

SPECIAL EMPLOYMENT SCHEMES IN RURAL BANGLADESH: ISSUES AND PERSPECTIVES

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The paper aims mainly to present an overall profile of the multiplex special employment scheme that was undertaken in Bangladesh and to provide a preliminary evaluation of their impact. Evaluation of the scheme is based on such performance indicators as employment generation, promotion of skill training and entrepreneurship, income generation and distribution, multiplier effects, the local labor market, female participation and other dimensions. It also provides a sketch of the costs, funding, and general cost-effectiveness of these programmes as well as the various demand and supply constraints confronting them. The study pays special attention to the pivotal role of credit — its dimensions, utilization and dispensation structure — as the catalyst of employment promotion programmes.

Finally, the paper discusses policy issues related to the strengthening of the strategy of special rural employment creation. While the paper showed the significance and urgency of promoting special employment schemes in rural Bangladesh, it concludes that "the strategy perhaps cannot, given its current scale and future possibilities, stand on its own as a major attack on poverty." The review suggests that these programmes are useful as partial measures of poverty alleviation and should be cautiously fostered.

1. Introduction

The phenomenal rates of population growth, an uncertain and poor resource base, the acute nature of underemployment and landlessness, and increasing levels of income inequality and poverty have underscored the urgency of creating special employment schemes in many Third World countries. Growth performances of these economies have often fallen short of target rates, the employment base has not expanded sufficiently to accommodate the existing backlog of underemployment, let alone the additions to the labour force, and the "trickle down" benefits of growth appear to have been too feeble to make any impact on the existing mass poverty levels.¹ Even in economies where there have been tangible increases in real GDP, poverty ratios have not appreciably declined, thus implying

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¹For a recent exposition of the state of rural poverty in some selected Asian countries, see A.R. Khan and E. Lee (eds.), 1984.

that the share of what one refers to *ad nauseum* as the national "cake", going to the bottom quintiles, has in all probability, diminished.²

The pressing need to resolve the problems of growth and absolute impoverishment has impelled policy planners to search for alternative strategies, reshuffle sector priorities and draw up welfare measures and proposals for certain structural changes in the economy. The latter, in particular, which only appeared promising, albeit raised frequently, in academic research as well as in policy planning dictum, has hardly been taken up with the seriousness of an implementation programme.³ As such, efforts at policy shifts have been only marginal.

The proliferation of special employment programmes in the less developed countries constituted the most recent plank for attacking unemployment and poverty and for enhancing human resource development through skill formation and promotion of entrepreneurship among the landless and assetless poor. In many countries these programmes have been undertaken, often outside public intervention, in a fragmentary and tentative manner. The nature and contents of the programme, depending on the agencies responsible for their execution, have also varied, and so has the extent of coverage. Although many of these programmes are coming increasingly under public sector support and intervention, the true impact of the strategy is yet to be discerned and evaluated.

Bangladesh, which has had a dismal record on growth and poverty-alleviation,⁴ has been experiencing a rise in such special employment activities, the process having been pioneered by various foreign-aided non-governmental organisations (NGOs) and a few indigenous community-level institutions of the self-help/self-reliance variety. Although a comprehensive plan is yet to be launched, public policies and the involvement of public sector organisations (PSOs) toward promotion of such schemes are expanding.⁵ The rapidity with which these schemes are multiplying in the country is, in an

²"While poverty levels have fluctuated in individual cases, in no case has there been a dramatic breakthrough in the reduction of rural poverty" (Khan and Lee, 1984, p. 17).

³Various international agencies are also advocating the need for some positive agrarian reforms toward an effective development strategy. See, for example, ILO, *Poverty and Landlessness in Rural Asia*, Geneva, 1977.

⁴Some brief perspectives are given in Section 2 of the study. For a detailed analysis, see Muqtada, (1984).

⁵Cf. GPRB, *Strategy for Rural Development Projects*, Planning Commission, 1984.

alternative sense, an indicator of the massive unemployment problem as well as the vulnerability of the economy to famines and loss of employment entitlements which come in the wake of frequent occurrences of floods and crop failures.

Objectives of the Study

The major objective of the present study is to bring together a general assessment of the multiplex special employment schemes that are currently in operation in Bangladesh⁶ — to present an overall profile of the schemes and their roles, and provide a preliminary evaluation of their impact on selected variables. As has been noted above, the schemes are still in a state of flux and are yet to crystallize within either national or local-level planning. Hence, it would be impossible to provide any comprehensive analysis or firm arguments. In fact, in the absence of any detailed analysis and evaluation of the range of the programmes,⁷ this study is intended to serve as a background paper warranting further in-depth and more closely researched studies on a number of issues that the strategy under review has generated.

Specifically, the objectives of the study are the following:

- (i) to understand the urgency of special employment creation in Bangladesh, and to provide an overview of the dimensions of the schemes;
- (ii) to bring out general typologies of the activities being generated;
- (iii) to broadly evaluate the impact these schemes have made on certain crucial variables, viz. employment and income generation, skill and entrepreneurship development, distributional issues, multiplier effects, impact on local markets etc.;
- (iv) to assess the scale of activities and achievements;
- (v) to provide a sketch of the costs, the funding and the general cost-effectiveness of these programmes;

⁶One must note here that special employment generation under public works schemes, which have already been analysed in a number of studies, is excluded from consideration in the present study. See Section 3.

⁷There exist only a few in-depth studies on the performance of individual agencies. See for example, Mosharraf Hossain, (1982).

- (vi) to examine the various supply and demand constraints, and the implications of these in terms of linkages and viability of the programmes;
- (vii) to probe into the crucial role of credit as a catalytic agent in self-employment activities — the broad dimension of credit and the role it plays, the changes in the structure of rural credit dispensation, and the effects engendered by the nature of utilisation of credit;
- (viii) to briefly depict the involvement of public sector and non-government organisations responsible for implementation of these schemes; and
- (ix) provide some policy directions based on the analyses found in the study.

The Data Base

The lack of adequate and consistent data provides a formidable challenge to any evaluation exercise. The present study had to be conducted on a restricted data base, and the reasons for this are quite understandable. First, as already noted, the present spate of special employment creation schemes is undergoing a transitional and experimental phase. It is a relatively brief phase and while the focus of attention is more on proliferation and participation, little concern has been expressed on monitoring and evaluation aspects. Second, since public sector intervention is even more recent, an urgent need for central coordination has not been felt; as such, there does not exist any national-level comprehensive data bank on the schemes. Third, there are more than a hundred NGOs operating in the country, with multi-purpose programmes and varying degrees of concern for self- and other special employment programmes. Some of them are more widely known than others not simply because of ready acceptance among beneficiaries, but also because they lend more their activities and performance records to public knowledge than others. In fact, for the great majority of the NGOs, information is either altogether missing, scanty or exists in a form not amenable to analytical interpretation.

The present study has been based on the data available in published form from the agencies responsible for execution of employment schemes and a few individual researches which have conducted own surveys of a particular agency. Needless to say, limitations of data have warranted the use of some degree of logical speculation and have restricted the use of agency experiences for illustrations and validation of statements to only a few, albeit the more notable ones.

Plan of the Study

The study is organised into a few broad sections. In Section 2, the general observations that relate to the promotion of special employment schemes in Bangladesh are noted. In Section 3, an overview of the schemes and activities generated in the country is presented. An attempt is also made to categorise these schemes to see whether certain typologies and patterns can be drawn. Section 4 relates to an evaluation exercise based on the criteria of employment and income generation, skill and entrepreneurship development, distributional and multiplier effects and other dimensions. Further, the scale of activities involved and their replicability are examined briefly. The costs, funding, cost-effectiveness of the programmes and the various demand and supply constraints confronting them are elaborated in Section 5. In Section 6, we look into the pivotal role of credit, alleged to be the catalyst in such employment promotional programmes. Particular focus is made on the dimensions of credit, its utilisation and the dispensation structure. Section 7 indicates the implementation base of the various employment schemes, while policy implications and concluding remarks are noted in Section 8 of the study.

2. The Case for Special Employment Promotion in Bangladesh

The rationale for the creation of special employment schemes in Bangladesh has to be seen in the backdrop of the various socio-economic and demographic characteristics and the resource position of the economy, as well as the economy's performance over the last decade or so in terms of equity, poverty alleviation and growth attainments. With an annual per capita income of less than \$150, Bangladesh ranks as one of the poorest countries in the world. The economy is poor in natural resources, but has an abundant human resource-base which, due to lack of opportunities, remains under-utilised and low in productivity. The current population of the country is about 95 million with an intercensal growth rate of population of 2.6 per cent per annum.⁸ The labour force is reported to be growing even at a faster rate.

It is usually contended that low incomes and poverty levels are proximately attributable to low productivities and underemployment, for which the evidence in Bangladesh is widespread. While the

⁸The 1981 Population Census registered 87.1 million as the population of the country. The figure was later revised and adjusted for under-enumeration and was given at 89.9 million for 1981. Cf. BBS, *Statistical Yearbook of Bangladesh 1982*, GPRB.

Table 1 — Population and the Labour Force in Bangladesh

	1961 ^a			1974 ^a			1981 ^a		
	T	M	F	T	M	F	T	M	F
1. Population ^b (millions)	50.8	26.3	24.5	71.5	37.1	34.4	87.1	44.9	42.2
2. Economically active popula- tion ^c (millions)	17.4	14.8	2.6	20.5	19.7	0.8	23.6	22.4	1.2
3. Participation rates ^d [(2)÷ (1)×100]	34.3	56.3	10.6	28.7	53.1	2.3	27.1	49.9	2.8

Notes: ^a T, M and F stand for total, male and female respectively.
^b The population for 1981, adjusted for undercounting, is estimated at 89.9 million.
^c Economically active population refers to persons aged 10 years and above.
^d The 1981 Census does not include household work.

Source: BBS, *Statistical Yearbook of Bangladesh*, 1982.

Table 2 — Occupation and Status-wise Distribution of Rural Labour Force, 1980

Occupation	Percentage	
	Males	Females
Professional and technical	1.7	2.1
Administrative	0.1	—
Clerical	1.0	0.5
Sales and services	6.3	14.5
Agriculture	80.5	54.7
Non-agriculture and other production transport sectors	<u>10.4</u>	<u>28.2</u>
	100.0	100.0
Status		
Work for wages	12.2	24.2
Casual labourers	31.3	30.0
Self-employed	35.6	15.3
Unpaid family workers	<u>20.8</u>	<u>30.5</u>
	100.0	100.0

Source: BBS, *Manpower Survey*, 1980.

population has been growing at 2.6 per cent per annum, the growth rate of the labour force is alleged to be even higher;⁹ since 85 per cent of the population is in the rural sector, the latter has to bear the bulk of the increases in labour force (see Table 2). The *Population Census 1981* registers 23.6 million persons as constituting the "economically active population" in that year, which thus returns a dependency ratio of 3.8. The participation rate, although low at 40 per cent, appears suspect since the female participation remains under-reported (see Table 1).¹⁰

The *Bangladesh Manpower Survey 1980* carries information on the occupation and status-wise distribution of the rural labour force (Table 2). It can be readily observed that agriculture still accounts for about four-fifths of the employed rural male labour force, the bulk of this category being engaged in either subsistence cultivation or casual and unpaid family work. Nonagricultural occupation accounts for only 10 per cent of male labour force employed, but tangibly higher for females (28 per cent). This would imply that in societies where the bulk of the household income is earned by the males, agricultural activities continue to be the dominant source of livelihood for rural families.

The unemployment and underemployment syndrome in crop-agriculture of Bangladesh is well documented.¹¹ In a milieu where one-third of the rural households is already landless, the bottom 47 per cent of the landowning households have less than 9 per cent of the cultivated land, two-thirds of the labour utilised is family labour, and where the extent of underemployment runs to the extent of 40 per cent (Mugtada and Alam, 1983), the possibilities of employment expansion in crop-agriculture to cater to the increases in labour force do not appear significant (Khan, 1980). Khan (1980 pp. 83-87), on the basis of careful policy assumptions relating to expansion in irrigation, cropping intensities, crop diversification, promotion of HYV-technology etc., states that over the period 1980-85, an increase in employment to the tune of 292 million mandays could be realised in crop agriculture. Even on these optimistic assumptions, crop-agriculture could absorb only 29 per cent of the increase in labour force over the period, let alone the backlog of the existing under-employment levels (see Table 3).

⁹ See World Bank's estimate of the labour force in *Bangladesh: Selected Issues in Rural Employment*, 1983.

¹⁰ It may be noted that household work has been excluded in the 1981 Census, whereas it has been often held that even household activities may indeed be productive. Moreover females often participate in certain crucial stages of agricultural production often ignored in enumeration of gainful employment. See Barkat-e-Khuda, (1981).

¹¹ For example, see Barkat-e-Khuda (1981) and Ahmed (1978).

**Table 3 — Absorption of Increased Labour Force
in Crop Agriculture, 1980/85**

(i) Increase in labour force (million)	3.8
(ii) Increase in available mandays (million)	1,003.2
(iii) Probable absorption of increased mandays available (million)	292
(iv) Labour absorption as per cent of increase in mandays available	29%

Notes: Column (ii) has been estimated on the assumption of 22 days as the standard work for a month.

Source: For Column (i), see World Bank, *Bangladesh: Selected Issues in Rural Employment, 1983*, p. 33; and for Column (iii), ILO/ARTEP, *Employment Expansion in Asian Agriculture, 1980*, Chapter 2, pp. 85-88.

According to the figures provided in *Manpower Survey 1980*, to wipe out underemployment in agriculture on a full-employment norm of 264 workdays a year, would require creation of more than 3,376 million mandays of additional employment. Supplemental employment entitlements during slack seasons offered through the countrywide food-for-work programme accounts for only 5 per cent of the above-required employment (GPRB, 1984, p. 23).

It would be utopian to envisage the organised manufacturing sector being able to make much dent into this massive unemployment scenario. The industrial sector is far too small, and accounts for less than 2 per cent of employment of the existing labour force. The average daily employment in the organised manufacturing sector has gone up from 0.1 million to 0.4 million over the period 1957/77 (*Statistical Yearbook of Bangladesh, 1982*). The scope for employment expansion in the public sector is small, and the number of persons going abroad for work, though increasing, nonetheless compares insignificantly against proportions of the unemployed.

Thus, while the high rates of growth of population and labour force continue to outstrip the rate of employment expansion attainable within the existing macro-economic parameters, the need has been felt to promote "special" employment creation schemes with a view to arresting the increases in absolute impoverishment and developing income-generating activities particularly in the non-agricultural trade business and services sectors (GPRB, 1984).

Such schemes if properly planned, coordinated and executed would not in principle conflict with the imperative need for acceleration in various sectoral growth rates and would be in consonance with the poverty alleviation and employment generation programmes falling within the government's recent emphasis on a strategy for overall rural development (GPRB, 1984). Again, in principle, such a policy issue could be comfortably accommodated within the functions of the recently instituted decentralised administrative machinery. Although such a scheme would entail massive funding (credit extension, administrative costs etc.) and resource reallocation, it would at least keep at bay the more difficult alternative of a major restructuring of land and asset-ownership, which would otherwise be required for any 'redistribution with growth' strategy to prove effective.

Apart from the above expediency, the case for special employment creation schemes is often made from various other viewpoints as well. First, such schemes, individually, are usually seen to require low doses of fixed capital investment in order to create jobs since what is apparently involved are low cost technologies and a high low-paid labour content.¹² Second, these would generate primary or supplemental income for the rural households and hence, to some extent, mitigate the alleged problem of lack of effective demand that may constrain production of food and other wage goods.¹³ Third, such schemes, carefully directed, would provide both forward and backward linkages and strengthen intersectoral flows. Fourth, there would be a thrust toward enhancement of skill development through the training component, and of entrepreneurship, inasmuch as these schemes would cater to self-employment. Fifth, it is argued that although public works generate direct employment for the landless and marginal farmers, the indirect benefits accruing from infrastructural development and creation of physical assets would largely go to the richer landed sections of the community — thus contributing to widening inequality. The creation of self-employment and such other employment oriented programmes would help reduce intrarural disparities. Sixth, most of these programmes are multi-purpose. Apart from the microeconomic considerations, these also address to a whole range of social and moral issues, ranging from emancipation of women through involvement in productive activities, family planning, building up of group consciousness and local leadership.

¹²It is well-known that for additional employment generation the "cottage-level" requires far less fixed capital investment than either the small or large-scale industries. See Section 5 of this study for illustrations.

¹³In fact, the question of lack of effective demand as a potential threat to future food production was one of the major concerns that lay behind the study series, *Bangladesh Food Strategy Review Exercise*, GPRB/ILO, 1984.

The urgency of the above issues have led various public sector organisations, non-governmental organisations and international agencies to support, directly or indirectly, individually or in collaboration, a host of special employment creation schemes of varying scale and coverage within the country. In the following chapters we shall look into a profile of activities generated by these schemes, and examine a number of interrelated issues that would underline the rationale behind the strategy of promoting special employment schemes.

3. Patterns of Special Employment in Bangladesh

Categories

The considerable merit that apparently lies behind the promotion of special employment schemes in Bangladesh has prompted various national and international agencies to execute individual ideas and schemes consisting of various modalities and scale of operations, and own identification of target beneficiaries. Irrespective of the diverse characteristics of programmes that have been undertaken over the last decade or so, there is, however, a clear consensus that the creation of such special programmes carries overtones of immediate action toward resolving problems of unemployment and inadequacy of household incomes. Programmes designed to this end in Bangladesh may be broadly categorised into the following types:

(i) *Short-term employment.* There is a set of schemes which offer short-term employment entitlement in the rural sector, especially during the agricultural slack season, in order to enhance household income. These are carried out mostly through public works programmes which cater to mobilisation of local human resources for infrastructural development.

(ii) *Self-employment.* Recently, various programmes have been launched to promote self-employment and entrepreneurship, for which training in various skills is being imparted. Such programmes may also include provision of credit and some tools and equipment, extension services and market information, etc. These programmes, whether conducted in rural or urban sectors, are usually addressed to specific target groups, viz. landless agricultural workers, marginal farmers, women, unemployed youth etc.

(iii) *Special employment-oriented projects.* These projects are mostly carried out, albeit within the macro-framework of national planning, in conjunction with local-level planning of development projects and integrated rural development.

Of these categories of employment, the short-term, slack season

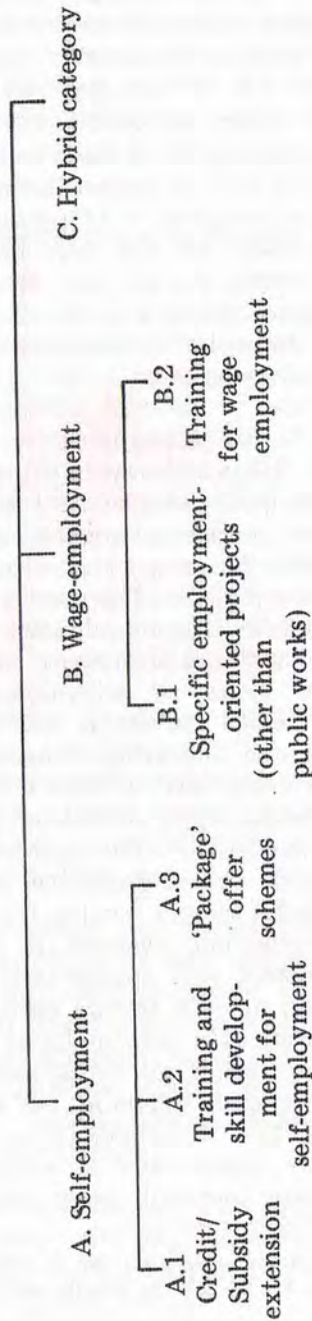
employment creation under the public works programmes (especially, the food-for-work programme) has been subjected to searching evaluation from various standpoints, viz. employment and income generation, capital accumulation and the like.¹⁴ The special employment-oriented projects in category (iii) which should ideally constitute a separate and distinct type on their own, have so far been operationalised under the public works programme — hence subsumed within category (i). In other words, if one were to exclude the extent of employment generated through public works programmes, the remaining spectrum of activities directed toward special employment creation could by and large be seen as promoters of “self-employment” within the country. Since, as noted earlier, an objective of the present study is to evaluate special schemes other than public works, the major evaluation focus would indeed fall on self-employment and its variants.

In Chart 1 the simple divisions, under which the variety of special schemes fall, are shown — without the public works employment. Here too, special employment may be shown as composed of self-employment, wage-employment and other hybrid type of employment. Within the category of self-employment, it is possible to discern numerous variants. There are schemes which provide credit, subsidy or simple tools and equipment with the ultimate aim to promote entrepreneurship and enhance productive assets. In fact, the most pervasive types of self-employment are usually heavily dependent on credit. The simple tool-kits scheme is a rather small scale operation, and one being experimented by BMET.¹⁵ Training and skill development form another component of self-employment schemes, these being largely administered by vocational training institutions, NGOs and public sector agencies at the centre or at various decentralised levels. Training activities may fall under crop, non-crop and nonagricultural sectors ranging from cultivation practices, promotion of fisheries and livestock, to simple skill development in small-scale industrial and cottage-level production. The ‘package’ offer schemes do not yet feature systematically, and would ideally consist of provision of credit/subsidy at various stages of production, skill training, motivation, marketing and information. Training-cum-credit schemes are quite common, but a full package offer is not so well established. The Vulnerable Group Feeding (VGF) programme which essentially caters relief to distressed mothers and children contains a training and skill development component with subse-

¹⁴For a documentative study see R. Sobhan, (1968). A recent evaluation has been done by IFPRI and the Bangladesh Institute of Development Studies (1983).

¹⁵See *Report on Self-employment Tool-kits Scheme: An Evaluation*, BMPC, Dhaka, 1982.

Chart 1 — Special Employment Creation Schemes



quent provisions of credit and raw materials to provide self-employment to the target beneficiaries.¹⁶

In the schemes that relate to wage-based employment creation, training forms the essential component. Private as well as government institutions provide vocational training not only for jobs within the country but also for matching the foreign demand for skilled labour from Bangladesh. Programmes in this regard are still quite ill-planned and uncoordinated, and rather tentative in nature.¹⁷

The hybrid category of employment schemes essentially denotes wage employment that is being generated through the promotion of self-employment multiplier, and it is also far from certain whether agencies responsible for self-employment schemes design project profiles incorporating the multiplier effects. Within the hybrid category one may also include those prospective 'employees' who start off on wages (or allowances) and end in self-employment. This chiefly relates to apprenticeship in some trade during which they earn a wage/allowance and later the responsible institution may organise credit and other support facilities for them to become self-reliant on their respective trades.¹⁸

The latter two categories constitute a very small proportion of employment generated overall through special employment schemes, and the target of analysis overridingly rests with the self-employment programmes.

Self-employment

In evaluating self-employment programmes one must note that there exist definitional and operational complications in respect of who necessarily constitute the self-employed category. The UN (1951) standard classification of labour force registers those persons as self-employed who "run their own businesses, alone or in association with other owners, appropriating the profits therefrom, who do not regularly employ remunerated labourers." Self-employment categories, particularly with regard to small enterprises, can also be seen as corresponding to the following four: (a) one owner, one worker; (b) several owners, several workers; (c) several owner-workers, hiring outside labour; (d) an individual or a group who does

¹⁶ For details, see WFP, "Profiles on Poverty: A Survey of the Vulnerable Group Feeding Programme in Bangladesh", (draft), 1983.

¹⁷ This is well documented in Siddiqui, 1983.

¹⁸ This is, in fact, a variant of the IRD/TRYSEM programme, which is in operation in various states of India, where a stipend is provided to the trainees during the training period.

not perform the work but employs others in the enterprise.¹⁹

The UN classification which is apparently based on various norms of occupational status, forms of returns to labour and ownership of the means of production, implicitly would not consider those belonging to category (d) as self-employed. That is to say, self-employment, whatever the variant, must necessarily relate to an activity where the owner is also a worker, often the principal worker (Verma, 1982).

The complex labour categories in Bangladesh, particularly in the rural sector, do not quite readily lend themselves to simple classifications as suggested above. In fact, the dichotomy between the wage-employed and self-employed appears tenuous since both categories of employment may co-exist within a household, or even in a single worker.²⁰ The strength of each type of employment is often dictated by the patterns of household asset-ownership, and the spread of assets over the family workers. The question of asset ownership is crucial since this also dictates the extent of the self-employed's freedom on the production process. Thus, ownership of the means of production, extent of profits accruing from the enterprise, and freedom in decision-making are important parameters in categorising self-employment. In Bangladesh, a small farmer working partly on wage-payment and partly toward self-employment on a plot of land which is leased from a decision-dictating landlord who would also appropriate a major share of the land-produce may be quite commonly found. Such a scenario renders categorisation of self-employment, under the norms stated, extremely difficult at least in operational terms.

The *Bangladesh Manpower Survey, 1980* provides recent information on the extent of self-employment in the agricultural and nonagricultural sectors of the economy. This is presented in Table 4. A percentage breakdown estimation reveals that, in the country as a whole, about 25 and 10 per cent of the male labour force in the agricultural and nonagricultural sectors, respectively are self-employed. The percentage of self-employed female labour force in the two sectors are 9.6 and 4 per cent, respectively. From the same table, the important focus one should place in sizing up the actual extent of self-employment is on the category of 'unpaid family helper'. This category relates mainly to the rural sector, and the bulk of the persons are household members who may simply extend some help in various stages of production, where one or more workers of

¹⁹ These categories are quoted in M.C. Verma (1982).

²⁰ For a detailed exposition on the dangers of applying such dichotomies in a complex labour market scenario, see Muqtada and Alam, 1983.

Table 4 — Percentage Distribution of Employed Labour Force by Sectors and Status of Employment in Bangladesh

	Rural		Urban		Total	
	Male	Female	Male	Female	Male	Female
<i>Agriculture</i>						
Self-employed	27.7	11.1	3.9	1.0	25.4	9.6
Agricultural labour ^a	28.8	30.3	4.9	3.5	26.5	26.5
<i>Non-agriculture</i>						
Self-employed	7.9	4.2	27.9	2.6	9.8	4.0
Non-agricultural labour ^a	9.8	2.6	53.6	26.9	14.0	6.0
Unpaid family helper	20.8	30.0	7.3	4.5	19.5	26.4
Domestic servant	5.0	21.8	2.4	61.5	4.7	27.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

^aIncludes those working for wages and salaries.

Source: B.B.S., *Manpower Survey 1980*.

the family may be self-employed, e.g. cultivation. If one were to take a broader view of self-employment, these workers who expend some labour on a self-employment activity of the household would also have to be considered self-employed. This would imply that in Bangladesh, about 55 per cent of the labour force is in one way or another engaged in self-employment.

Thus, in the quest for promoting self-employment in Bangladesh, one must note that there already exists a high degree of self-employment in the country. Needless to say, such self-employment, which deals in low productive activities, coexists with a high degree of underemployment. Nevertheless, the notion is there, and it would be interesting to observe how far a new breed of self-employment activities fostered through a revivalism campaign, interact and thereby reinforce or replace the deeply entrenched traditional categories of self-employment in the country.

Typologies

It must be stated clearly, even at the risk of repetition, that the bulk of the programmes designed to promote special employment, mainly of the self-employment type, are experimental in nature and have a relatively narrow domain of operation — often covering one or two villages out of about 68,000 villages that exist in the country. On the other hand, the number of such projects is multiplying rapidly involving several ministries and public agencies, more than a hun-

dred NGOs and a large quantum of foreign assistance (World Bank, 1983). Most of these have been started over the last decade or so and have their own "models" of operation. On the role of NGOs, the government has neither seriously conducted any planning and coordination of their activities nor has it indulged in intervention, although in the recent years efforts are being made to effect inter-institutional collaboration.

Although an overriding consideration is placed on self-employment/self-reliance, many of the programmes carry multi-purpose objectives -- ranging from credit extension, training, to motivation and development of group awareness and cooperation. As such, assorting them into a typology-profile becomes almost a hopeless task since application of various criteria would yield various typologies, and, that too, with the certain risk that these criteria would tend to overlap. Nevertheless, depending on the nature of objectives to be pursued, the spectrum of special employment programmes in the country can be usefully shown as subscribing to a certain scheme of typologies. A set of typologies can be drawn in the following manner:

(i) Schemes can be seen as divided into sectors. The rural-urban division has a less urgent application since most of the programmes are confined to the rural sector. Within the latter, there are crop, non-crop and non-farm activities. Here again, the problem is one of overlaps since the schemes usually have multi-purpose objectives relating to more than one sub-sector activity. The schemes of Guno Unnyan Prochesta (GUP), Proshika, Bangladesh Rural Advancement Communities (BRAC) and others are prime examples.

(ii) Target beneficiaries may constitute another criterion. There are programmes designed to cover target groups, viz. landless and marginal agricultural households, petty traders and artisans, poor women, unemployed youth etc. In particular, there are specific programmes for women and some for the youth: the MSS and Vocational Training Institutes for women, and "Earn while you learn" Programme for youth, conducted by the Ministry of Finance are cases in point. Division of schemes by 'beneficiary method' would, however, exclude a host of other programmes where all the above groups are eligible to participate, e.g. in the GB operations.

(iii) Typology can be drawn on the basis of supply of input-mix. Some provide a 'package' deal while others offer partial inputs. While the VGF programme, catering to distressed mothers and children, carries provisions of relief ration, training, credit and raw materials and some information and marketing facilities, the tool kits programme of BMET is one where partial inputs are provided,

viz. the tool-kits in certain selected trades. In the latter, applicants would make arrangements for their own training, working premises, and marketing of their products (BMPC, 1983). In point of fact, the bulk of the programmes may be seen as offering partial inputs, where the centerpiece is unquestionably the provision of credit which may or may not be accompanied by other impositions or supervision of the programmes related to loan advancement. For example, BRAC requires its beneficiaries to undergo a "functional education" course where lessons on perceptions and awareness on a host of social problems are provided, whereas GB does not have such a structured scheme although motivation and group awareness feature implicitly in its campaign of carrying credit to the doorsteps of the poor (Yunus, 1984).

(iv) A dichotomy can be established on the basis of individual and group beneficiaries. The Swanirvar, GB, BRAC, MSS (for women) etc. cater to promotion of group activities, although within a group, a member has freedom over a range of feasible choices. The BMET programmes and RFEP, providing credit to poor agricultural farmers, usually cater to individual demand. An important aspect of this typology perhaps is the fact that among the group-based projects, the extent and character of cooperation is being experimented (especially on the notion of non-land-based cooperation). In other words, since cooperation, as an institution, is a sum of individual understanding and willingness toward helping one another, these schemes are better poised to test its strength and viability than hitherto formal decrees on formation of cooperatives.²¹ One must note that there are programmes which focus on community-level development where the group-individual division is muted — the GUP is a pertinent example.

(v) Public sector organisations (PSOs) and non-government organisations (NGOs) may offer a typology on the implementation agencies. While there are about 110 NGOs operating on such schemes (World Bank, 1983), there are several ministries and related government agencies who have their own network. The ministry of finance through various nationalised banks is carrying out a host of credit-based self-employment activities; similarly, the ministries of labour and manpower, local government and rural development, social welfare, and women's affairs, agriculture etc. are carrying out different programmes. A rigid compartmentalisation of activities under PSOs and NGOs is loosening since inter-institutional collaboration is making headway. The Bangladesh Krishi Bank offering loans

²¹ Cooperatives on a large scale, formed by the State, have usually been land-based along the lines of the Comilla experiment, now fostered through IRDP.

for Proshika projects is one of innumerable cases.²²

The above typologies are only indicative and several other variants may be devised.²³ The common aspects of the programmes, however, are found in the following: (i) the beneficiaries are usually the rural poor; (ii) a provision of resources — credit in particular — is offered; (iii) some form of informal training — on issues ranging from production to motivation — is imparted; (iv) where credit is provided, it is generally collateral-free.

In the absence of a comprehensive catalogue on the special employment schemes and comparable performance indicators, the present study would abstract from the above typologies and rather proceed on an issue-based evaluation with pertinent evidence from schemes that would cut across the above typologies.

4. Target Groups and Special Employment Schemes

Special schemes that cater to employment promotion in Bangladesh also have a number of other activities built into the programmes. In this section a preliminary attempt is made to analyse the experience of the major programmes with a discriminatory focus on the activities considered appropriate by the stated objectives of the present study. In particular, cursory evaluation is made from the point of view of the following performance indicators: employment generation, promotion of skill training and entrepreneurship, income generation and distribution, multiplier effects, possible impact on local labour market and female participation, scale of activities and other related issues.

Employment Generation

The central idea behind most of the programmes in question appears to be the fostering of self-reliance in and among the rural poor who are usually bypassed by general economic and other development programmes (perhaps with the exception of public works) as well as the normal credit advancement schemes of the public sector banks and cooperatives. Any attempt to "create" self-reliance almost necessarily implies some degree of initial dependence — say, on training, motivation, resources, etc. Thus, these schemes essentially have to carry the wherewithal to the target groups who respond with their underutilised labour. Labour and resources com-

²²The External Resources Division also monitors the flow of foreign funds that come to the financing of the NGO programmes in the country.

²³One example may be the division of credit-based programmes, where some offer interest-free loans while others impose varying rates of interest.

bine to provide some activity to an individual or a group, usually in the nature of self-employment. One must note that the bulk of the rural poor are already engaged in some form of household/self-employed activity, implying a return of very low figures of open unemployment.²⁴ Hence to promote self-employment in the present context would mean an ensuring of access to and introduction of a new set of activities, juxtaposed to the already existing self-employment activities, for a large number of households eligible to qualify as potential beneficiaries. Measuring underemployment in self-employment activities by the time-norm is by itself a hazardous job; the above feature would tend to complicate an appraisal even further. Since an essential outcome of self-employment is the generation of supplemental income, the income criterion of such employment would appear a more convincing yardstick.²⁵ We consider the latter in a subsequent section.

In the absence of any detailed information on employment generated by the time criterion, these special schemes cannot at this stage be properly assessed in terms of employment expansion. Some indicative judgement may, however, be provided using proxy variables. For instance, if a member — male or female — of a beneficiary household is drawn into the new scheme this should register in an increase in the earner/family size ratio with also a consequent rise in the activity ratio (and a reduction in the dependency ratio). In order to test this, one would ideally require information on the changes in household earner/member ratio 'before' and 'after' the launching of the programme. This information, too, is unavailable. In the case of the well-known GB project, for which a detailed study has been recently done, Table 5 provides an approximation of employment generation.

The above information is gathered from a survey of the Grameen Bank workers on loanee households and a BID survey of eight GB project, and also two control villages, which have similar characteristics as the project villages — particularly in the extent and nature of non-farm activities which are currently front-runners in GB operations (Hossain, 1984, pp. 12-15). It is found that the loanee households, from both surveys, register a higher number of workers on average than non-clients, whether in project or control villages. The obvious implication is that the GB project has probably ensured

²⁴The Population Census registers incredibly low figures for rural open unemployment, i.e. the high degree of work-sharing in cultivation and self-employment activities is not properly registered in Censuses. The extent of self-employment in Bangladesh is discussed in Section 3 (see Table 4).

²⁵Various approaches to measurement of unemployment are succinctly given in Sen, 1975.

Table 5 — Average Number of Workers, Family Size and Activity Ratio of GB Loanee Households Compared to 'Control' Households

Household Categories	Number of Observations	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 ^a
4. Target households in control villages	62	1.37	5.63	24.3

^aIn the source quoted, this figure is mistakenly given as 26.4 per cent.

Source: M. Hossain, *Credit for Alleviation of Rural Poverty: An Assessment of Initial Experiences of the Grameen Bank in Bangladesh* (draft), BIDS, 1984.

higher employment to beneficiary households. Perhaps, it has, but the above figures are inadequate to support this because the "control" could not, logically, account for the differential. Moreover, the study mistakenly records a lower activity ratio (26.4 per cent) (Hossain, 1984, p. 97) than should be the case (32.8 per cent) for non-clients of GB, which incidentally points to limitation of the use of "controls", and jeopardises the highly likely contention that such special schemes as GB enhance activity ratios.

The only recorded information found available on a time measure of employment generated is one furnished by BRAC (1983, pp. 28-29) in a recently published report. It provides, for its selected branch activities, estimates of total mandays available for the participants (assuming a flat norm of 125 mandays for each) and the extent of employment (in mandays) created by the activities of the region. This is presented in Table 6, where we find that except in one region, more than one-third of the available mandays is absorbed in the special schemes introduced by BRAC.

The obvious limitation of this information is that only an average employment figure is given for the region as a whole, and one is left unsure whether employment entitlements are offered to those who need them most. The figures are all the more dubious because a common rate of underemployment is assumed for each participant. It is interesting to observe from the same table that female participation is greater than that of males for all the regions. This strongly

**Table 6 — Employment Generated Through Credit-based Activities
in Selected Branches of BRAC**

BRAC Branches	Total Participants		Mandays Available for Participants (000)		Mandays Employed in Credit-based Activity (000)		Mandays Created as % of Available Mandays before Activity	
	Male	Female	Male	Female	Male	Female	Male	Female
	Monohordi	1457	902	182.1	112.8	56.5	38.6	31.0
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

Note: Mandays available for each participant worker are, on an average, assumed to be 125 for all the regions, implying an across-the-board under-employment of approximately 50 per cent prior to launching of BRAC activities. Source: BRAC, Report on Rural Credit and Training Programme, 1983, pp. 28-29.

throws the question regarding how far the males, who are the dominant household-income earners, are relatively free to participate in the new schemes and how far these are mutually complementary, and not exclusive, to their existing preoccupation.

On the whole, it may be stated that these programmes would indeed generate further employment for the poor, although the stress may lie more on incomes than on employment. The extent of employment expansion would, of course, depend on the pervasive nature of the programmes and the scale of operations. The GB and BRAC are relatively major examples of the kind in Bangladesh.

Training and Entrepreneurship

A key element in special employment programmes is training for skill and entrepreneurship development among the target population most of whom have had no formal education at all. Although they do possess traditionally transmitted skills in various agricultural and non-farm practices, these need not necessarily ensure a decent living for the individual or the household. The reasons are simple: (i) possession of a particular skill need not generate employment because of demand-supply mismatch in the particular trade/area; (ii) an individual may not have the resources to employ his skill; (iii) he may not have the necessary organisational support, ranging from information to marketing, which is crucial to fetch rewards for skills. Hence need-based training and training for self-employment assume fundamental importance and requires fresh outlook into various issues related to the nature and contents of skill development, organization and management, credit and information back-up,

etc., particularly in view of the growing emphasis on special employment creation in the country.

Formal training programmes in skill development in Bangladesh are small in number, confined mostly to urban centres and have a trivial impact on the employment scene. A BMPC study shows that in the various technical education and vocational training institutes, the overall enrolment in 1982 was only 42,429 of whom "less than a quarter of the base year students come out successfully."²⁶ Such a training base and turnover rates cannot possibly qualify as potentially significant incursions into the mass unemployment situation.

Table 7 — Employment Status of Technically-trained Persons

Employment Status	No. of Technically-trained	Percentage
Employee	155	31.0
Self-employed	10	2.0
Following further courses	18	3.6
Unemployed	317	63.4
Total	500	100.0

Note: This survey was carried out by the Foundation for Research on Educational Planning and Development, quoted in A.M.A.H. Siddiqui, 1983, p. 34.

Since almost all of these institutions are based in cities, district towns and sub-divisional headquarters, it may be stated that there hardly exists formal training in the rural areas, the apparent redeeming feature being that an overwhelming majority of the trainees come from the rural areas.²⁷ Here again, the numbers involved are rather insignificant, the drop-out rates are high, and more importantly, those who graduate at these institutions fail to get any reward, either in terms of wage-paid jobs or self-employment. This is revealed in a recent survey of 500 such graduates (see Table 7).

The recent spate in special employment prospects has led to rapid introduction of informal training centres and expansion of

²⁶ See Siddiqui, 1983, pp. 22-23. Also, for an assessment of the employer's and employee's viewpoints, see *The Labour Market Adjustment Process in Bangladesh*, FREPD, Dhaka, 1979.

²⁷ A survey of 32 vocational training institutions by FREPD shows that more than four-fifths of the trainees come from the rural areas.

short-term crash courses both in the urban and rural areas. These are being fostered through various NGOs (BRAC places particular emphasis on training, and christian missions, and public sector agencies like the BSCIC, the Youth Development Division, Department of Social Welfare, BMET, and various nationalised banks, as well as through the Integrated Rural Development Programme. The increasing emphasis by the government on rural development, the opening up of youth and women's programmes, the devolution of central powers and decision-making to the level of *upa-zillas*, and the overseas demand for manpower are crucial forces that carry in their sweep tangible prospects for employment of skilled and semiskilled people.

In surveys undertaken by BMPC and FREPD on non-formal training schemes, it was revealed that the programmes concentrated on skill and entrepreneurship development, management, quality control, office procedures, craftsmanship in farming and industrial production and the like (Siddiqui, 1983, pp. 25, 31). The BMPC has also recorded more than 250 informal training schemes currently in operation in the country, mostly in the rural areas. Information on the number and percentage of target beneficiaries is, however, not given. Many of the NGOs have an inseparably built-in training component to their overall programme toward micro-level rural development, and as such any specific assessment of benefits and costs related to the training aspect is difficult. BRAC (1983) which specifically runs a Rural Credit and Training Programme (and a Training and Resources Centre) reveals that more than 13 per cent of its beneficiaries and 7.8 per cent of the target population in the project areas have received some form of training. The Ministry of Youth along with YMCA, YWCA and other NGOs are imparting training for self-employment on an increasing scale. Women's and other social welfare programmes also carry various training and motivation components. Although no quantifiable indicators are available, the increasing importance being placed on training, skill and entrepreneurship development is noticeable, and is well reflected in the rapid multiplication of the training schemes, mostly of informal nature, commensurate with the changing demand structure.

The major problems and limitations of the training schemes for employment promotion may be summed up as follows: (1) given that around 12 million youths in the country are unemployed²⁸ and that a high degree of underemployment exists, the present scale of operation is far too inadequate to create any impact; (ii) these schemes, particularly the informal ones, have cropped up as *ad hoc* responses to certain immediate demand without much concern for

²⁸The estimate is given for 1981/82 by Bangladesh Bureau of Statistics.

monitoring the sustainability and expansion of demand in these spheres. For instance, there may be an overseas demand for certain skills which can be met through spontaneous training. It is not uncommon that in such situations training often leads to excess supply for which no local demand exists or can be easily generated; (iii) there is hardly any register of the innumerable schemes which are sponsored by innumerable agencies. They remain unplanned and there is hardly any inter-institutional or inter-agency coordination of such activities; (iv) the duration of the programmes varies, and since these are essentially non-formal training there do not exist any objective standards of performance and capabilities; (v) training at times can involve large costs. The Bangladesh Rural Development Board has earmarked an expenditure of Tk.75 million for training under its Landless Cooperative Programme. Such diversion of resources must be seen within an overall macro-framework and target specification; (vi) the cost-effectiveness of the entire programme also remains difficult to establish. Also, in selected training schemes for entrepreneurship development, the eligibility standards of beneficiary trainees need not correspond to those used for identification of deprived groups. The costs and benefits of training, as part of welfare programmes, ought not to bypass the question of 'welfare for whom'.

Income Benefits for the Target Population

Although it is difficult to reach a clear common definition of 'target' population, the special schemes are generally addressed to the rural poor: landless workers, petty artisans and traders, marginal farmers, unemployed women and youth, the disabled and the like. In fact, the existence of what may be termed as "block" poverty in the country often defies the usage of finer subtleties in poverty measurement and the construction of a hierarchy within the rural poor.²⁹ Yet, for reasons of operational significance, there must exist a rough and ready identification procedure which reaches the truly needy population.³⁰

There are certain programmes which lay down quite strict procedures of eligibility; the GB and Swanirvar credit projects, for instance. Both the programmes require that their prospective members shall not own more than 40 decimals of cultivable land. BRAC emphasizes the initial formation of village organisation, and selection of target members through benchmark income and assets surveys. Proshika is more concerned with the organisation and conscientiza-

²⁹ The P-index of poverty measurement, devised by Sen is one such distribution-sensitive measure. See Sen, 1977.

³⁰ On conceptual vagueness about the poor, see M. Yunus (1984, pp. 7-9) where he suggests multiple definitions of categories of the poor.

tion of the rural poor "in the form of groups of 15-20 homogeneous landless people and sometimes marginal peasants are also included" (Shahabuddin, 1984, p. 2). BMET, on the other hand, in their tool-kits programme is indifferent on poverty criteria, emphasizing more the acquisition of a skill to be able to run a trade. There are other special programmes like the RFEP and Agriversity Extension Project Credit Scheme (financed by Krishi Bank) where the objective is to extend credit, mainly for on-farm activities, to those who are usually bypassed by the normal agricultural credit operations. Implicitly, the beneficiaries would almost always fall in the category of landless and marginal farmers.

There is hardly any comprehensive information on the impact of these programmes on income generation and their distributional aspects. As such a detailed account on these aspects has to be restricted to one or two representative schemes, for which there are some data available, only to serve as illustrations of broad magnitudes involved. In the following table (Table 8), an overall picture is provided of target beneficiaries reached by one public sector programme (GB) and one non-government organisation (BRAC). One must note that figures for BRAC relate only to its rural credit programme since its coverage of target population through its multi-

Table 8 — Target Beneficiaries of GB and BRAC's Rural Credit Programme

	GB	BRAC
1. Number of branches in operation	95	17
2. Villages covered	1592	390
3. Estimated target households as % of total household in project area	55	53
4. Number of members benefitted ('000)	84	36.9
5. Beneficiaries as % of target population in the project villages/areas	—	58
6. Total loans disbursed (million Taka)	287.9	28.2
7. Average loan per beneficiary member (Taka)	3427	764

Notes: The figures for BRAC cover up to end of December 1983, while those for GB, to April 1984.

Source: GB, *Consolidated Cumulative Statement for the Period Ending April 30, 1984* (mimeo.); BRAC, *Report on Rural Credit and Training Programme, 1983*.

farious projects and activities is reportedly much greater.³¹ The table shows that GB and BRAC credit has been advanced to more than 120,000 poor people and that GB has disbursed loans ten times that of BRAC. GB also has had a greater penetration in terms of the number of villages covered as well as the amount of average loan extended to beneficiary members.

The information in the table must be treated as relative since the coverage, in terms of villages or target members, is still extremely small compared to the figures for the country as a whole. Further, the true impact on income and poverty-alleviation is also not easily seen from sheer numbers of loanees. To highlight the latter, we refer to the BIDS study on GB — the only available in-depth impact study that makes use of “before-after” as well as “control” samples (Hossain, 1984).

In Table 9, which is quoted from the above source, one may get an overall impression of the likely income benefits to the poor accruing from the special schemes. The loanee households in the GB programme appear to have registered a 32.5 per cent increase in their real per capita income in less than three years. Here, the sceptic would note that this is, despite the income shifts, a rather long route to poverty alleviation inasmuch as the base (number of beneficiaries)

Table 9 — Distribution of Income of GB Loanee Members

Per Capita Income Groups (Tk./Year)	Before Taking any Loans		During BIDS Survey Period ^a	
	Households (%)	Income (%)	Households (%)	Income (%)
0 — 750	27.7	16.4	18.0	8.0
751 — 1000	23.5	21.3	15.0	10.5
1001 — 1500	32.3	38.4	28.9	27.8
1501 — 2000	11.7	15.2	18.4	21.4
2001 and above	4.8	8.7	19.5	31.9
All groups	100.0	100.0	100.0	100.0
Average P.C. Income (at constant prices)	1,037		1,374	
Percentage change in P.C. Income	32.5			

^aThe BIDS study was undertaken in 1982.
Source: M. Hossain (1984), *op. cit.*, p. 87.

³¹In fact, BRAC's activities range from credit extension, and training, to the running of commercial projects, like printing, cold storage, ice plants etc., with the pious intention of reducing dependency on foreign aid. All in all, it reports that BRAC programmes are now “felt in about 1600 villages in 14 districts and reach over 2 million people through its 1500 workers of 15 different projects!” Cf. M.B. Paul, (1984)

is too small, and that even such increases in income is still far too inadequate to ensure a threshold living.³² The study further shows that among the loanees, those with smaller family sizes have attained higher per capita incomes (Hossain, 1984, Table 5.3). This is quite apparent, and not only underscores that family size is an important determinant of poverty levels³³ but also the need for controlling various other variables in order to infuse more significance into simple numbers indicating increases in income. Similar is the case with BRAC and Proshika and innumerable other programmes — only that available information do not enable us to make quantifiable approximations on poverty-alleviation. Some of these programmes report their performance in terms of the net returns of the overall project for the group assigned to it.³⁴

The BSCIC in its programme on Revitalisation of Handicrafts and other Cottage Industries, specifically mentions the categories of traditional crafts persons, other artisans and educated unemployed persons as constituting the clientele. Here, irrespective of whether it caters to the truly poor or not, the programme certainly follows a "selective" approach usually leading to "entrepreneurship self-employment", thus shifting the emphasis a little away from what has so far been denoted as "subsistence self-employment" (cf. Verma, 1982, pp. 2-3).

Precise information on target groups classified by background occupation is again, available for GB, shown in Table 10. All the categories conform by and large to the eligibility requirement of ownership of not more than 40 decimals of cultivable land. What is intriguing, however, is the small proportion of agricultural wage labourers (8.9 per cent), who constitute a large majority of the rural population, represented in the distribution of loans. To quote the study: "since the agricultural wage labourers are the poorest of the poor it appears that the bank (GB) might not have succeeded in serving the extreme poor" (Cf. Hossain, 1984).

However, one must note that to the extent that credit pro-

³² The increase in income is estimated to have pushed the loanee households from being 50 per cent to 30 per cent below the national average (Hossain, 1984, p. 92).

³³ The same study claims that repeat loans have somewhat enhanced per capita income. One must note that third-time loanees, who register a slight increase in income, also have slightly lower family size (Hossain, 1984, p. 93). For a specific illustration of the impact of family size on poverty levels, see Technical Paper 'B' in *Bangladesh Food Strategy Review Exercise*, GPRB/ILO, 1984.

³⁴ See, for instance, Mosharraf Hossain (1982).

grammes reach target categories, it is almost certainly bound to register some income-benefits for them. This is further implied by the fact there are certain cross-checks and supervision built into the programme, as well as, that the loan repayment records are highly satisfactory.

Table 10 -- Target Groups by Occupation Reached by the GB

Principal Occupation	All Loanee Households	
	Male	Total
Cultivation	11.2	8.5
Agricultural wage labourer	11.7	8.9
Other agriculture	0.9	1.2
Cottage industry	21.1	34.1
Trade and shopkeeping	37.1	32.3
Transport service	8.9	7.1
Services	6.8	5.2
Others	2.4	2.7
All workers	100.0	100.0

Source: M. Hossain (1984), Table 3.9.

From the two illustrations of BSCIC and GB, one should not infer that these may tend to drift away from being poverty-focussed programmes. In fact, these may still be catering to the poor notwithstanding the distances they stand at from below the poverty line.³⁵ To revert back to what was mentioned earlier, it is not the serious intentions of the programmes which are at stake; rather, it is the sheer bulkiness of the poverty magnitudes that may call these into question. The depth of these programmes, across classes and regions, would have to go beyond the tip of the iceberg.

Employment Multiplier and Scale of Impact

From the initial experiences of the special employment schemes, while relatively little is known on the direct employment benefits (self-employment or otherwise), not much can be stated either, in quantitative terms, on indirect employment generated. There is little doubt, however, that in areas where such schemes are

³⁵In the formal language of inequality measurement this would constitute the 'income-gap ratio'.

implemented some direct employment would be created, and so long as these are credit-based and likely to expand, a degree of incremental labour absorption would be returned.

An ILO/ARTEP study on employment generation in cottage industries of Bangladesh — the kind of off-farm activities which many of the schemes promote — reveals that in 7 out of the 14 major cottage industries closely surveyed, the percentage of workers hired range encouragingly from 25 to more than 50 per cent of the total workforce in the activity.³⁶ One must note, however, that such percentage increase relate to a rather small employment base. This is well reflected in BMET's tool-kits programme where about 70 per cent of the beneficiaries have employed additional workers, returning an extra employment of 1.82 workers per beneficiary and 2.65 workers per employer-loanee (BMPC, 1983). The entire programme so far, however, has catered to a total of only 96 beneficiaries.

The issue of additional employment creation is indeed, closely anchored, among other factors, to the capital and working costs, labour productivity and rates of return in the activity or enterprise. While cottage industries are known to employ low-cost technologies, labour productivity is also generally low. As such, *hiring* workers in domestic activities may not appear promising. As a matter of fact, labour productivity is often found lower than the wage rates for the respective industry (Hossain, 1984, pp. 24-26). The rate of profit may still remain positive, and one important explanation in such a context is the high degree of female participation in cottage activities, where the wage rates are either lower (when females, as opposed to males, are hired) or do not enter into proper accounting (when female members of the household are brought to work). In the latter instance, household enterprises may be said to run on simple considerations of income enhancement rather than on pure profitability criterion.³⁷ Under such circumstances, although the idea of horizontal proliferation of domestic industries may to some extent ease the burden of underemployment (by either stretching the work hours of household members or ensuring work for female members), it may not be quite helpful in creating new jobs for the vast rural landless workers. This is particularly so because skill training and acquisition is a time-consuming affair, and credit to domestic activities would tend to be advanced to members who already have some ex-

³⁶ Cf. Hossain, 1984, p. 25. The information is based on a BIDS Survey of rural industries, conducted during 1979/80.

³⁷ This would throw up the question of whether growth in non-farm household activities constitutes an indicator of diversification and growth in the economy, or a simple adaptation by rural households to increasing poverty levels. On this issue, see Islam, 1984.

perience in traditional crafts.³⁸ Thus simple expansion of cottage and such other off-farm activities need not readily lead to wage-based employment expansion, irrespective of cost considerations.

The BSCIC has carried out a survey of cottage establishments excluding handloom and sericulture units, throughout the country. Estimates from the survey data show that while a cottage unit employs 2.9 persons on an average, the extent of hired workers employed is only 0.5 (see Table 11). Of total persons engaged, which varies considerably across districts, only 18 per cent are hired workers.³⁹

The argument so far has followed rather narrowly on the issue of labour productivity and labour absorption, which is, in the ultimate sense, contingent on rates of return, patterns of reinvestment and other economic factors, viz. expenditure elasticity of demand for the products, input/output price, market exploitation, quality and design control, technological advancement, etc.⁴⁰ These are factors which are either not given due consideration or are often beyond the purview of credit extension programmes. The BSCIC, various agencies of the Ministries of Finance and Industry, the GB and other NGOs are placing considerable emphasis on the promotion of rural cottage industries and off-farm activities through training, skill development and credit advances. As noted earlier, this drive may in the short-run open up opportunities of "selective" self-employment. The generation of additional employment either in the initial phases or via the investment multiplier, is bound up with various demand

³⁸ This is particularly true for female workers who are known to be engaged in various cottage activities. This is reflected in Table 4 of this study.

³⁹ Using the cross-section district-level data in Table 11, we have tested the dependence of employment of total workers (EMT) and only hired workers (HLN) on the total number of cottage enterprises (COT) through the following regressions:

$$(1) \quad \text{EMT} = -4.46 + 3.24 \text{ COT}$$

(33.37)

$$R^2 = 0.93; N = 20$$

$$(2) \quad \text{HLN} = 0.30 + 0.01 \text{ COT}$$

(2.04)

$$R^2 = 0.19; N = 20$$

The results in equation (1) show that total employment in the cottage industries is highly related to the number of enterprises that are set up. The coefficient of the explanatory variable is significant at 1 per cent probability error, and the R^2 is 0.98. In the case of employment of hired labour (equation (2)), however, the coefficient is weak and is not significant up to 10 per cent probability error, implying that setting up of cottage non-farm activities would not absorb much labour outside the household.

⁴⁰ Some of these constraints are examined in sections 5 and 6.

and supply rigidities. Also, the ability of the credit programmes to sustain employment through a particular activity and the ability of a household to sustain a living out of the newly acquired activity are equally important long-run considerations.

While a few major public sector and non-government organisations are trying to foster off-farm and cottage activities on a national scale, the scale of performance would effectively depend on the number (and also categories) of individual households reached by the programmes. That is indeed a tall order in view of the large proportion of households that exists below the poverty-line.

Table 11 — Hired Labour in Cottage Industries of Bangladesh

Districts	Number of Units (000)	Total No. of Persons Engaged (000)	Hired Labour as % of Total Employed	Hired Labourer per Unit of Industry
Dhaka	38.9	126.0	32.4	1.1
Mymensingh	16.7	45.0	7.9	0.2
Faridpur	16.8	46.8	10.5	0.3
Tangail	5.5	13.8	17.4	0.4
Jamalpur	5.6	13.7	9.3	0.2
Chittagong	21.6	70.1	21.8	0.7
Noakhali	9.1	24.2	14.0	0.4
Sylhet	17.8	53.1	20.6	0.6
Comilla	18.1	49.7	14.7	0.4
Chittagong H.T.	1.7	4.2	33.3	0.8
Rajshahi	16.8	49.8	26.3	0.8
Bogra	9.4	29.0	15.4	0.5
Rangpur	21.3	59.3	14.1	0.4
Dinajpur	14.2	37.3	10.2	0.3
Pabna	10.3	35.4	21.7	0.7
Khulna	18.3	53.7	15.7	0.5
Jessore	18.0	56.2	9.6	0.3
Barisal	17.8	54.3	13.8	0.4
Kushtia	9.1	22.9	16.7	0.4
Patuakhali	6.7	18.1	11.6	0.3
BANGLADESH	293.7	861.9	18.1	0.5

Source: *Cottage Industries of Bangladesh: A Survey*, BSCIC, Dhaka, October 1983.

There are various other agencies, particularly the NGOs who have selected their own "distress" areas and pursue intensive localised operations. One such example is the GUP which has confined its activities to one *thana*,⁴¹ in Faridpur district. Table 12 shows some of the selected activities of GUP and the number of participants in each activity. Although we do not have information on whe-

⁴¹ A *thana*, now known as *upa zilla*, is now the focal point of the present decentralised administration system. There are 495 thanas in the country with approximately 25,000 to 30,000 families in each.

ther these are full-time activities or whether there are more than one participant from a single household, the absolute number of households reached by the programme is quite substantial. In relative terms, however, the performance is less appealing. The activities listed in the table essentially cater to not more than 5 per cent of the households in the domain of GUP's operation⁴² — this too achieved with several years' efforts and a large quantum of external funds. There are, of course, other activities of GUP not included in the table, but still, the impact on local underutilised human resources is relatively small. In fact, BRAC and GB which operate on a wider geographical coverage, reportedly reach about 50 per cent of target households in the areas of their operation. But there too, the total impact can still be dubbed negligible compared to the dimensions of underemployment at the national level (see Table 8). Moreover, 'reaching' the target groups as noted above does not necessarily ensure raising them to a threshold living.

Thus, all in all, the impact so far on local markets, especially labour, whether of the minor localised agencies or the major govern-

Table 12 — Extent of Participation in Selected Self-employment Activities of GUP

Selected Activity	Number of Participants
Paddy husking, etc.	300*
<i>Biri</i> ^a making	35*
Bronze ornament making	25
Blacksmith	100
Jute works	75
Batik tie & dye	25
<i>Nakshi Kantha</i> ^b making	120*
Midwifery	60*
Saving	27
Fishing	94
Vending	10
Hawking	20
Goat rearing	100*
	981

Notes: Asterisks denote hundred per cent participation from among women.

^a*Biri* denotes a poor man's substitute for cigarettes.

^b*Nakshi Kantha* is a kind of embroidered quilt.

Source: Estimated from H. Rahman, 'GUP's Working Experience on Self-employment of Rural Poor' (Mimeo.), 1984.

⁴²The *thana* (*upa zilla*) in which GUP operates has a total population of 176,000, according to the 1981 Population Census. Our estimates of households are based on the assumption of an average family size of six. See *Statistical Pocketbook of Bangladesh 1983*, BBS, pp. i and iii.

ment or non-government programmes, has been limited to the number of households reached. Incremental employment from these is not so encouraging. Hence, from a macro-economic viewpoint, these credit-based schemes have a long way to go before any tangible impact is registered on employment of hired labour and income generation.

The Bangladesh Planning Commission estimates that the entire public sector rural credit project for the landless poor — covering programmes of Swanirvar Project, GB, RFEP, Small Farmers Credit Scheme (IFAD assisted), Small Farmers and Landless Labourers Project (ASARRD) — would serve only 2 per cent of the total unemployed and underemployed in the country.⁴³ Even after allowing for the recent expansion in some of these programmes, together with the numbers reached by other major public agencies and NGOs, viz. BRAC, BSCIC, MSS (women's cooperatives) etc., the coverage would hardly go beyond 5 per cent of the target population.

Expansion and replication of some of these schemes on a wider scale are, in principle, possible. The limitations of the present scale and nature of activities as well as the dangers of expansion warrant a thorough evaluation. The difficulties of the Comilla Cooperative experiment and its attempted replication through IRDP offer a near analogy.⁴⁴

Female Participation and Other Dimensions

The extent of female participation in self-employment schemes is quite striking. Even before the new surge of special employment promotion, females have been traditionally engaged in certain cottage activities, viz. paddy husking, weaving, cow fattening, goat rearing, handicrafts, etc. With the new opportunities being opened up the female workers, especially those with some background skill, have quite readily found extended employment and income. Besides, a majority of the programmes place an important emphasis on utilisation of potential female labour with the idea that female participation and emancipation are likely to move hand in hand. These apart, household incomes and the activity ratio would also go up.

Consolidated statements of GB, Proshika, and BRAC show that the larger part of credit disbursement, in fact, goes to female

⁴³ See *Strategy for Rural Development Projects*, Bangladesh Planning Commission, p. 35. In this report, the number of unemployed and underemployed is estimated at 9 million.

⁴⁴ On the limitations of the Comilla experiment and IRDP, see Khan, 1979. Also see, Mahmud and Muqtada, 1983.

workers.⁴⁵ This is also true for a large number of other agencies. The performance of women in the utilisation and repayment of credit is also commendable.

Apart from the general credit and social welfare programmes, there are specific projects geared toward women's participation, ranging from the training programme under VGF to Women's Cooperatives (MSS), and other activities under the Directorate of Women's Affairs, Bangladesh Women's Rehabilitation and Welfare Foundation as well as NGO schemes, e.g. Jamalpur Women's Programme (BRAC). In these, apart from credit extension, motivation, training on skills, management and organisation etc., there is also a built-in family planning programme.

While female participation is growing through special employment schemes, certain skepticism is expressed on the concept of women's self-employment. It is argued that in a situation where less than 10 per cent of the households are headed by women and most households are dominated by the males, the notion of self-employment for women is considered a "misnomer" (Quadir, 1984). The role of women even when engaged in exclusive activities is seen as no more than earning supplemental income for the household (Quadir, 1984; Islam, 1984). It is further alleged that funds taken out from women's cooperative societies, which now cover more than 52 thousand members, are used by male counterparts for shopkeeping and other trading activities (Islam, 1984, p.5). Also, seen disaggregatively, these societies are almost always dominated by the women coming from higher income categories of households, hence self-employment for women need not always correspond to addressing 'target' population as conventionally understood.

Women's programmes, nevertheless, do provide additional employment opportunities and income to the households, and certainly an awareness of their status and role in the society. The question of building up awareness (some prefer to call it "conscientization") (Hossain, 1984) is also an integral aspect of most of the NGO schemes, and often there are specific attributes attached to it. For example, the Proshika movement is closely associated with participatory decision-making not only in economic matters but also in certain social, political and even legal issues. These would necessarily require *a priori* raising of the participants' consciousness and a knowledge of the structure and environment that have systematically alienated them. To this end, the credit programme of Proshika, un-

⁴⁵ For instance, in the total membership of GB, females constitute 51 per cent. Cf. GB, *Consolidated Cumulative Statement*, May 1984.

like other agencies, appears somewhat muted, although it does offer credit from its 'revolving loan fund' and organises credit (from Krishi Bank and such sources) for projects initiated and designed by the participants themselves. It also carries out motivational work through "animators". This agency almost prides in the outcome that, since inception, while it has assisted 1,200 group projects with funds, more than 5,000 separate projects have been implemented through participants' own group saving and collective labour (Shahabuddin, 1984, p. 2).

Other dimensions of the programmes include encouragement of collective thinking on unionisation and bargaining, mobilisation of own resources and planning, inter- and intra-group cooperation, and an overall self-help and self-reliance. An important exercise in this direction is reflected in the increasing amount of own funds generated for contribution to a project (see Table 13). Fund generation, group savings, and promotion of emergency funds are also encouraged by Swanirvar Project, GB, BRAC and others.

Table 13 — Participants' Contribution to Projects, Proshika

Groups	No. of Groups	Total Loan Disbursed (Tk. in 000)	Average Loan Size (Tk.)	Group Contribution	
				Amount (Tk. in 000)	Percentage
Males	524	2,351.1	4,487	1,186.7	50.5
Females	112	232.2	2,074	59.1	25.4

Note: Project loans above relate only to those disbursed from Proshika's own 'revolving loan fund'.

Source: M. Shahabuddin, *Proshika, op. cit.*, p. 15.

In addition, certain organisations, such as BRAC, emphasize some form of "functional education" through classroom participation and dialogue, prior to involvement in training and employment schemes.

There has been recent involvement by a few agencies in various irrigation schemes — small farmers and agricultural workers undertake these by acquiring shallow tube-wells and low-lift pumps and selling water to landowners. The benefits are ostensibly seen as follows: (i) increased incomes from the projects, (ii) increased irrigation in the locality, (iii) indirect employment generation accruing from cultivation in irrigated plots. A fundamental concern, however, is seen elsewhere. The participants' ownership of irrigation equipment potentially shapes up as formidable 'confrontation', where group consciousness of the landless and near-landless combines with ownership of some means of production, to partially safeguard the

interests of the weaker sections of the community, and broaden the range of feasible choices open to them.

5. Costs and Constraints

The preliminary attempt in the previous section to fathom the levels of impact of special employment schemes on the 'target' group did not refer to the cost-structure and cost effectiveness of the programmes. The existing programmes as well as their expansion designs were found to be facing a number of constraints both on the supply and demand sides. In this section, a few issues are raised on aspects of costs and constraints, which are crucially related to the long-term possibilities of the schemes in generating tangible employment and income in the country.

Cost-effectiveness

Due to the urgency to create employment, agencies executing the schemes have often tended to place less attention to their cost-effectiveness. The appraisal and evaluation concentrate mainly on the benefits (or likely benefits) from projects, while the cost-structure, which is an inseparable element, goes without much mention. This is, however, not to suggest that costs are not considered at all by the executing agencies; in fact, costs of the programme would also underscore the scale and viability of the programmes. The issue under consideration is the relative price being paid (the opportunity costs) for employment generation.

Self-employment and other schemes follow a rather pragmatic approach which offers little scope for theoretical justification of alternative uses of resources. As such, the relevance of cost-effectiveness would only relate to the relative performance of the project itself. Even on this, information is either scanty or not available to allow a proper social cost-benefit exercise.

From whatever data exist, general indicators on cost-effectiveness may be provided on (i) the overall programme of an executing agency, and/or (ii) individual schemes within the overall programme. First, we shall examine cases of the latter kind.

In respect of individual schemes, scattered evidence is found either in terms of net income or returns from the project, or on some notion of employment created.⁴⁶ In a study of a few Proshika pro-

⁴⁶The concepts of net or gross income/returns are usually undefined. For instance it is not known whether in self-employment projects the extent of family or own labour has been accounted for.

jects, and their income generation capacity, information is provided on purchase costs, credit utilised, gross and net returns from the project (Hossain, 1982, pp. 30-35). Figures on 'net return over total cost' reveal that some projects are making marginal profits (up to Taka 1,550) and a few are running at a loss (up to Taka 3,808). These aggregate figures, without relevant break-down details, are rather confusing and often erroneous. First, no reference is given on the time frame of projects. Projects are generally initiated on credit with repayment stipulation ranging from few months to few years. Second, the project refers to groups whose size is not mentioned and hence the extent of household benefit cannot be measured. Thus even if the project has some positive returns for the group as a whole, individual household benefits may be rather small. Third, the extent of family (group) labour is perhaps excluded from costs; this would exaggerate figures on 'net returns'. The figures, as provided in the study, in themselves speak of very marginal income to the groups. The above arguments would further diminish the extent of benefits flowing from the projects. Such projects would still persist under the Proshika umbrella, ostensibly on the ground that "Proshika's approach is much wider — its spectrum engulfs a much broader field. It may not have generated income as expected, but it has generated other social forces" (Hossain, 1982, p. 37). This belief about Proshika, which has quite a wide currency, cannot possibly stand on its own. 'Self-actualisation' and motivation among the poor would attain momentum only when some immediate benefits accrue from a programme. In this sense, some employment (and income) being better than no employment (and income) would perhaps provide a more acceptable rationale for many of the marginal Proshika projects to continue, particularly when the group members can spread the use of their labour according to their "convenience"⁴⁷

On the costs of employment creation, an illustration can be made with the BMET experience (see Table 14). The tool-kits scheme of BMET provides self-employment in a number of selected activities requiring a prior acquisition of skill in the respective activities or trades. The scale of this scheme, as mentioned earlier, is quite small and experimental but this nonetheless serves as a rough guide to the possible extent of costs of employing a 'skill' in the country. Some of these trades also require additional labour and hence the cost-effectiveness of employment generation must take into account total employment figures. Table 14 provides figures on the costs of the tool "loaned" out and average employment generated. The average cost per person employed works out at

⁴⁷ "Labour used in group activity is not at the cost of the regular activity of the individual member and this is not disturbed in any way" (Hossain, 1982, p. 63).

Table 14 — Costs of Employment Generation — the BMET Experience

Activities	Distribution of Tool-kits		Cost per Tool-kit (Tk.)	Total Costs of Tool-kits (000 Taka)	Average Employment Generated (Workers)	Cost per Person Employed (Tk.)
	Number	Percentage				
Welding	36	25	26,215	943.7	3.5	7,490
Electricity	29	20	7,001	203.0	1.8	3,889
Turner fitter	18	12	62,016	1,116.3	4.2	14,766
General mechanic	14	10	20,296	284.1	3.2	6,343
Radio electronics	13	9	6,748	87.7	1.6	4,218
Auto mechanic	10	7	3,531	35.3	2.0	1,766
Diesel mechanic	7	5	2,888	20.2	3.0	963
Refrigeration/ Aircondition	7	5	36,980	258.9	2.8	13,207
Blacksmith	4	3	8,876	35.5	1.8	4,931
Carpentry	4	3	6,726	26.9	2.0	3,363
Plumbing	2	1	15,810	31.6	2.0	7,905
Total	144	100	21,133	3,043.0	22.8	7,548

Notes: Average employment includes both the respondents (direct beneficiaries) as well as persons employed by them. The cost item in the table is notional, as it only refers to the price of the tool-kits only — the administrative/operational and other costs are not included.

Source: Estimated from BMPC, "Report on Self-employment Tool-kits Scheme: An Evaluation" (Working Paper), GPRB, 1983.

Tk.7,548 for the entire programme.⁴⁸ This is invariably much higher than employing additional unskilled labour in traditional non-farm activities in the rural sector. One must note that the BMET scheme relates to "selective" entrepreneurship and skill development.

On non-farm schemes, the BSCIC credit disbursement programmes provide approximations of employment generated through them. This is shown in Table 15, which also includes information on credit lines, amount of credit delivery and the number of cases disbursed. As can be seen readily from the table, BSCIC credit disbursements vary considerably, and the extent of credit per person employed ranges from more than Tk.45,000 for the IDA credit line to only Tk.24 in the case of NORAD-aided schemes. The variation is obviously explained by the level of technology used and the fixed capital involved. Whereas, the former credit line is geared toward relatively higher cost technologies, the latter is designated for simple cottage crafts and skills. The difference in comparative costs and employment creation in varying technologies in similar trades is well known and documented. An example from the relative scales of technologies in rice husking in Bangladesh is shown in Table 16.⁴⁹ The

⁴⁸ This figure does not include the costs incurred in respect of administration, and operation of the tool-kits.

⁴⁹ See also BIDS, 1980, p. 144 ff.

Table 15 — Credit Disbursement and Employment Created by BSCIC

Credit Line	Credit Delivery (000 Taka)	No. of Cases Disbursed	Employment Generated	Credit Delivery Per Person Em- ployed (Taka)
IDA	160,000.0	n.a.	3,500	45,714
Special	126,000.0	4,097	5,040	25,000
NORAD	7.2	1,154	3,000	24
US-AID	5.2	2,566	1,000	50

Note: n.a. — not available

Source: Z.H. Choudhury, 'Self-employment for the Rural Poor in Bangladesh — BSCIC Experience and Strategies', (mimeo.), 1984.

Table 16 — Comparative Costs and Employment Creation in Various Rice Husking Technologies

	Capital Costs (Taka)	Employment Created (Persons)	Capital Cost Per One Worker Employed (Taka)
Large mills	7,500,000	30	250,000
Rural mills	67,000	5 or 6	12,000 (average)
Dheki	600	2 or 3	240 (")

Sources: BIDS, *Rural Industry Study Project*, 1980; World Bank, *Bangladesh: Selected Issues in Rural Employment*, 1983.

BSCIC credit programme thus covers not only the "selective" variety of skill promotion but also "mass" entrepreneurship schemes.

From the previous table, however, it is evident that the costs *per se* of employment creation in relatively higher technology industries are much greater than in the cottage industries. One would expect a higher labour productivity and rates of return in the former category of industries than the latter. While the evidence on labour productivity in small vis-a-vis cottage industries confirms this expectation, the general consensus on rates of return runs contrary, i.e. capital productivity and rates of return are usually shown greater for cottage than small industries (BIDS, 1980; Hossain, 1984, Table 12). On balance, therefore, the cost effectiveness of employment generation is greater in the "mass" than in the "selective" varieties of entrepreneurship development. The latter carries the redeeming feature that a "skill" is being employed. Most of the rural credit programmes, fostering non-farm schemes, however, relate to simpler skills and cottage activities.

Inasmuch as most operations relate to poor people and their employment at the mass cottage-level, the funds required would be relatively small. An important factor that usually understates the figure, however, is the cost of closely administering such operations. Moreover, for a picture of true cost-effectiveness to emerge, one would require a reference to the productive bases of such employment and their sustainability. Credit-lending programmes, administered without collaterals, always run the risk of being reduced to servicing debts and consumption loans for the heavily indebted, dependent rural poor. No wonder, therefore, such credit programmes carry an elaborate supervision network (otherwise known as animators), on which account substantial expenditure is incurred. This cost element has to be properly weighed against services toward continued motivation, acceptance and expansion of the employment schemes.

While so far we have dealt with individual schemes and projects, cost-effectiveness must also be seen from the viewpoint of an overall programme, subsuming interrelated schemes. For this, one would ideally have adopted a cost-benefit approach of project appraisal, but since data are absent on even the basic indicators — let alone on externalities, rates of discount, extra efforts of family workers in self-employed activities, etc. — such a method is a non-starter. Even any preliminary idea regarding cost-effectiveness of a programme would require an intensive primary-level information on various aspects of its operations. The nearest approximation that available data permit can be provided on simply the “costs” of the programme. Such evidence is available for GB. Hossain (1984), in an in-depth study of GB, treats this aspect clearly.⁵⁰

The GB initially started as a project in 1979 financed by the nationalised commercial banks and Krishi Bank in collaboration with the Bangladesh Bank. In 1983 it turned into a full-fledged specialised financial institution. The GB, by the nature of its operation, requires enormous amount of paper work and supervision. In pre-1983 phase, total expenditure on GB project account has been estimated at 12.3 per cent of credit disbursed (including, apart from salaries and administrative expenses, a 4.5 per cent cost of loan from Bangladesh Bank), whereas total earnings have been approximated at 13.9 per cent (including a 13 per cent interest earning from borrowers). This profit performance of GB project is denied on the grounds that various commercial banks which participated in the project had charged the salary and allowances bill for its participating staff in GB operations. This raised the total expenditure of GB project from 12.3 per cent to more than 20 per cent of credit disbursement —

⁵⁰Cf. M. Hossain, *Credit*, (1984a) p. 67 ff.

hence registering an overall loss of about 6 per cent. In post-1983 phase, with exclusive command on its operations, the GB's total expenditure and income stand approximately at 14.1 per cent and 16.7 per cent, respectively (showing a profit of 2.6 per cent) (Hossain, 1984a). In the current phase, the GB has enhanced its interest charges from 13 to 16 per cent following an increase in the concessionary rates of Bangladesh Bank loans from 4.5 to 8.5 per cent.⁵¹

Thus, on account of its own operations, the GB has registered a stable performance. One must note that this is closely anchored to the high recovery rates and impressive supervision work. Whether these can be retained as the Bank expands in the future is now a matter of much speculation. Most of the other credit-based programmes also show a high repayment record (see Section 6), and hence the costs of the programmes are borne out. Here, while one is confined to financial aspects of employment schemes, true costs to society of diverting resources to such intervention, weighed against alternative streams of benefit, are yet to be worked out.

Constraints

The Civil Officers' Training Academy has carried out a profitability exercise on certain rural activities. These are also representatives of the activities funded by many organisations supporting employment creation. Table 17 provides the findings of the exercise.

**Table 17 — Estimated Benefit-Cost Ratios
of Selected Rural Activities**

Activity	Benefit-Cost Ratio	
	Average	Coefficient of Variation
Coir industry	2.5	78
Poultry	2.06	93
Shallow tubewell	2.00	51
Rice processing	1.59	293
Irrigation workshop	1.50	48
Fisheries	1.45	59

Source: *Ad-interim Report on the Activities for the Landless Groups in Bangladesh*, Civil Officers' Training Academy, 1983.

⁵¹It may be noted that the interest rates charged by Bangladesh Bank have increased proportionately more compared to those charged by GB from its loanees. The latter compares favourably with other credit agencies, some of which, like Rural Finance Experimental Project (RFEP), charge varying rates (ranging from 12 to 36 per cent) for different projects. See, *Strategy for Rural Development Projects*, Planning Commission, 1984, p. 34.

The activities are ranked in descending order of average benefit-cost ratios. One must note that the above relates to financial, as opposed to economic, appraisal. From the table, it appears that a lot of rural activities register high benefit-cost ratios, although the coefficient of variations in these activities is also quite high. This implies that for some regions and/or some individuals, these activities may return very low benefit-cost ratios. Hence, promotion of employment in such schemes must closely relate to individual (or group) project profiles, taking into consideration not only direct costs and benefits but also various other factors within a dynamic setting, viz. externalities, demand and supply constraints etc. In this sense, the above picture of positive benefit-cost ratios need not indicate a proper measure of viability of the activities.

On the supply side, the immediate constraints relate to (i) the volume of loanable funds and the size of individual (or group) loans, and (ii) the extent of possible subsidy or preferential treatment to the target population. The size of the loanable funds of agencies varies enormously. The case of GB, a specific financial institution for extending credit to the poor with a paid up capital of Tk.30 million and a total disbursement record of Tk.313 million over the last five years, (GB, 1984), contrasts sharply with those of smaller NGO activities. The Proshika has made an average disbursement of little over one million taka a year (Shahabuddin, 1984). The absolute volume of loanable funds would thus dictate the scale and depth of activities that each agency promotes.⁵² The average size of loans per individual or group also varies, but most executing agencies place an upper limit, usually about Tk.5,000 for a single project (see Table 19). This also determines, by and large, the size of individual/group investment in a project. Only a few organisations insist on the group's contribution to the project, not to exceed 25 per cent of total investment costs.⁵³ Although the size of loans compare favourably with the character of small activities and the very rationale of the projects themselves, the constraints surface elsewhere. First, the loans are characterised by a high degree of supervision and inflexibility. That is, loans are extended for specific project profiles and the necessary supervision oversees such execution. Many proposals may appear attractive initially, but less so upon execution and certain alleged "losses" could be recovered by redirecting investment (Hossain, 1982, p. 35). Second, the size of loans and investment need not

⁵² On the scale and replicability issue, see Section 4.

⁵³ For example, Proshika requires that one-fourth of the total cost be met by the group's contribution. BRAC stipulates that at least 10 per cent of the scheme's value must be contributed by the loanees.

necessarily lead to poverty alleviation for which such schemes are primarily intended. It is reported that beneficiary members often place requests for "repeat" loans (Hossain, 1984a). On the other hand, however, members of the same household (especially females and males separately) may qualify for different loans and thereby enhance household income. Third, there are complaints on the timeliness of disbursement, especially when it is linked to public sector agencies, e.g. BADC, nationalised banks etc.

From a broader perspective, the above constraints would appear negligible compared to the real issue of providing credit to millions of rural poor, who would all equally "qualify" for a claim on loans under the norms set by various agencies.

Other supply-side considerations relate to the conventional constraints, long faced by non-farm, cottage activities in the country, viz. supply of raw materials, other support schemes alongside credit advances, motivation, information, extension, marketing facilities etc.:

(i) Most of the credit-based programmes have paid relatively less attention to these aspects, and a few, like GB, have given the beneficiary group freedom to handle its own activities. This may often lead to wrong choices, and even emulating what another group is doing may also not be appropriate. For instance, many loanees of certain GB project areas took to 'rickshaw' transport activity, which expanded so fast that it saturated local needs; credit on this account fell sharply.

(ii) On the question of raw materials, it is well known that non-farm activities depend overwhelmingly on agricultural raw materials. The *Rural Industries Study Project* (RISP) of BIDS reveals that 57 per cent of the inputs used are from agricultural and agro-processed products.⁵⁴ The proliferation of non-farm self-employment activities would therefore depend considerably on the pace of growth of agriculture itself. The per capita production of rice (constituting about 80 per cent of value-added in crop agriculture) has had a negative growth in the past decade. The issue of agricultural stagnation in Bangladesh is bound up with various supply rigidities, and not simply effective demand. The dynamics of growth of the rural economy has to be perceived in a macro-context, and the dominant constraint to growth identified,⁵⁵ so that the merit of expansion of non-farm em-

⁵⁴ Cf. BIDS, 1981, p. 130.

⁵⁵ Economists have argued that "the lagging of agriculture behind general economic growth" may lead to serious sectoral demand-supply imbalances and disruptive inflation. Cf. Kalecki (1976). In the context of Bangladesh, a dominant constraint comes from lack of supply of essential wage goods especially staple foods. See W. Mahmud.

oyment schemes and other policies which may have some backward and forward production linkages, is properly appreciated.

(iii) The rural poor are perpetually indebted and, despite the recent expansion in rural banking, the major sources of credit continue to be non-institutional. Private money lenders, apart from serious exploitation, also act as middlemen in the market chain for on-farm products indulging in the well known price extortions in the input and output markets.⁵⁶

Most of the non-farm activities are confined to production of, and trading in, traditional items requiring low-levels of skill, viz. handicrafts, handloom products, earthenware goods and cheap housing materials. Assuming away supply-side difficulties, the recent dip in non-farm employment, because of lack of direction, design and quality control, could not possibly deviate from the traditional activities — at least in the short-run. The issue of their expansion and sustainability would then hinge on demand-side considerations,⁵⁷ particularly on prices and levels and patterns of income distribution. We have already noted that the lack of marketing and credit facilities often combines to compel the poor engaged in non-farm activities to pay relatively higher prices for inputs and receive lower prices for their output. Apart from this phenomenon, there has been a secular rise in prices of input/raw materials for many cottage industries proportionate to the rise in output prices (BIDS, 1981). These developments have adversely affected the profitability and growth of cottage industries in the past. Moreover, cottage industry and other non-farm products face price cuts from small and modern industries, whose high labour productivity and product sophistication in similar products have continually threatened the market for home activities. The small and modern industries with their well-defined market channels and advertisement find quicker penetration and expansion in rural markets. Added to this, the government's import policy also adversely affects the cottage products. The recent expansion in import of edible oil and cheap second-hand clothing, apart from large-scale dubious entries of toiletries, *sarees* etc., constitutes a serious threat to many cottage industries in the country. Thus while the government is encouraging non-farm special employment to reduce poverty, it is neither well designed, nor coordinated with other policies, thus directly running counter to the interests of the poor.

There is clear consensus that there has been a trend rise in absolute and relative impoverishment in the country. It is also well-known that the poor devote bulk of their earnings to food expen-

⁵⁶ For evidence from field survey, see Hossain (1984), pp. 31-34.

⁵⁷ For details, see BIDS, 1981.

diture (BBS *Household Expenditure Surveys*). A great majority of the rural population is thus faced with the option of reducing non-food expenditure. This in itself restricts the market for most non-farm products. Increase in relative impoverishment, however, also implies that income shares of the rich are increasing. Since this category of the population devotes a larger share of their budget to non-food items, this should provide an enlarged market for cottage production of textiles, furniture, housing materials, edible oil etc. There is, however, a strong tendency for the rural rich to show preference for such products coming from the urban centres, apart from the fact that many of their non-food items may not be produced at the home-level at all.⁵⁸ The market for cottage products in the urban centres and abroad is also very restricted.

The twin threat from prices and income patterns calls for guarded optimism on the prospects of employment and income expansion through generation of cottage-level activities. Income of the bottom quintiles perhaps has to be raised to generate demand for home products, but to raise employment/income through home activities, under the above arguments, is tantamount to putting the cart before the horse. One must note here that the fundamental objective of special employment schemes is the reduction of poverty levels (through raised incomes or shifts in distribution of income), and not generation *per se* for a 'lumpen' sector that would involve massive credit extension with relatively very low returns. The latter need not obscure and preempt the overriding concern for striking an appropriate strategy of growth and equity, by quick appeal to planners, as the only major plank for poverty alleviation.

6. Rural Credit for Employment Generation

Significance of Rural Credit

Rural credit undoubtedly plays the pivotal role in the present phase of special employment creation. Rural credit, in an earlier era, was usually seen as a partial support to small and medium farmers in crop and other agricultural operations. There was also partial credit support to rural cottage and small industries. The credit programme of that period may be said to have concentrated largely on growth objectives through fostering of improved technologies (especially

⁵⁸ Survey findings show that a "significant proportion of the budget is spent on other daily necessities such as kerosene, soap, bidi and cigarettes and also on clothing and other household effects *most of which are not produced in the family*," (italics mine), Cf. M. Hossain (1984a), p. 109. This would imply that increase in disposable income need not lead to higher demand for cottage products although they are alleged to have relatively high expenditure elasticities of demand. Cf. BIDS, (1981), p. 346.

HYVs and irrigation) in the sector. Since non-institutional credit was overwhelming and exploitative in character, channelling of funds through public lending institutions was also expected to bring some respite for the small and marginal farmers. Ironically enough, the small/marginal producers, who account for about 70 per cent of rural cultivating households and the bulk of the nation's agricultural production, were effectively bypassed by the rural credit programme; in their lack of adequate land or other resources, they were also not found credit worthy. The volume of credit to the poor has been stepped up in the recent years (e.g. Tk.100 crore SACP), although it is well-known that the relatively larger farmers have benefitted most.⁵⁹

While efforts have gone into devising means of extending credit to the poor for various agricultural activities, planners, in the more recent period, are confronted with a separate imposing set of issues. One of the concomitant features of increasing relative inequality and poverty in Bangladesh is the phenomenon of increasing landlessness in the rural sector.⁶⁰ A high proportion of landless population, with very little land-based employment opportunities and resource endowment, currently constitute the core of the poverty group. The terrain of credit operations had to be partially shifted. Various NGOs and public sector agencies devised, and followed up on, a number of poverty-focussed schemes to support the poor, based mainly on non-farm activities.⁶¹ Thus the new emphases lay more on (i) equity considerations by increasing income of the landless population and women; and (ii) non-farm, nonagricultural activities through organised self-employment programmes.

Dimensions of Credit

In Chart 2, we have a schematic presentation of the structure of rural credit dispensation in Bangladesh. There are two broad sources of credit — institutional and non-institutional — with the latter accounting for more than three-fourths of the total credit in the sector.⁶² The major credit share of the institutional sources goes to fi-

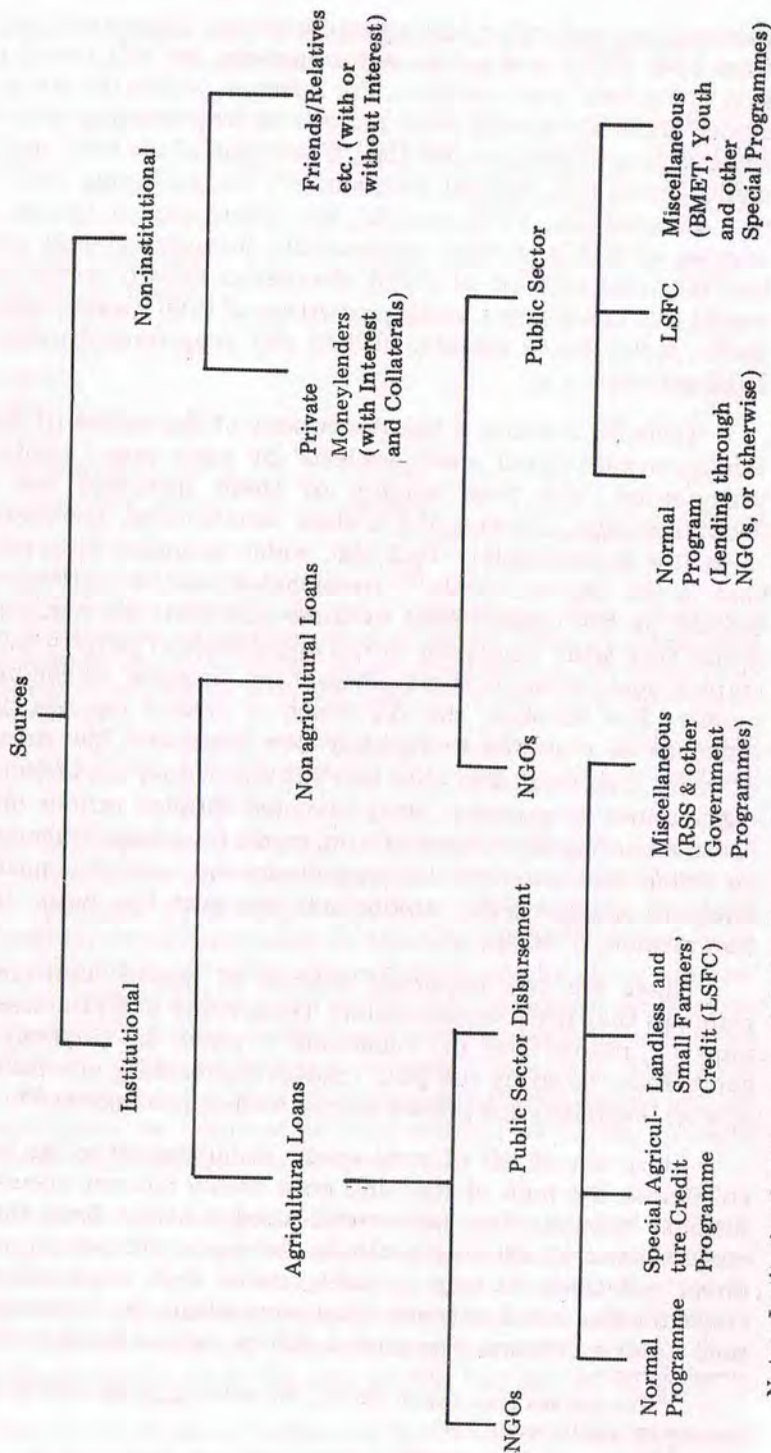
⁵⁹ For various evidence see Technical Paper E in *Food Strategy Review Exercise*, ILO/GOB 1984.

⁶⁰ According to the *The 1977 Land Occupancy Survey*, BBS, about 37 per cent of the rural cultivating households were landless, representing 7.75 million in absolute numbers.

⁶¹ Apart from the credit-based schemes, the most pervasive impact on employment expansion has come through food-for-work programme. But so far that has accounted for only 5 per cent of the total unemployment in the rural sector. Cf. *Strategy for Rural Development Projects*, Planning Commission, 1984. p. 23.

⁶² For a thorough view on various dimensions of rural credit, as affecting various classes of loanees, see Rahman, 1979.

Chart 2 — Structure of Rural Credit Disbursement



Notes: Institutional sources account for less than one-fourth of total rural credit. Normal programme of public sector disbursement

ancing crop and other agricultural activities. Nonagricultural loans, from both NGOs and public sector agencies, are still a small proportion of the total loan portfolio. For instance, within the public sector alone, funds for special rural projects to help marginal farmers and landless poor constitute less than 5 per cent of the total agricultural credit under the "normal programme", i.e. excluding SACP (Planning Commission, 1984, pp. 29, 36). There are, of course, a large number of NGOs, funded substantially through external assistance but the total amount of credit channelled toward special schemes would still constitute a small proportion of total credit. Some of the public sector funds are also utilised and programmed under a few NGO activities.

Table 18 contains a few dimensions of the extent of funds extended toward 'rural credit projects' by some major public sector programmes. The total amount of credit disbursed was around Tk.600 million, covering 0.3 million beneficiaries. The average size of loan is approximately Tk.2,000, which compares favourably with that in the case of NGOs.⁶³ Nevertheless, and supporting our contention on the limited scale of these activities, the credit coverage is still very small compared to the magnitudes of poverty and underemployment. Most of these schemes are, however, expanding quite rapidly. For instance, the GB which at present has less than 100 branches, is expected to multiply five times over the next couple of years. One must also note that the above does not include several other minor programmes being executed through various ministries. Thus, regarding the volume of rural credit for special schemes, it may be stated that currently the magnitudes are relatively small, but is likely to expand quite rapidly over the next few years (Planning Commission, p. 50 ff.).

There are two important aspects of special rural credit programmes that merit consideration. These relate to (i) the structure of rates of interest and (ii) collaterals — which are precisely the encumbrances faced by the poor loanees approaching non-institutional sources, especially the private money lenders (*mahajons*).⁶⁴

Since almost all of rural credit disbursement so far hinged on collaterals, the bulk of the rural poor hardly had any access to institutional sources. The new credit-based schemes have the special characteristic of offering credit to the poor without requiring any direct collaterals. It may be safely stated that, since collateral-free credit lending was a new and risky proposition, the responsibility for such experimentation was carried out by various social welfare agen-

⁶³The average loan size of BRAC, for instance, is less than 50 per cent of the average public sector loan.

⁶⁴Cf. Atiq Rahman (1979).

Table 18 — Rural Credit for Small Farmers and the Landless Poor:
Major Public Sector Programmes

Programme	Programme Coverage		Cumulative Credit Disbursed (Taka, million)	Average Size of Loan (Taka)
	Districts	Members		
Grameen Bank (April 1984)	5	84,005	287.9	3,427
Rural finance experimental project (Dec. 1982)	19	43,185	135.6	3,140
Small farmers credit scheme (IFAD assisted) (Dec. 1982)	3	37,495	56.4	1,504
ASARRD project (Dec. 1982)	3	3,248	16.7	5,142
Swanirvar credit (Dec. 1983) project	19	140,000	110.0	786
Total		307,933	606.6	1,970

Notes: The above relates to the major collateral-free credit programmes under the public sector for landless and small farmers. There are several other minor programmes executed through various ministries, e.g. the Rural Social Service Scheme, which provide loans and credit to the poor. Reference dates are given in parentheses.

Sources: GPRB, *Strategy for Rural Development Projects*, Planning Commission, January 1984; GB, *Consolidated Cumulative Statement*, (mimeo.), April 1984.

cies. Their performance, particularly in terms of fund recycling and recovery rates, has so far been remarkable. This encouraged and induced the nationalised commercial banks and Krishi Bank to embark on collateral-free credit extension in the rural sector.⁶⁵ In fact, both for NGOs and PSOs, recovery rates of loans on the above account was distinctly much higher than in the case of normal programme loans. (See Table 19). For institutional lending, this is indeed an important feature, often dubbed as a "success", especially when rural banking procedures and norms are undergoing an adjustment process to accommodate, in addition to conventional activities, hitherto non-bankable and risky areas of lending.

Although loans for special schemes are administered without collaterals, various other considerations exist to cross-check the rate of loan repayment. First, there is a strong emphasis on 'group' loans, as opposed to individual loans, which often implies a group responsibility to repay the loan. An individual member within a group may borrow independently, as in the case of GB, but should he falter in

⁶⁵ These banks are assured refinancing facilities at concessional rates by the Bangladesh Bank under the latter's rural credit programme.

abiding by the loan's terms of reference, the other members of the group are disqualified to obtain loans. Thus the concept of 'group' loans exercises some degree of discipline among the members. Second, loanees are often required to form and contribute to what is known as compulsory 'group' and 'emergency' funds (at stipulated rates) which may be used for, apart from household and other needs, repayment of loans.⁶⁶ This modality is followed, among others, by GB, BRAC and Swanirvar project. Third, the credit lending programmes involve a large number of workers who are responsible for collecting repayment. In some cases as in GB's, repayment is collected as frequently as once in a week at weekly meetings of the groups. This ensures close supervision of credit utilisation as well as repayment.

In respect of rate of interest, it can be seen from Table 19, that some organisations offer interest-free loans, while others do so at fixed or varying rates of interest. The practice of RFEP in charging varying rates of interest on rural credit, depending on the nature and profitability of projects, is not very widespread. The more common form among banks is to charge a preferential rate of interest, which is usually lower than that in the manufacturing and urban trading sectors. In fact, as illustrated by Krishi Bank's loan portfolio (Table 20), the share of credit under preferential rates (i.e. 12 to 13 per cent) has been increasing quite sharply in the recent years. One must, however, note that the bulk of such credit had gone into financing of crop and other agricultural operations.

On the costs of credit, few points are in order. First, a close and elaborate supervision as well as strong motivation among the loanees is required in respect of loan repayment, even when loans are extended interest-free. The case of BMET, which lacks the above, reports a very poor recovery rate although it does not charge any interest rates (see Table 19). Second, certain organisations place a separate service and administrative charge for supervising the project and facilitating access to loans, e.g. BRAC (3 to 9 per cent) and Proshika (5 per cent). In the case of Swanirvar, loan 'associates' (or workers) are paid from a trust fund which is constituted from group contributions — this should imply additional costs on credit for the poor, although the benefits accruing from the workers' service must also be taken into consideration. Third, although preferential lower rates of interest are deemed necessary and useful for subsistence employment creation schemes, these may attract touts and vested interests. The nationalised banks' experience of giving credit to small and marginal

⁶⁶In GB's 1982 *Annual Report* (p. 24), loan repayment is seen to constitute about 17 per cent of Group Fund withdrawals, with another 23 per cent going to basic needs of the households.

Organisation	Total Cumulative Disbursement (Tk. million)	Existing Rate of Interest (%)	Loan Ceiling (Tk.)	Period of Re-payment (Year)	Recovery Rates (Approx.) (%)	Remarks
Grameen Bank (April 1984)	287.9	16	5,000	1	98	The rate of interest increased from 13% after GB turned into a full-scale scheduled bank.
BRAC (Dec. 1983)	28.2	15	—	1, 3 or more	95	Service charge: 3-9%. At least 10% of Scheme's value to be provided by the group.
Proshika (Dec. 1983) Interest on advances;	3.5	Interest free	7,500	1+	—	No 5% service charge.
BMET (1981)	0.31	Interest free	—	3	18	
Swanivar Bangladesh (Dec. 1983)	110.0	—	900 & 5,000	—	93	Loan associates (workers) paid from Trust Fund from group contribution.
RFEP	135.6	12.36	5,000	—	81	Persons with outstanding loans from any other lending institution are not eligible.
ASARRD	16.7	—	—	—	80	

Note: Reference dates as available.

Table 20 — Changes in Proportionate Shares of Credit by Varying Rates of Interest, Krishi Bank

Rates of Interest	Percentage of Credit Disbursed		
	1980/81	1981/82	1982/83
12 Per cent	25	26	26
13 Per cent	20	37	42
14.5-16.0 Per cent	32	13	10
Others	23	24	22
Total	100	100	100

Note: The total loan portfolio of Krishi Bank stood at Taka 4,010 million in 1982/83.

Source: AKMN Hoque, *Financing of Rural Poor: Non-farm Activities — Bangladesh Krishi Bank*, paper presented at the National Workshop on 'Self-employment for the Rural Poor', Dhaka, January 1984.

farmers has shown how the more powerful classes can 'exploit' the rural lending institutions.⁶⁷ Such a phenomenon can perhaps be checked so long as the programmes are small and closely scrutinized. Fourth, interest rates, whether preferential or not, have to be considered in comparison to the opportunity cost of capital elsewhere in the economy. If the rate is kept artificially low, for whatever equity and welfare considerations, a *subsidy* is called for, which may be matched either from income generated from artificially higher interest-lending elsewhere or by diverting resources from other sectors. The priorities would have to be governed by the overall costs to society and terms of development — and not simply by the reported 'success' criterion of disbursing loans and getting them recovered.

Credit Utilisation

Credit is advanced to the rural poor for implementation of simple project profiles covering a wide range of activities. viz. cottage crafts, transport, shop-keeping, trading, agro-processing, irrigation, cattle fattening, weaving, fisheries, and so on. Thus a wide flexibility exists with regard to the choice of projects (although organisational motivation may play an important role), but once the project is approved and funds released, further maneuverability becomes extremely restricted because of the agents' supervision. One is, however, left unsure as to how far even close supervision can prevent

⁶⁷ Cf. ILO/GOB (1984), *Food Strategy*, op. cit., Technical Paper E.

Table 21 — Percentage Share of Trading/Transport Activities
in GB Credit to Male Loanees

Activity	Per cent of Total Loans Disbursed	
	1980/81	1982
1. Paddy & rice trading	8.0	10.0
2. Grocery and stationery shopkeeping	5.8	6.1
3. Seasonal crops trading	2.4	5.1
4. Cattle and goat trading	4.7	4.8
5. Paddy and pulse husking	4.7	3.9
6. Cart transport	3.6	3.5
7. Rickshaw transport	9.6	3.4
8. Handloom products trading	4.1	3.3
9. Wood and timber trading	1.9	2.2
10. Cloth trading	1.6	2.0
11. Mustard seed trading	1.9	1.9
12. Peddling	2.0	1.8
13. Paddy cultivation	0.8	1.8
14. Gur trading	1.9	1.8
15. Fish trading	1.4	1.5
16. Vegetable trading	1.8	1.5
17. Flour trading	1.6	1.6
18. Betel leaf and nut trading	1.2	1.3
Total	59.0	57.5

Source: Extracted from M. Hossain (1984), Table 3.4.

loans from being used for household consumption needs and repayment of past debts.

To the extent that loans are utilised in accordance with project stipulations, there are positive indications that trading and transport activities are among the most preferred options, particularly among the male loanees. Female loanees engage mostly in simple cottage and agro-processing activities, especially rice husking, weaving etc. The percentage share of credit in trading and transport activities to male loanees under GB projects is shown in Table 21. It can be seen that nearly three-fifths of credit to males are channeled into trading.

Trading is, indeed, an important activity under the imperfect conditions of marketing in the rural sector. It facilitates the flow of commodities across regions, sectors and population. Further, the growth of petty traders may also help check the traditional mer-

chants'/traders' margins. But such growth in petty trading may have its adverse effects felt elsewhere. We have already noted that non-agricultural activities, sponsored through special schemes, are closely related to the growth of agricultural production. Given the structural constraints accounting for extremely slow progress in the agricultural sector, and also the poverty conditions of the mass of small and marginal farmers, growth of petty trading would perhaps enhance traders' margins.⁶⁸ The existing structure of trade and marketing of agricultural products bears the characteristics of an oligarchic market,⁶⁹ the full force of which is reflected in times of crop failures and famine situations (Muqtada, 1981). Although the growth of petty traders in this sector may marginally cut into the profits of big merchants/traders, it would, at the same time, lower their own incomes. Considering the sector as a whole, traders' margins dominating producers' margins in a scarce world characterised by supply rigidities, would in all probability tend to create inflationary pressures.⁷⁰ This would obviously have adverse effects on the levels of living of the rural poor. With the gradual intensification of the above developments, and in the absence of mitigating forces, there is an element of danger that the current character of credit utilisation for self-employment may be self-defeating in the long run. It would affect some target households favourably, other households on the margin adversely.

7. A Note on the Institutional Framework

Special schemes promoting self-employment and certain wage-based employment in Bangladesh are currently receiving strong support from public sector planning.⁷¹ It would, however, be safe to state that the merit of these schemes, combining increased work effort and social welfare for the rural poor, has emerged, by and large, through non-governmental channels. Various types of NGOs, like the missionaries (MCC), international institutions (CARE, CON-CERN etc.), and other agencies (GUP, BRAC, Proshika), all have been promoting special poverty-focussed programmes for a long

⁶⁸ For an account of the role of credit within the existing agrarian set-up of Bangladesh, see Rahman (1979).

⁶⁹ For a detailed investigation on the rice marketing structure in the country, see Faruk (1972).

⁷⁰ It is interesting to note that about 40 per cent of GB loanees already had petty trading/business as their primary occupation, prior to their undertaking the loan.

⁷¹ The Planning Commission categorically states that "production and employment programmes for the rural poor" would be one of the major components of RD projects in Bangladesh. Cf. *Strategy for Rural Development Projects* 1984, p. 47.

time. Notwithstanding the impact of each, nothing substantial has been forthcoming in respect of a common policy initiative. Two notable exceptions to these have been the Swanirvar (self-reliance) movement and the Grameen Bank project. Both these programmes have shown spontaneous promise and have come increasingly under public intervention. Apart from direct intervention, public sector agencies have been promoting various NGO activities through credit lending, training, information and input delivery assistance. Krishi Bank's support to Proshika's group irrigation projects is a case in point.

While NGOs and public agencies, working separately or through collaboration, are gradually forging toward a loosely-defined network promoting special employment schemes, some form of institutional cooperation is also fostered among the target population who are at the receiving end of the programmes. This is the growth of the concept of group self-help and responsibility. Group formation, through motivation, not only enhances the scope of income/employment generating activities but also facilitates the operation of a receiving mechanism. Group cooperation activities appear to be a compromise between programmes for individual welfare, which are impossible to administer, and state-run, structured cooperatives, whose impact on the target population has so far been negligible.⁷²

Linking the two institutional groups — donors and receivers — are the so-called 'animators' or 'change agents' who are appointed by the loan-giving organisations. The number of such workers varies with the scope of each organisation, and their functions are defined according to the modes of agency operations. These usually include selection of distress areas and target population, motivation, advice and training, processing of loans and repayment collection, supervision on the loans sanctioned and periodic meetings with loanees, and the like. The Swanirvar project, apart from its core employees, has up to now appointed about 9,000 *reen shahajogies* (credit assistants and supervisors) at the village, union and *upa zilla* levels, whose salaries derive from group contributions of the project beneficiaries. GB, on the other hand, which has appointed about 1,000 bank-workers, is itself responsible for paying monthly salaries to its workers. BRAC partially recovers its costs on field supervisors and workers by introducing a varying service charge depending on the size and nature of involvement in a scheme (see Table 19).

The existing structure of implementation of special employment schemes contains a few limitations, some of which have already

⁷²See Khan (1979), for important insights into the cooperative experience in Bangladesh.

been noted in the previous sections. A summary collation of these would appear as follows. First, most of the agencies (apart from the few mentioned in the present study) have an extremely small and localised network. Although these may attain a reasonably good understanding of the local socioeconomic environment, the focus of their operations may be confined to small geographical units or activity-range. For example the MCC over the last five years, has created about 700 jobs, *specifically for women*, under nine projects. Second, closely linked to the above, is the lack of a comprehensive view of the problems of the poor. The GB, Swanirvar etc. set eligibility standards on the basis of some land-asset ownership (approximately 40 decimals) of households. It may be noted that there exist a vast number of households, with marginally higher land ownership, but who, in terms of poverty measure, may be worse off. This may occur, for instance, when the latter has a higher family size or dependency ratio. Only the BRAC is known for conducting a baseline survey for selecting target households based on multiple criteria.⁷³

Third, operational funds for most agencies are rather limited,⁷⁴ which also is responsible for truncated approaches to employment/income generation. Funds are thus 'thinly spread, or are inadequate to cover the range of support to sustain the activities. Fourth, although organisations have their individual ways of monitoring the progress of project activities, there is hardly any evaluation of the overall agency or inter-agency performance. The beneficiaries are accountable to the workers/agents who are in turn accountable to their employing organisation, whereas the latter hardly has any evaluation on its cost-effectiveness. Moreover, the government also maintains a weak monitoring of activities of these employment-promoting agencies. Fifth, notwithstanding the range of activities generated, the organisation, as an implementing agency, is deeply attached to its respective project area. One success criterion of the implementation of the project 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 appears suspect, and the present levels of income and employ-

⁷³ There are already several base-line surveys conducted by BRAC, and the basic information published. See, for example BRAC (1982).

⁷⁴ The Swanirvar movement in Bangladesh initially started on an awareness generating campaign based on such philosophy as "Give a man fish and you are helping him a little bit for a short while; teach him the art of fishing, and he can help himself all his life." Given the mass poverty situation in Bangladesh, the above saying seems to miss out the most crucial catalytic factor — credit. In just two years since its inception in 1976 Swanirvar resorted to a full-scale credit programme.

ment generated would fall into jeopardy.⁷⁵

It is particularly important to realise that the entire range of programmes, although run by some public sector or 'alien' agencies, operates within a particular agrarian set-up and requires close collaboration from local bodies. The existing agrarian structure would, for instance, govern the necessity of such schemes, the amount of work-effort that an individual household/member can afford to devote in these, the income needs of the family and the freedom and non-dependence that the rural poor can wield under alternative scenarios. It may be recalled that although credit terms under the special schemes are less stringent than those offered by village money-lenders, a higher degree of flexibility appears to rest with the latter. Moreover, the extent of participation and involvement of the rural population in agricultural operations is so overwhelming, that non-agricultural work done does not seem to constitute yet an easily acceptable and viable strategy for the bulk of the households.⁷⁶ Thus, although the special programmes are mostly geared toward non-land-based activities, and that the target population is, by and large, landless and assetless, it is still the structure of agricultural production and land-relations that would crucially determine the degree of response to the organisational move to create employment and improve the lot of the rural masses.

The local administrative bodies and local-level public sector agencies also have an important role to play in facilitating the implementation of employment creation schemes through various services, input delivery and other assistance. So far, it seems that except for *ad hoc* connections, they are not quite integrated to the special schemes, which run independently with occasional liaison with the local bodies in respect of certain services and inputs. The delegation of central authorities to the *upa zilla* level, and proposals for preparation of the *upa zilla* annual development plans (UADP) may be seen as important features toward strengthening the implementation of special schemes in operation. Through these, it would indeed be possible, in principle, to gather a comprehensive as well as disaggregated information on the size and nature of employment in the local areas, and offer more realistic and coordinated planning. In 1983, the National Rural Development and Employment Council

⁷⁵ Mennonite Central Committee (MCC), one of the NGOs operating in Bangladesh notes as follows: "projects lose their forward impetus when MCC withdraws. Changes in the method of operation are not made even though a changing environment has clearly out-moded current products/practices." Cf. Sarker and Dirks, 1984.

⁷⁶ For an assessment of the significance of nonagricultural work in the rural households' activity portfolio, see Muqtada and Alam (1984), Chapter VI.

NRDEC) has been set up specifically to look into the dimensions of the rural development projects and their employment content. Although the functions and operations of NRDEC are yet to be defined, it appears that a host of rural employment institutions does exist — from national to local levels, public sector agencies to NGOs, the animators, etc. Coordination and monitoring are the crucial missing links.

8. Policy Issues and a Final Remark

Policy Issues

The shortcomings of the strategy of promoting special employment schemes in Bangladesh call for a serious review of certain policy issues, some of which are mentioned below.

(i) *Defining the problem.* The first step for researchers and planners is to understand the magnitudes and specific attributes of the problem of rural unemployment and underemployment in the country. The problem of surplus labour has been brought out quite convincingly through some micro-level investigations, but there does not exist any comprehensive, national-level dimension of the problem (apart from some indirect estimates). It is necessary to realise that agriculture still supports the bulk of the rural population, and that nonagricultural activities, which are currently being fostered through special schemes, constitute only a supplemental category. Factors ranging from cycle of agricultural operations to social values still implicitly dictate the benefit-cost of opting for non-land-based activities; as such, it is against the backdrop of these, and other labour market imbalances, that perspectives to the strategy of special employment creation have to be sought.

(ii) *Selection of target households.* Since the present arrangement of selecting distress areas and target households through agency employees and/or voluntary workers can be arbitrary and disparate, a more objective assessment could be attained through conducting base-line household surveys (like those done by BRAC). Another alternative would be to enable the villagers to perceive their own problems and reach consensus on who are the truly needy. Information emerging from such an exercise can be monitored through local village/union councils.

(iii) *Coordination.* The recently installed National Rural Development and Employment Council can easily act as a successor to all *ad hoc* employment operations. It can at once act as a national-level monitor, and, through affiliate bodies at the local levels, provide disaggregated employment scenarios and possibilities under local

conditions. Through this, overlaps may be avoided, activities streamlined and inter-institutional collaboration better executed.

(iv) *Activity generation and diversification.* Given the various constraints faced by present non-farm activities, a proper planning of such activities has to be done in accordance with local skills and resources. Certain diversification, quality control and directional changes would have to be imparted to the traditional, mostly cottage, activities to match changing demand structure.

(v) *Institutional support.* Since most of the rural poor engaged under credit-based programmes are assetless, institutional support must also ensure that whatever assets are created through self-employment schemes can be retained. In this regard, motivation, information, marketing facilities, training and even consumption loans would feature prominently. If intervention in employment operations has to continue, a 'package' offer would be required to sustain self-employment of the poor. Further cooperation may be fostered within and among target groups to enlarge the base of cooperative activities and ownership of assets, as well as setting up of cooperative storage and marketing facilities.

(vi) *Credit utilisation.* Given that, at present, credit utilisation rests overwhelmingly on trading and transport activities, it is implicit that production and processing receive relatively lower priority among the beneficiaries (especially male loanees). The dangers in the former and difficulties in the latter categories have to be appreciated both by the sponsors and receivers, through appropriate scrutiny of project profiles, motivation and supervision.

(vii) *Cost effectiveness.* For individual projects as well as organisational schemes, there must be a register of cost-effectiveness. These programmes, which are crucially built on credit, have to be properly evaluated and monitored so that the opportunity costs of diverting scarce resources can be weighed against the stream of benefits flowing from them. The length of the projects and their sustainability must also be taken into consideration.

(viii) *Scale of activities.* In order that these programmes do not simply appear as fleeting forays into the problem of mass under-employment, some of the more promising ones need to be followed up in terms of expansion and replication. Preference for necessary institutional expansion may be placed on those which would potentially offer more employment opportunities, direct or indirect. Such scaling up and replication of programmes have to be carefully phased out so that the limitations that may emerge in the process can be properly seen and resolved.

(ix) *Data generation.* One of the most important aspects of evaluation and monitoring is the availability of adequate and relevant data on various performance indicators. There is hardly any reliable national-level or project-level data available on the extent of off-employment (income generated by these programmes, the extent of non-formal training or even the number of programmes currently in operation). A data bank on projects and their performances (on specified indicators) and a census of employment are crucial to both evaluation and projection exercises. Such information would indeed be useful in long-term employment planning as well as in coping with sudden failures in employment entitlements which are closely linked to agricultural performance under natural risks.

Final Remark

The above policies are related specifically to the strengthening of the strategy of special rural employment creation, but if the strategy is pursued with any degree of seriousness, then the method must also encompass a host of other policy issues which have a crucial bearing on it in the long run. For instance, there is a clear current of dependence throughout the programme — the beneficiaries are dependent on the animators/organisations for loans and for being selected as a loanee, while the organisations are dependent on banks and foreign donors for timely sanction of grant and credit. If the self-employment creation strategy has to look better and imply deeper than the impression of a simple welfare-oriented programme, then the "bailing out" considerations must, at some stage, be phased out. In any event, alternatives have to be sought to the prospects of diminishing foreign aid in the near future, and programmes have to be carefully redesigned on possible internal raising and recycling of funds. Should this strategy be seen at all as one where emphasis is shifted from public asset-creation (through growth-based public works programmes) to individual asset creation (through self-employment), then assertions must be placed not only on mobilisation of local human resources, but on other physical and financial resources as well. Further, in order that the strategy be accommodated within the country's overall development efforts, various other policies need to be streamlined; these would range from stricter control of imports (especially those affecting the market of rural non-farm products, e.g. edible oil), raising local revenues, restructuring of the rural banking system in line with the current developments in credit extension to the poor, imposing various restrictions on the 'urban bias' character of current policies, etc.

While the significance and urgency of promoting special employment schemes in rural Bangladesh is easily understandable under the existing order of underemployment in the country, the strategy

perhaps cannot, given its current scale and future possibilities, stand on its own as a major attack on poverty. Most of the programmes relate to low-yield activities, with feeble multiplier effects, and amenable only to horizontal diffusion. These, more importantly, can neither stem the growth of poverty, landlessness and unemployment nor the flow of rural migrants to the already over-burdened urban centres. Designs on rural employment expansion have to be pitted against the goal of raising labour productivity in the sector and growth of the economy; it remains to be seen how far small-scale production through self-employment can move the economy whose dominant constraints lie elsewhere. One must also take into consideration the relative allocative efficiency within the non-farm sector vis-a-vis the farm sector, not only from the standpoint of individual households but the economy as a whole. In point of fact, the Second Five-Year Plan of Bangladesh (1980-85), under the alternative approaches open to the economy, has clearly opted for a broad-based agricultural growth strategy.

The present nature of the programmes seems to suggest that these are indeed useful as partial measures of poverty alleviation and should be cautiously fostered. However, given their limitations, to thrust any further onus on them would perhaps doom the strategy to one more practice in ad hocism.

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