
5.Entrepreneurship Development(in person)	--	--	994	569	1667
6.Infrastructure Development(9 industrial Estates) in no.				Selection Land of 9 I/E dev.of 5	
7.Skill Development(in person)	543	708	708	2080	4341
8.Product Dev.(in no.)	--	--	--	--	12
9.Design and prototype dev.and distribution(in no.)	1929	2195	1621	3022	3557
10.Distribution of Bee boxes among trainees(in no.)	70	351	582	642	629
11.Salt dev.(in lakh mds.)	227.00	123.00	71.00	154.00	65.13
12.Collection and dissemination of technical information from home and abroad(in no.)	--	--	642	674	655
13.Establishment of cottage corner at village hat(in units)	--	--	--	--	80
14.Sales and Display Centre(in units)	--	--	1	1	6
15.Employment Generation(in person)	N/A	N/A	1700	2300	11,700

Source: BSCIC, Annual Report, 1982-83, p40.

## APPENDIX II.4.

SCHEDULE OF INVESTMENT/EXPENDITURE OF DIFFERENT SCHEMES AND  
PROJECTS AS ON 30-6-86 ('000)

Sl.No.	Name of Projects Schemes	Head Office	Regional office	Isacs	I/E	Total
1.	Administration of BSCIC	165386	21520	18181	7118	212206
2.	Industries Service Centre	34143	12	--	--	34155
3.	Industrial Estate	163936	73583	--	--	237519
4.	Design Centre	33090	2288	--	--	35378
5.	Salt Projects	26179	35	--	--	26214
6.	Cottage Industries Development Projects, Rangama- ti & Bandarban	41313	4	--	--	41317
7.	DRI/RIS	73138	(-)953	--	--	72185
8.	Survey Schemes	6136	--	--	--	6136
9.	Bee-keeping Proj- ects	6850	1078	--	--	7928
10.	Pilot Projects	21488	185	--	--	21674
11.	Other Projects	37031	1539	--	--	38570
		608694	99293	18181	7118	733287

Source: BSCIC. Annual Report, 1985-86. p58

## TRAINING PRODUCTION AND SERVICE CENTRE:

This centre is run by the Working Women's Force of respective working area of BRAC. BRAC's experience in Manikganj Integrated Project, an area of Bangladesh where both soil and the people are poor, demonstrated the feasibility of having non-farm economic schemes employing a significant number of women who would otherwise have not been incorporated into the working force and remain housewives without monetary recognition for their labour. BRAC found in these landless, destitute women a potential working force that could be tapped to provide benefit to their lives. What these women required were technological support, credit and access to markets. Therefore, in September 1983, a Training Production and Service Centre at Manikganj was constructed for rural enterprise development. The objective of the Centre was to institutionalise the capacity to provide services to new and existing small-scale women's producer group leading to employment and income generation activities.

The target group are women who have no assets and whose husbands sell their manual labour for survival or destitute, landless women without male support. The activities provided by the Centre includes:

- Skill training;
- Producer work space;
- Appropriate technology, design, product diversification;
- Purchase and storage of raw materials and finished goods;
- Financial management and cost accounting;
- Quality control and marketing.

The beneficiaries had underwent a process of mobilisation, conscientization, functional education and were then ready to take up income and employment generation activities.

BRAC launched on on-going research for existing skills and potentially viable income earning schemes for women. As a first step they discussed with group members which skills and schemes were potentially major source of employment for them

and accordingly they identified skills and occupation. The second step was to ask what needed to be done to transfer these skills and occupations into major source of income and employment for them. Thus schemes are taken may be classified into the following as:

--those which enhance the productivity of what women already do:

--those which expand employment beyond what women already do.

In the first category schemes are undertaken which aim:

--to transfer subsistence production into commercial production by providing small amount of working capital;

--to increase output and efficiency by providing the same package of extension services offered to men (e.g., credit, inputs, technology, training);

--to protect women's labour from displacement by machines;

--to improve the terms and conditions of production (the reasoning being that if women were to gain their own labour, they would be able to demand high wages, generate employment opportunities and access to land).

In second category, it was found that women in Bangladesh have been bound by tradition to certain skills and certain work. Moreover women's skills and product have not been diversified or improved overtime. In order for women's opportunities for paid work and production to expand, these trends need to be revised. Therefore, schemes are undertaken which aim :

--to commercialise traditional skills by creating new markets;

--to receive and adopt traditional skills and designs to new lines of useful and marketable items;

--to train women in new or non-traditional skills;

--to mobilise demand for women's labour by lobbying for women's participation in public employment schemes and in agriculture.

Some of the schemes that the women's group have undertaken are :

Seri/eri culture, weaving, tailoring, block printing, embroidery, animal husbandry, poultry farming, pisciculture and food processing.

The unique contribution of the Centre has been in the creation of an integrated seri/eri culture industry. The seri/eri culture industry best viewed in production stages that separate economic activities, which are vertically and horizontally linked to form a chain of activities with the output of one becoming the input of others.

#### CREDIT FACILITIES

The Working Women Force buys raw materials for production and income generating activities at the Centre. These materials are taken on credit or on cash by the producer groups. They deliver finished goods, which the Centre buy on cash payment. BRAC has given a sum of tk.1,17,000.00 as credit to Manikganj Working Women Force for income generating activities mentioned above. The interest on loan is paid monthly. The principals treated as a working capital and repayment is on a long term basis.

#### MARKETING FACILITIES

One of the main reason why the Centre was established was to provide marketing facilities to small producer groups and individuals who otherwise would not be able to sell their products. The Centre's product are dominated by three buyers: 'Aarong'---BRAC's marketing outlets buys 80 percent; 'Karika'--a cooperative craft shop run by the women buy 4 percent; COSCOR buy 12 percent (Internal Report, BRAC 1985).

## APPENDIX IV.1

EMPLOYMENT AND NUMBER OF ENTERPRISE BY BROAD SECTOR

Sector	Enterprise		Employment	
	Number	%	Number	%
1. Food & Agricultural products	11641	20.4	49123	22.6
2. Wood, cane & bamboo products	11614	20.3	27786	12.8
3. Textiles	29635	51.8	126235	58.2
4. Metal works	1334	2.3	3432	1.6
5. Pharmaceutical & chemical	510	0.9	2229	1.0
6. Printing & paper products	141	0.2	735	0.3
7. Leather and rubber products	159	0.3	634	0.3
8. Glass & ceramic	788	1.4	3658	1.7
9. Miscellaneous industries & repairing services	1362	2.4	3192	1.5
Total	57184	100	217024	100

Source : RISP, Final Report, p49, BIDS, 1981.

## Quartile Distribution of Expenditure

Quartile Groups	Household Size	Male Adult Equivalent	Per Capita Expenditure (Taka)	Food (percentage share)				Total	Clothing (%)	Fuel (%)	Household Goods	All Others (%)
				Rice (and Products)	Other Cereal	Non-Cereal	Cereal					
1st Quartile	6.36	4.77	1080.80	51.52	7.52	59.04	23.85	82.89	5.28	5.48	3.12	3.29
2nd Quartile	6.33	4.73	1572.04	49.30	6.20	55.50	25.51	80.01	5.67	5.60	4.40	3.24
3rd Quartile	5.80	4.28	1994.06	47.29	4.84	52.13	27.87	80.00	5.37	5.52	4.94	4.17
4th Quartile	4.36	3.30	2998.03	42.74	3.86	46.61	30.00	76.59	6.36	5.18	5.65	6.22
All Households	5.71	4.27	1316.73	47.02	5.30	52.32	27.31	79.63	5.74	5.42	4.73	4.48
(All Rural Households in Bangladesh: 1978/79)	(5.7)		(1642)					(77.1)	(5.00)	(7.7)		

- Notes:**
- 1) Quartile distribution is based on expenditure per standardised consumer unit. But per capita expenditure in this table and elsewhere is defined in the usual manner i.e. household expenditure divided by the number of household members.
  - 2) All Bangladesh Rural Household figures are taken from Statistical Yearbook 1983-84.

Source. Employment Expansion Through Rural Industrialisation in Bangladesh Potentials, Problems and policy Issues. ILO/ARTEP, 1985.



SHARE OF RURAL INDUSTRY PRODUCTS IN HOUSEHOLD BUDGET BY  
DETAILED COMMODITY CLASSIFICATION

	Share of Total Expenditure		
	Bottom 75%	Top 25%	All Households
1. <u>Dhenki Rice</u>	19.57	8.32	15.99
2. Milled Rice	28.71	33.12	30.10
3. Rice	48.28	41.43	46.10
4. Rice Products	0.74	1.31	0.95
5. Bakery Products	0.28	0.35	0.30
6. Dairy Products	0.25	0.37	0.29
7. Dried Fish	0.70	0.72	0.71
8. Mustard Oil	2.13	2.19	2.15
9. <u>Gur</u>	0.86	1.00	0.90
10. <u>Bidi</u>	0.83	0.65	0.77
11. Tobacco	0.47	0.41	0.45
12. <u>Food Excluding Rice</u> (4 + ..... +11)	6.26	7.01	6.65
13. <u>All Food (3 + 12)</u>	54.54	48.44	52.61
14. Handloom <u>Sari</u>	1.87	2.04	1.94
15. Handloom <u>Lungi</u>	1.10	1.18	1.14
16. Handloom <u>Than Cloth</u>	0.17	0.12	0.16
17. <u>Gamcha &amp; Towel</u>	0.24	0.27	0.25
18. Other Handloom Fabrics	0.46	0.82	0.58
19. <u>Handloom Clothing</u> (14 + ..... +18)	3.84	4.43	4.07
20. <u>Rural Industry</u> <u>Food &amp; Clothing</u> (12 + 19)	58.38	52.87	56.68
21. <u>Rural Industry</u> <u>Food &amp; Clothing</u> <u>excluding Rice</u> (13 + 19)	10.10	11.44	10.58
22. Wood, Cane & Bamboo Furniture & Fixtures	0.08	0.03	0.07
23. Pottery Utensils	0.12	0.08	0.11
24. Blacksmith Products	0.03	0.03	0.03
25. <u>Sital Pati</u>	0.09	0.05	0.07
26. <u>Shil Pata</u>	0.01	0.02	0.01
27. Cleaning Materials	0.39	0.63	0.45
28. <u>Rural Industry</u> <u>Households Goods</u> (22 + ..... 27)	0.72	0.84	0.74
29. <u>Rural Industry</u> <u>Consumption Goods</u> ( 12 + 19 + 28 )	59.10	53.71	57.48
30. <u>Rural Industry</u> <u>Consumption Goods</u> <u>excluding Rice</u> ( 13 + 19 + 27 )	10.82	12.28	11.32
31. Jute & Coir Rope	0.09	0.08	0.09
32. Bricks & Tiles	0.00	0.48	0.15

33. Bamboo Chatai	0.25	0.21	0.24
34. Timber	0.04	0.08	0.05
35. <u>Rural Industry</u>	0.38	0.85	0.53
<u>Intermediate Goods</u>			
( 31 + ..... 34 )			
36. Agricultural Tools	0.36	0.34	0.35
37. Fishing Equipment	0.22	0.12	0.19
38. Dhenki	0.02	0.01	0.01
39. Boat and Cart	0.10	0.17	0.12
40. <u>rural Industry</u>	0.70	0.64	0.67
<u>Capital Goods</u>			
(36 +... 39)			
41. <u>All Rural Industry</u>	60.18	55.20	58.68
<u>Products (29+ 35+ 30)</u>			
42. <u>All Rural Industry</u>	11.90	13.77	12.51
<u>Products excluding</u>			
<u>Rice (30 + 35 + 40)</u>			

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Source : Employment Expansion Through Rural Industrialisation  
in Bangladesh : Potentials, Problems and Policy  
Issues. ILO/ARTEP. 1985.

## Share of Rural Industrial Products in Household Budget by Major Commodity Groups

Types of Rural Industry	Bottom 75 PerCent		Top 25 Per Cent		Top 10 Per Cent		All Households	
	Per Cap- ita Exp. (Tk.)	Percen- tage Share	Per Cap- ita Exp. (Tk.)	Percen- tage Share	Per Cap- ita Exp. (Tk.)	Percen- tage Share	Per Cap- ita Exp. (Tk.)	Percen- tage Share
1. Consumer Goods (excluding rice)	166.22	91	368.16	89	502.82	88	205.65	90
i) non-rice food	(96.16)	(53)	(210.16)	(51)	(279.56)	(49)	(113.27)	(52)
ii) clothing	(59.00)	(32)	(132.82)	(32)	(181.24)	(32)	(73.94)	(32)
iii) household goods	(11.06)	(6)	(25.18)	(6)	(42.02)	(7)	(13.44)	(6)
2. Intermediate Goods	5.84	3	25.48	6	51.89	9	9.63	4
3. Capital Goods	10.75	6	19.19	5	17.74	3	12.17	6
4. All Rural Industrial Products Demanded by Rural Households(excluding rice)	182.81	100	410.83	100	572.45	100	227.45	100
5. Per Capita Expendi- ture (excluding foodgrains)	701.78		1640.06		2186.9		882.97	
6. (4) as % of (5)	26%		25%		26%		26%	

Source: Employment Expansion Through Rural Industrialisation  
in Bangladesh: Potentials, Problems and Policy Issues. ILO/ARETP, 1985.

## Relative Shares of Rural Industry Products and the Substitutes

	Bottom 75 Percent		Top 25 Percent		All Households	
	Per Capita Expen- diture (Tk.)	Share of the Indus- try (%)	Per Capita Expendi- ture (Tk.)	Share of the Indus- try (%)	Per Capita Expendi- ture (Tk.)	Share of the Indus- try (%)
1. Sweeteners	18.94	100	61.82	100	27.18	100
Gur	13.18	70	29.97	48	16.40	60
Sugar	5.76	30	31.85	52	10.78	40
2. Cooking Oil	36.56	100	71.59	100	43.28	100
Mustard	32.65	89	65.65	92	38.98	90
Others	3.91	11	5.94	8	4.30	10
3. Smoking Material	27.20	100	58.22	100	33.16	100
Bidi and tobacco	19.98	73	31.56	54	22.20	67
Cigarette	7.22	27	26.66	46	10.96	33
4. Clothing	83.78	100	190.72	100	104.29	100
Handloom	59.02	70	132.87	70	73.18	70
Mill	24.76	30	57.85	30	31.11	30
5. Furniture	1.33	100	0.96	100	1.26	100
Wooden, cane & bamboo	1.27	95	0.96	100	1.21	96
Metal	0.06	5	0.00	0	0.05	4
6. Utensils	4.43	100	8.81	100	6.32	100
Pottery	1.78	40	2.43	28	1.91	30
Others	2.65	60	6.38	72	4.41	70
7. Cordage	1.39	100	2.31	100	1.57	100
Jute and coir rope	1.39	100	2.27	98	1.56	100
Nylon rope	0.00	0	0.04	2	0.01	0
8. Transport Equipment	1.73	100	6.02	100	2.50	100
Boat and cart	1.53	88	5.13	85	2.22	89
Others	0.20	12	0.89	15	0.28	11
9. Combined (1+...+8)	175.36	100	400.45	100	219.56	100
Rural industry products	130.80	75	270.84	68	157.66	72
Competing products	44.56	25	129.61	32	61.90	28
All Rural Industry Products excluding Rice	182.81		410.83		227.45	

Source : Employment Expansion Through Rural Industrialisation in Bangladesh :  
Potentials, Problems and Policy Issues. ILO/ARETP, 1985

INCOME ELASTICITY OF DEMAND AND MARGINAL BUDGET SHARES OF RURAL INDUSTRY PRODUCTS BY DETAILED COMMODITY CLASSIFICATION

	Marginal Budget Share (%)	Income Elasticity of Demand
1. Dehenki rice	-7.99	-0.49
2. Milled rice	46.72	1.55
3. Rice	38.06	0.82
4. Rice products	1.87	2.03
5. Bakery products	0.37	1.21
6. Dairy products	0.44	1.51
7. Dried fish	0.73	1.04
8. Mustard oil	2.37	1.20
9. Gur	1.26	1.40
10. Bidi	0.50	0.65
11. Tobacco	0.22	0.48
12. Handloom sari	2.40	1.24
13. Handloom lungi	1.10	1.01
14. Handloom <u>than</u> cloth	0.15	0.95
15. <u>Gamcha</u> & towel	0.26	1.05
16. Other handloom fabrics	0.74	1.30
17. Wood, cane & bamboo furniture & fixture	0.05	0.77
18. Pottery & utensils	0.03	0.26
19. Blacksmith products	0.02	1.01
20. <u>Sital pati</u>	0.07	0.95
21. <u>Shil pata</u>	0.03	3.32
22. Cleaning materials	1.17	1.45
23. Jute & coir rope	0.07	0.85
24. Bricks & tiles	1.52	10.00
25. Bamboo <u>chatai</u>	0.18	0.77
26. Timber	0.10	1.92
27. Agricultural tools	0.37	1.05
28. Fishing equipment	0.22	1.14
29. Boar & cart	0.11	0.92

Source : Employment Expansion Through Rural Industrialisation in Bangladesh : Potentials, Problems and Policy Issues ILO/ARTEP, 1985.

INCOME ELASTICITY OF DEMAND FOR SOME IMPORTANT RURAL INDUSTRY PRODUCTS AND THEIR SUBSTITUTES

	Income elasticity of Demand	Marginal Budget Share (%)
1. Sweeteners		
i) <u>Gur</u>	1.40	1.26
ii) Sugar	1.90	1.13
2. Cooking Oil		
i) Mustard	1.10	2.37
ii) Others	0.50	0.12
3. Smoking materials		
i) <u>Bidi</u> /tobacco	0.56	0.71
ii) Cigarettes	1.74	1.06
4. Clothing		
a) i) handloom <u>sari</u>	1.24	2.40
ii) mill <u>sari</u>	1.37	0.81
b) i) handloom <u>lungi</u>	1.01	1.10
ii) mill <u>lungi</u>	0.46	0.13
c) i) handloom <u>than</u>	0.95	0.15
ii) mill <u>than</u>	1.62	0.72
d) i) all handloom	1.19	4.78
ii) all mill	1.00	1.72
5. Utensils		
i) Pottery	0.26	0.03
ii) Others	1.35	0.25
6. Cordage		
i) Jute & coir rope	0.85	0.07
ii) Nylon rope	3.21	0.002
7. Transport equipment		
i) Boat and cart	0.92	0.11
ii) Others	3.29	0.05

Source : Employment Expansion Through Rural Industrialisation in Bangladesh: Potentials, Problems and Policy Issues. ILO/ARTEP. 1985.

Income Elasticity of Demand and Marginal Budget Shares of Rural  
Industrial Products by Major Commodity Groups

	All Rural Households				Top 10% of Households			
	Elasticity		Marginal Budget Share		Elasticity		Marginal Budget Share	
	Rural	Substitutes	Rural	Substitutes	Rural	Substitutes	Rural	Substitutes
1. Consumer Goods	1.19	1.40	14.01	5.83	1.29	1.35	15.50	6.74
i) non-cereal food	1.20	1.61	7.82	2.30	1.50	1.22	10.00	4.19
ii) clothing	1.19	1.00	4.78	1.72	1.14	0.96	4.78	1.72
iii) household goods	1.18	1.70	1.43	1.72	0.61	1.02	0.71	1.34
2. Intermediate Goods	3.51	2.58	1.87	0.30	6.17	-	4.90	-
3. Capital Goods	0.95	3.29	0.64	0.05	0.71	-	0.52	-
4. All Groups Combined	1.26	1.50	16.25	6.45	1.55	1.25	20.92	6.45

Source : Employment Expansion Through Rural Industrialisation in Bangladesh :  
Potentials, Problems and Policy Issues. ILO/ARETP.1985

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