

An Appraisal of District Credit Plan of Muzaffarpur District In Bihar



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Muzaffarpur of Bihar, known as ‘The Land of Lichi’, was created in 1875 for administrative convenience by splitting up the earlier district of Tirhut. Now, Muzaffarpur district is a part of Tirhut division. The district occupies an area of 3,172 square kilometers. Covering 3.4 % of the total area of the Bihar, it has a total population is 4,801,062 (2011 Census). Agriculture is the main occupation of the district. The soil of the district is highly calcareous. Paddy is the main crop of the district which accounts for the major portion of the gross area sown followed by Maize. The district is famous for Lichi and mango which are supplied to other states as well. Famous for hand-woven textiles, sugar cane, and other products today, the railway wagon industry is the landmark of Muzaffarpur. It is the commercial hub of north Bihar and the wholesale market of Mumbai, Surat and Ahmedabad. It is an important centre for wholesale cloth trade supplying primarily to Mumbai, Surat and Ahmedabad. Agro-based industries and ready-made garments & embroidery have the highest amount of investment and number of registered units.

Findings:

1. Primary Sector:

- ❖ Agriculture being the main occupation of the people rice is the main crop of the district accounting for the major portion of the gross area sown. Maize and wheat is the next important crop of the district. Sugar-cane, potato and barley are some of the non-cereal crops grown. The district is famous for litchi and mango which are supplied to other state as well.
- ❖ Agro based processed food products: Flour mills, rice mills and other similar significantly contribute to the economy of the district. However, Litchi, laced with

GI tag, and the associate processed products offers the distinct advantage over other produce due to its unique variety – “Shahi” Litchi known worldwide.

- ❖ Fishing: Muzaffarpur is ranked 22nd in fish production in a state which cannot supply enough for domestic consumption. Fisheries sector has a huge scope for contributing to district economy with right policies and readily availability of market.

2. Secondary Sector:

Manufacturing industries contribute 4.8% in the total GDDP of Muzaffarpur with abundant scope in micro, small and medium enterprises. Lac stands out as the industry with great potency of creating employment and contributing to economy of the district. With the skilled manpower, dedicated cluster it is poised for high growth with capacity building, technological support and good market place.

3. Tertiary Sector:

Trade, Hotel and Restaurants: The data (DES, 2008) shows their combined contribution to be 12.60% in the total GDDP of the district. Trading, mainly of readymade garment offers good opportunity of growth. Real Estate, ownership of dwellings, business services, banking and insurance sector have also shown a positive incremental growth with increase in market share.

The BCG (Boston Consulting Group) Analysis did not find any of the industries falling under ‘Star’ category. The analysis showed representation of industries under categories: Cash-cows and Question Marks. Relatively, higher number of industries fell into ‘Dogs’ category which is a matter of concern for the industrial development of the district. Agro based food processing industries (emphasis on Litchi), Readymade garment, Lac Bangles, Honey, Dairy/Milk and Fisheries are some of the promising sector for economic growth of the districts apart from employment generation.

Recommendations:

Based on the data from field work and available secondary sources, the challenges can be broadly categorized under categories: Infrastructure, Finance, Skill Development and Capacity Building and Administrative.

LITCHI

- ❖ Storage of litchi has been a challenge for producers as well as the litchi processing industries as it requires very cold temperature to be maintained. Plagues with problems such as quick perishability, loss of natural colour and short harvesting season deep-cold storage facility is required to maintain the quality of ripe fruits. The

state industrial policy very strongly supports multiple cold storage facilities/infrastructure including cold chain logistic arrangements.

- ❖ Credit facilities are required to motivate these entrepreneurs to invest in business and its unavailability discourages the farmers and industrialists. Despite the provision of subsidy, its disbursement has been low to nil. Setting up of production unit requires large capital and with banks' apprehensions about growing NPAs availability of credit facility often becomes challenging.
- ❖ MUDRA (Micro Units Development and Refinance Agency) like micro loaning schemes should be penetrated more in such industries. Banks and Bankers Association with the help of district administration can propel the growth by fulfilling bare minimum credit requirements of industries. Quick disbursement of subsidy must be arranged by the administrative machinery by coordinating with relevant agencies (such as bank, BIADA). Fixed timeline must set for DIC, BIADA and banks.
- ❖ The declining productivity of litchi must be a concern for litchi led economy of Muzaffarpur. National Litchi Research Centre is situated in the district which must be proactively helping in improving the productivity of litchi orchards and train farmers to engage in efficient production process by providing technical inputs required.
- ❖ Capacity building of farmers and industry owners for attractive packaging of the processed products and make them more marketable would also help them fetch better prices. Indian Institute of Packaging, Calcutta can be a potential training partner in providing training on packaging across the sectors.
- ❖ Introduction of e-commerce players like Big Basket and Amazon would play a crucial role in providing backward and forward linkage helping producers get fair price of their produce. Policy implementing agencies should proactively identify the industries eligible for policy benefits and a monitoring mechanism is needed for its monitoring.

LAC BANGLES:

- ❖ Storage of raw material, production unit and storing the finished product occupies a lot of space of the house from where it is operated. A raw material bank should be set up which would secure the raw material and minimize the effect of price fluctuation. We also need a warehouse facility within the cluster in order to enhance the capability of manufacturers to expand their business.

- ❖ Lack of capital constrains the growth aspiration of lac manufacturers. The capital is required to invest in machinery, raw materials, production process, manpower and the space. Easy credit facility (like MUDRA scheme) with access to banks loan will ease their problem. Formation of SHG would facilitate availability of capital. Seed capital may be provided to select trained new entrant/manufacturer to start their business.
- ❖ Product innovation and marketing skill will help the manufacturers fetch fair price, access to more and different markets and reduced exploitation by middleman.

READYMADE GARMENT

- ❖ Smooth Transportation: The challenge of delays and procedural hassles in transportation through railway could be addressed through (a) exclusive location (yard) at Muzaffarpur/nearby railway station for garment (b) dedicated freight corridor of Indian Railways should also address the problem of delays. Functional airport will further boost the industrial growth of the district.
- ❖ One-stop Solution: Single window clearance mechanism (a one-stop solution) as envisaged in 'ways forward' section of Bihar Industrial Investment Promotion Policy 2016 to be implemented. The clearance timing from idea to establishment of business can be benchmarked against states achieving high ranked 'ease of business' surveys. Digitization of administrative approvals would be the first step in this direction.

HONEY

- ❖ Infrastructure: There is a dire need for fair price mandis to get fair price and free them from the clutches of middlemen. Cluster of 20 – 25 farmers who are willing in apiculture can be formed. When such group is made, the cost per unit incurred in the production reduces significantly besides providing better negotiating power as a group. Warehousing facility can be provided so that farmers sell it at an opportune time.
- ❖ Training & Promotion of Apiculture: Department of Horticulture needs to aggressively market apiculture and generate awareness about its benefits. Khadi & Village Industries Commission should take up "Sweet Revolution" as a mission mode project and bring in support from research institutes like Central Bee Research and Training Institute, Pune.

- ❖ Credit Facilities: Since it requires initial investment for setting up boxes for the farm, government can facilitate getting initial credit facility. Registration of honey producers could be initiated by the government for a more targeted intervention.

DAIRY

- ❖ 'Functional' single window clearance system to encourage investors to invest creating competitive marketplace. Land acquisition and land conversion being a major challenge land occupied by closed or sick units must be made available to the new entrants as envisaged in the industrial policy.
- ❖ Development of available livestock using carefully collected data on yield per milching animal or livestock population in the district is important for meaningful intervention. Capacity building workshops by department of animal husbandry need to be organized for livestock rearing community and for farmers as well. Further, animal feed industry need to be promoted in the region. A good quality protein rich feed at a reduced price would reduce the cost of milk production.

FISHERY

- ❖ Infrastructural: Continuous supply of electricity in summers is essential particularly for areas with low level ground water.
- ❖ Administrative: Department of Fisheries should proactively follow push approach to penetrate the existing schemes providing subsidies to fish farmers to encourage them for fish production. A proper monitoring system needs to be there in place in order to benefit fish farmers from schemes. Other interventions by government like awareness about knowledge and availability of new and high yield variety, new forms of fish farming and proper supply chain management could be taken up. There is a need to track the trained fish farmers and a robust follow up programme would be required by the government,
- ❖ Credit Facilities: Banks and NBFCs should extend support to fisher communities in order to promote fisheries in the region. District administration can help in organizing meetings with bank officials and fishing communities to figure out solutions to the challenges related to credit.

LEATHER

This sector needs a comprehensive approach for its revival. As there is hardly any traction on the field, its revival would need a cluster based approach operating as an integrated system. In particular, issues related to creation of minimum infrastructure such as, common facility centre, easy availability of working capital, provision for capacity building for better quality and marketing of product, availability of raw material at economical price.

In addition to the above suggestion, there is a need for creating an organized marketplace facilitating fair price for non-agricultural produce such as honey, lac etc. Moreover, aggregators have been proactively collaborating with farmers and producers of materials such as lac to provide them greater access to customer fetching reasonable price of their produce. Such experiments are being undertaken in states like, Maharashtra and Haryana and it needs to be replicated in Muzaffarpur as well.

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