



Poverty and unemployment in Bihar: An insight to Government Schemes in creating avenues of livelihood

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Abstract

The extreme poverty of India has certainly reduced but Bihar still struggles with substantial poverty. Addressing the poverty of Bihar is a central development challenge for the economy of India. Bihar, being one of India's most populous and economically challenged states, grapples with high levels of poverty and unemployment. A high proportion of India's multidimensional poor still reside in Bihar. Bihar's employment is still primarily in the informal sector and agriculture, suggesting ongoing underemployment and low wages despite low unemployment rates. Using secondary data from government reports, periodic labour force surveys, and development indicators, the paper highlights the trends and interlinkages between poverty, joblessness, and livelihood insecurity in the state. The role of government interventions aimed at poverty alleviation and livelihood creation in Bihar, is identified. Government schemes have played a significant role in mitigating extreme poverty and providing short-term employment and livelihood opportunities. The long-term reduction in unemployment and poverty in Bihar requires a comprehensive strategy. Strengthening skill-oriented education, promoting labour-intensive industries, improving rural infrastructure, enhancing credit access, and fostering entrepreneurship are essential for creating sustainable livelihoods.

Keywords: Poverty, unemployment, Government Schemes, Public Sector Banks, financial inclusion, livelihoods, implementation challenges

Introduction

Bihar's socio-economic landscape is characterized by persistent poverty and high unemployment rates, despite various government interventions. With little industrial diversification and inadequate infrastructure, the state's economy with an estimated population of approximately 127 million — among the highest in India — Bihar faces entrenched development challenges. The state has historically exhibited high poverty levels according to the Multidimensional Poverty Index, though it has seen some reductions over recent years, and continues to struggle with unemployment rates that remain above the national average. These structural issues are reflected in persistent job scarcity, high dependence on agriculture and informality in the labour market, and ongoing distress migration for work. The state economy is primarily agrarian, which contributes to underemployment and seasonal unemployment. By encouraging financial inclusion, loan availability, and livelihood improvement, government initiatives—many of which are administered through PSBs, seek to mitigate these problems. Over a third (34%) of families in Bihar live in poverty, surviving on ₹6,000 a month or less. The state's historical context, marked by the zamindari system and limited industrialization, has contributed to its underdevelopment. This paper aims to highlight the challenges and issues of poverty and unemployment in Bihar, with a specific focus on government-sponsored schemes implemented through public sector banks.

Objectives of the Study

To understand the issues and dimensions of poverty and unemployment in Bihar.

To identify the efficacy of government schemes like-MGNREGA, PMAY, PMUY, PM-JDY and allied social

transfers, to reduce the vulnerability of the people by creating avenues of livelihood.

To understand the role of public-sector banks (PSBs) and the formal banking channel in implementing government schemes to alleviate poverty in the state of Bihar.

To identify the challenges and issues in implementation of the schemes.

To locate the recommendations to improve the efficacy of the implementation of the schemes.

Research Methodology

This study is based on National Multidimensional Poverty Index (MPI) estimates, Periodic Labour Force Survey (PLFS) / state economic documents, programme portals, evaluation studies, Prominent newspapers and policy reports.

The sources used in this work reflects the statistics issued by the government and large national surveys like- NITI Aayog MPI, PLFS. It also emphasises the information published in the reports of Bihar Economic Survey, programme administration portals (PM-JDY, MGNREGA, etc.,) and recent evaluative studies on several central and state government schemes.

Discussions and Observations

Dimension of Poverty and Unemployment in Bihar

It's imperative to understand that the high incidence of poverty is due to the significant proportion of Bihar's population lacks access to necessities such as food, shelter, healthcare, and education. The poverty rate in Bihar is higher than the national average, with a substantial number of multidimensionally poor individuals. The Bihar government's socioeconomic caste survey (2023) shows that approximately 34.13 % of all families in the state

reported a monthly household income below ₹6,000 — a critical threshold indicating severe economic vulnerability. A large proportion of households earn below ₹10,000 per month (especially in rural and informal sectors). Poverty incidence is higher among Scheduled Castes and Scheduled Tribes compared to OBCs and the general category.

Besides unemployment, underemployment is a critical issue, with graduates and postgraduates willing to work for low wages due to job scarcity.

There is a problem of low agricultural productivity in the state. Agriculture employs a large portion of Bihar's workforce, but productivity remains low due to small landholdings, outdated farming practices, limited irrigation, and inadequate infrastructure.

Bihar is also faced by the problem of lack of economic diversification. Bihar's economy is heavily dependent on agriculture, with limited diversification into other sectors, making the state vulnerable to economic shocks and limiting employment opportunities.

Access to quality education and skills training remains a challenge, particularly in rural areas, which limits human capital development and restricts upward social mobility.

Bihar's infrastructure, including roads, electricity, and irrigation, lags other states, hindering economic growth and limiting access to basic services.

Social inequality and exclusion based on caste, gender, and other factors persist, limiting opportunities for marginalized groups and contributing to poverty.

An overview of a few Government-Sponsored Schemes meant to eradicate poverty and unemployment

Bihar Laghu Udyami Yojana: The Government of Bihar has approved the Bihar Laghu Udyami Yojana (also known as the Bihar Small Entrepreneur Scheme), targeting more than 9.4 million (94 lakh) poor families identified through the state's caste-based socio-economic survey. Under this scheme, families with a monthly income of less than ₹6,000 are eligible to receive a grant of up to ₹2 lakh per family in three installments to establish and operate small industrial or processing units. At least one member of each eligible family is to be selected through computerized randomisation, and the units may include handicrafts, textiles, eateries, and other small enterprises, with the aim of promoting self-employment and boosting local economic development

National Rural Livelihoods Mission (NRLM): This program aims to empower rural communities by promoting self-help groups (SHGs) and providing access to financial services and livelihood opportunities.

JEEViKA's Bihar Rural Livelihoods Project (BRLP): JEEViKA, implemented through the Bihar Rural Livelihoods Project (BRLP) and its successor initiatives with technical and financial support from the World Bank, is one of India's largest state-level rural livelihoods and poverty reduction programs. It organizes poor rural women into Self-Help Groups (SHGs), Village Organizations, and federations to strengthen community institutions, improve access to formal banking, and enhance socio-economic empowerment. Operating across all 38 districts and over 34,000 villages of Bihar, JEEViKA has mobilized millions of rural households — with credible figures indicating approximately 9–10 million women members in SHGs —

and its community institutions have leveraged over INR 10,650 crore in formal bank credit while also mobilizing significant community savings. The program has enhanced women's economic agency, reduced reliance on informal moneylenders, and increased financial inclusion through initiatives such as Bank Sakhis, who serve as banking correspondents and agents for digital and last-mile financial services.

Prime Minister's Employment Generation Programme (PMEGP): The Prime Minister's Employment Generation Programme (PMEGP) is a government-sponsored credit-linked subsidy scheme aimed at reducing poverty and unemployment by promoting self-employment through the establishment of new micro and small enterprises in both rural and urban areas. Under PMEGP, unemployed youth and traditional artisans can set up non-farm ventures with bank loans up to ₹50 lakh, supported by 15%–35% subsidy depending on category (general/reserved) and location (urban/rural). Overall, PMEGP plays a strategic role in Bihar's efforts to combat unemployment and poverty by fostering self-employment, financial inclusion, and entrepreneurial activity among the state's youth and marginalized groups.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA): The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a flagship rural employment programme guaranteeing up to 100 days of paid unskilled work per rural household per year, aimed at reducing poverty and unemployment by providing a social safety net and creating rural assets. In Bihar, the scheme remains a crucial source of livelihood for millions of rural families, with over 1,021 lakh person-days of employment generated by mid-2024-25 (as of July 12, 2024) under MGNREGA, reflecting strong demand for work and wage support in the state. Overall, MGNREGA in Bihar continues to play a vital role in alleviating rural unemployment and supporting income security, especially during agricultural lean seasons, while ongoing efforts are needed to improve awareness, fund release efficiency, and ensure equitable access to work opportunities across all eligible households.

Bank Linkage Program: One of the most successful programs supported by the Bihar government in the microfinance sector is the bank-linkage program. Nationalized commercial banks, regional rural banks, and cooperative banks are important channels for providing microfinance services.

Other Schemes

Chief Minister Nishchay Self-Help Allowance Scheme: Provides monthly financial assistance to unemployed youth aged 20-25.

Bihar Student Credit Card Scheme: Offers education loans up to INR 4 lakh to students for higher education.

Kushal Yuva Program: Skill development initiative targeting youth to enhance employability.

Role of Public-Sector Banks and the Formal Banking Channel in implementing Government-Sponsored Poverty Alleviation Schemes in Bihar

Public-sector banks (PSBs) and the formal banking channel have been central to India's strategy for poverty alleviation,

acting as the primary intermediaries for government-sponsored programs aimed at enhancing financial access, delivering welfare benefits, and promoting socio-economic inclusion. PSBs, by virtue of their ownership structure and public mandate, have historically pursued developmental objectives alongside commercial banking functions, making them crucial agents in implementing poverty mitigation schemes across the country.

In India, the formal banking sector—comprising PSBs, regional rural banks (RRBs), cooperative banks, and other regulated financial institutions—serves as a structured delivery mechanism for various poverty alleviation programs. These include financial inclusion efforts under flagship initiatives such as the Pradhan Mantri Jan-Dhan Yojana (PMJDY), priority sector lending for agriculture and microenterprises, and subsidised credit schemes for economically vulnerable groups. The formal banking system also facilitates Direct Benefit Transfers (DBT), ensuring that subsidies and welfare entitlements reach beneficiaries directly into their bank accounts, thus reducing leakages and enhancing transparency.

PSBs in particular play a pivotal role in channelising these programs in states with high levels of poverty and financial exclusion, such as Bihar. With a substantial rural population and historical challenges in access to formal financial services, Bihar has benefited from targeted banking-led inclusion campaigns. For example, the financial inclusion saturation campaign driven by the State Level Bankers' Committee has successfully extended banking access to thousands of panchayats in Bihar, bringing financial services—such as savings accounts, microcredit, insurance, and pension products—to previously underserved rural communities.

One of the most significant contributions of PSBs is in the implementation of the Pradhan Mantri Jan-Dhan Yojana, which aims to provide universal banking access. PSBs manage a large proportion of PMJDY accounts and are instrumental in onboarding account holders, promoting financial literacy, and integrating these accounts with government welfare programs. Through Jan-Dhan accounts, beneficiaries become eligible for DBT of subsidies, pensions, scholarships, and other welfare transfers, thus directly linking poverty alleviation efforts with the formal financial structure.

PSBs also channelise credit-based poverty alleviation programs by prioritising lending to segments classified under the priority sector—including small and marginal farmers, women self-help groups (SHGs), and micro and small enterprises. In Bihar, for example, banks such as Punjab National Bank have disbursed significant loans to SHGs, enabling economic empowerment and income generation among rural women. Such credit flows not only support productive activities but also enhance the financial inclusion profile of historically marginalised groups.

The formal banking channel, through PSBs, also supports other government initiatives such as the Kisan Credit Card (KCC) scheme, which provides affordable credit to farmers. Recent policy developments in Bihar, including additional interest subsidies on KCC loans, further underline the importance of bank-mediated delivery in supporting agricultural livelihoods and reducing poverty among rural farming communities.

Moreover, state-level innovations like the bank performance ranking index in Bihar, which assesses banks on parameters such as credit-deposit ratios, agricultural lending, and

participation in schemes such as Mudra and PMEGP, demonstrate a focused effort to strengthen the role of banks in socio-economic development and poverty reduction.

PSBs and the formal banking channel in Bihar operate as foundational agents of government-sponsored poverty alleviation programs. Their extensive branch networks, implementation of financial inclusion campaigns, facilitation of welfare transfers, and targeted credit delivery collectively contribute to enhancing economic opportunities for vulnerable populations. As mechanisms for redistributing financial resources and integrating marginalized communities into the formal economy, PSBs remain pivotal to India's poverty reduction strategy - particularly in regions like Bihar where structural challenges to inclusion are significant

Challenges and Issues in Implementation

Credit-Deposit Ratio: Bihar has one of the lowest credit-to-deposit ratios in India, indicating limited credit availability in rural areas.

Awareness and Accessibility: Lack of awareness about government schemes and complicated application processes hinder access for the poor and marginalized.

Bank Mitra Program: The Bank Mitra (Friend of the Bank) program hires and trains literate members of SHG households to maintain data, provide financial counselling, facilitate transactions, and monitor repayment rates. This program has improved service delivery standards.

Leakages and Corruption: Leakages in the disbursement process and corruption can divert funds away from the intended beneficiaries, reducing the impact of the schemes.

Infrastructure and Connectivity: Poor infrastructure and lack of connectivity in rural areas pose challenges in monitoring and supervision of the schemes by banks.

Recovery of Loans: The recovery of loans disbursed under government schemes is a significant challenge for PSBs, affecting their financial health and ability to further extend credit.

Actions to be taken for Enhancing the Efficacy of the Schemes: Solutions more important than Problems

To increase the number of bank branches and ATMs in rural areas

To enhance banking infrastructure to improve access to financial services.

To conduct awareness campaigns to educate people about various government schemes and banking services, which will promote financial literacy

To Streamline the implementation of the schemes and policies.

To make the application process for government schemes easier and more accessible.

To create and popularise easy online portals and mobile apps for application, disbursement, and monitoring of funds.

To organise awareness campaigns by means of camps, kiosks, public shows in public places, etc.

Strengthening Monitoring and Evaluation

To conduct regular audits and impact assessments to identify and address leakages and inefficiencies.

To involve local communities in the monitoring process to ensure transparency and accountability.

To improve coordination between government departments and public sector banks to ensure seamless implementation. To collaborate with NGOs and SHGs to mobilize communities and facilitate access to credit and other services.

Promoting Sustainable Livelihoods

To provide vocational training and skill development programs to enhance the employability of the youth.

To offer financial and technical assistance to promote entrepreneurship and small businesses.

Conclusion

Poverty and unemployment in Bihar present complex challenges that require a multi-faceted approach. Government-sponsored schemes channelled through public sector banks play a crucial role in addressing these issues, but their effectiveness is hindered by various implementation challenges. Beneficiaries of MGNREGA, PMJDY/DBT, PMUY, and PMAY have shown improvements in their earnings, transfers, and quality of life. Between 2015–16 and 2019–21, there were quantifiable improvements in multidimensional deprivations, according to the National MPI and state economic indicators. However, without consistent program delivery and service coverage, many households continue to live in poverty, and many gains are brittle.

By improving financial inclusion, streamlining implementation processes, strengthening monitoring and evaluation mechanisms, enhancing collaboration between stakeholders, and promoting sustainable livelihoods, the impact of these schemes can be significantly enhanced. Addressing these challenges is essential for fostering inclusive growth and sustainable development in Bihar.

Recommendations

The following suggestions are meant to enhance the impact of programs in Bihar that reduce poverty, based on the research that has been reviewed:

Put payment dependability first by making investments to fortify the bank: Granting redress and Aadhaar-DBT pipelines to minimize MGNREGA wage delays. Program enrolment and consumption smoothing are increased by consistent payouts.

Activate PMJDY accounts: To turn dormant accounts into transactional IDs for DBT and saving/investment purposes, conduct focused activation campaigns (financial literacy + business correspondent outreach).

Integrate asset quality evaluation: To guarantee long-term livelihood advantages, evaluate the MGNREGA assets' (water retention, irrigation check dams) productivity and upkeep on a regular basis.

Enhance PSB-BC networks through supervision: provide business correspondents and PSBs with performance rewards linked to prompt DBT delivery and account activation, while enforcing stricter oversight to prevent exclusion.

To coordinate entrepreneurial activities and welfare schemes for desired results of the schemes.

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