

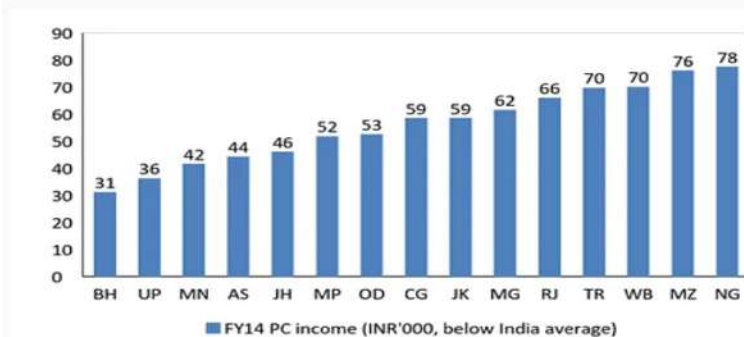
# Double Digit Growth: Bihar on Development Track and Still Miles to Go!

There is a common belief across India about Bihar. Bihar is a huge state situated on the Ganges Plain in eastern India. The history of Bihar even before independence and after has seen violence at its peak and being named as poorest and most corrupt state in the country for decades. Due to its proximity to the huge markets in East India and North India, access to ports such as Kolkata and Haldia, and raw materials and mineral deposits in neighboring states, the state enjoys a unique location advantage.

## Bihar Recent Economic Trend:

In the recent ten years, Bihar has become one of the fastest growing states in India. Although this can be largely attributed to the low economic base, the relative sustainability of Bihar's economy in maintaining double-digit growth from 2006 to 2014. After the separation of Jharkhand from Bihar, it is still impressive and successive governments worked great in the key sectors like **construction, public services, and improved telecommunication**. Bihar's improvements in construction, public services, and telecommunications have been the main drivers of this rapid growth, but there is also concern regarding is this enough to maintain double-digit economic growth.

Figure 1: Bihar has done well in terms of GDP growth, but still remains last in terms of national average

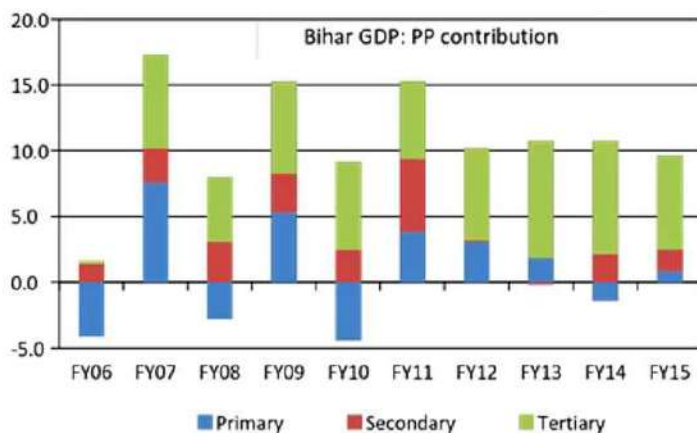


## Factors Driving the Economy:

- With regarding to Governance and its efforts in the last decade can be recognized by everyone that the rule of law and improvements in public services and road construction after 2005 have been the main drivers of Bihar's growth in the past decade.

- But it is important to consider the quantity and quality of the change. According to the successive economic surveys and global data, it becomes very clear that Bihar has benefited greatly from global and local factors.
- For example, the transportation and telecommunications sector in Bihar increased approximately fourfold between 2005 and 2015.
- This is likely to happen in India, where Bihar has benefited greatly from improved connectivity in the region.
- This may be because of continuous majority Government rule and clear mandate by the people resulted a high rated the public service and boost to construction industries, which increased by 1.9% and 4.7% respectively over the same period.

Figure 2: Bihar's growth has been largely services driven

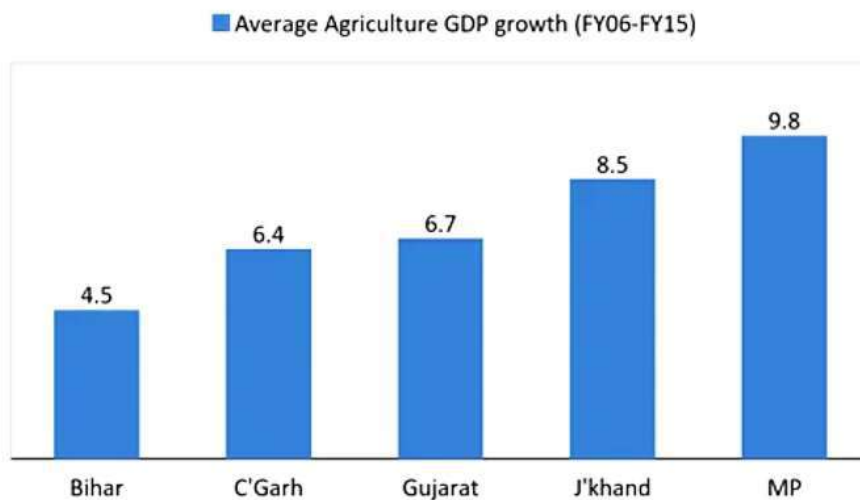


### Initiatives Taken by the Government During the Pandemic:

- Among the three major industries (primary, secondary and tertiary industries), the proportion of tertiary industry increased from 57.3% in 2013-14 to 60.2% in 2019-20.
- Road transportation (from 4.4% to 5.9%) and other services (From 10.5% to 13.8%).
- The share of the gross national value added (GSVA) between 2013-14 and 2019-20 is 6,11,804 Crore rupees at the current price and 4,14,977 Crore rupees at the unchanged (2011-12) price in 2019-20.
- **Other Factors:**
- Bihar has been in an income surplus since 2004-05, adding that the state government's income account continues to show a surplus in 2019-20.
- According to the survey, the share of state government borrowing in GSDP increased from 3.6% in 2018-19 to 4.8% in 2019-20.
- It added that the total budget deficit in 2019-20 was 2.0% of the GSDP, which was lower than the 2.7% in 2018-19.
- Talking about Credit Deposit (CD) ratio of Bihar, the survey found that the CD ratio of regular commercial banks in Bihar increased from 34% in 2018-19 to 36.1% in 2019-20, which is lower than the national average level of 76.5. But still a positive trend.

## What Left Behind in Double Digit Growth?

- The answer for this question is very simple, it is agricultural growth.
- Recent data in the field of Agriculture across Indian States showed Madhya Pradesh, Gujarat and Chhattisgarh are working at their full ability to increase agricultural productivity each year.
- Though Bihar's GDP growth has surpassed those of these states, but the agricultural sector has not seen any significant improvement over the years.
- In fact, Bihar's performance is somewhat uninspiring among the states that have performed well in agriculture recently.
- This means that given the poor agricultural prospects and lack of manufacturing bases, bringing Bihar's growth momentum to be exhausted slowly.
- In terms of work and employment, Economic survey shows that in terms of job distribution, 57.6% of male workers in Bihar are self-employed, while the ratio of male formal workers/employees in Bihar is only 9.7%, which is the lowest than any state in India.



## Areas Needs to be Prioritized:

- In the coming years, the expansion of Bihar's economic activity cannot be in double digit or expected by improving only public services and road/telecommunications connections alone. For this Bihar and policymakers must deeply focus on the other possibilities or key areas to be improved or incentivized to drive economic growth of the next two decades, especially the sources of employment opportunities, to catch up sustainable development with the rest of India.
- In the first step, Bihar needs a strategic narrative of economic growth.
- In the face of increasing political resistance, Bihar's policy is shifting to a caste system and caste-oriented programs, rather than providing a path of development and economic prosperity to win elections based on developmental works.
- By showcasing development and making people to avail all government schemes and finds without any loopholes in delivering can nullify the caste or radical politics
- In the Second step, Bihar is in a good position to take advantage of low-cost manufacturing.
- Bihar's young labor force, large borders with important neighboring countries such as Nepal and Bhutan, and links with Bangladesh provide the perfect foundation for expanding its manufacturing industry.



- If the reformist government improves the labor laws and industrial access in Bihar, Bihar can enter the second phase of the growth cycle; that is intensive industrialization.
- Although it sounds daunting, states such as Madhya Pradesh, Rajasthan, and Orissa are currently experiencing the same dynamics, so Bihar can learn from similar examples.
- In the third step, agricultural productivity in Bihar must be greatly increased.
- Although Bihar is located on the most fertile plain of the Ganges, the agricultural performance of Bihar is still poor and suffers from frequent flooding during the monsoon season.
- Through targeted methods, canal and irrigation projects can be adopted as mission models to solve the problem of slow agricultural growth and perennial flooding in Bihar.
- This may have other positive external effects, because the combination of water availability and small water treatment systems can also improve the health of the village, especially reducing the incidence of water-borne diseases.

### **Conclusion:**

In general, Bihar is still an important part of India's growth rate. Without the booming economy of Bihar, India will not be able to achieve double-digit growth in the foreseeable future. Therefore, Bihar needs the support of both central and state governments to develop faster, and regardless of the difference in political ideology and hegemony, Bihar needs to find a competitive sector to create productive private sector employment opportunities. As mentioned earlier, the real challenge for Bihar is to catch up with India's average income level, and to achieve this goal in the next two decades requires focus, planning and execution.