

Bihar

Introduction



The state of Bihar is situated in the eastern part of India with the Himalayan nation, Nepal to its north and the state of West Bengal to the east, Uttar Pradesh to the west, and Jharkhand to the south. Patna is the state capital.

Bihar is the land of origin of religions like Buddhism and Jainism. It was in Bodhgaya, where Prince Siddhartha Gautama attained supreme knowledge or enlightenment to become Buddha – the enlightened one. The great religion of Buddhism was thus born here and Bodhgaya remains one of the most important and sacred Buddhist centres of pilgrimage.

The State has land area of 94,163 sq km and is home to about 8.58 percent of India's population. It has well irrigated fertile soil as well as forest wealth. It is richly endowed with water resources – both ground and surface water. Ganga is the main river of the state.

The present day Bihar is a result of the split of erstwhile Bihar and the creation of the State of Jharkhand in 2001, which also took away the majority of mineral rich areas as well as heavy industrial units. However minerals like sterlite, pyrites, quartzite, crude mica and limestone are found in abundance. Agriculture is a prominent component of the economy of Bihar, employing over 84 percent of the state's workforce.



The Gross State Domestic Product (GSDP) of the state in 2009-10 was US \$38.23 billion with economy growth rate at 11.70 percent. The per capita income during the same period was INR 17,959. However the contribution to the GSDP by the tertiary sector was greater than primary and secondary sector.



Bihar's industrial sector contributes only about 16 percent to its GSDP as against 26 percent for the national average. The contribution of manufacturing sector as a whole is less than 5 percent to the GSDP, and the registered manufacturing sector with much less share recorded a sharp drop over the period. The share of mining and quarrying also recorded a decline in 2009-10. However, the construction sector proved to be the key driver in the growth course of the State, whose share increased to almost twice in 2009-10 (11.18 percent) compared to 2004-05 (5.52 percent).

The cyclical slowdown in the industrial sector that began in 2007-08 was further compounded by the global recession in 2008-09. However, the overall growth rate of the State was steady and high. But the fact remains that present Bihar is devoid of mineral endowments and the infrastructure, which is yet to reach an adequacy level. Per capita power consumption is the least in the country. The industry specific infrastructure is also quite inadequate. Above all, there is no developed market in the State. Another critical challenge in the State is the deficit of skilled labour, which may have to be addressed with multifaceted programme for skill upgradation.

With the economic meltdown in 2008-09, the growth of both credit and deposits has decelerated. This also has an effect on industrialization in Bihar, despite the fact that Bihar is underbanked and accounts for only 4.75 percent of total bank branches in the country. Even today, the population served by a bank branch in Bihar remains the highest among the States. But on the other hand in the banking sector, there has been significant growth in total deposits in Bihar in 2009-10 over the previous year by US \$ 3.29 billion (INR 14,800 crore). Simultaneously, the expansion of credit in 2009-10 has also remarkably improved. The credit had expanded by US \$ 1.20 billion (INR 5,400 crore) compared to only US \$.61 billion (INR 2,751 crore) in 2008-09.

As per the 4th All India Census of Micro, Small and Medium Enterprises (MSME) conducted in 2006- 07, around 27 percent of the units were either closed or non-traceable. It means that they either suffer from sickness or incipient sickness. The viable sick industrial units need could not be revived due to lackadaisical attitude of the state and banks.

The State government has taken several measures for industrialization of the State. The strategies for development of industries, particularly the MSME sector, are being prepared which include establishment of land bank for making land available to different industries as per their requirement. The State has also approved a proposal for amending the Industrial Promotion Policy, 2006 to include capital subsidy on plants and machinery for new units in the State. Preparation of marketing arrangements for MSME and also for handloom and handicrafts. The handicrafts, handloom, khadi, silk and village industries are to be developed. The State government is also determined to revive the sick industrial units and suggest necessary remedial measures to prevent incipient sickness by developing a district level monitoring system. The State government has established Bihar State Investment Promotion Board, which, examines the proposals for investment in the State and approves them.



The food-processing sector will also be helping farmers in a big way by minimizing the rate of post-harvest losses of fruits and vegetables and generating employment opportunities.

According to a recent survey conducted by the Association for Social and Economic Transformation (ASET), around 33 percent of total horticulture produce goes waste. However, the losses of mango and tomato have been as high as 39 percent in major horticulture producing districts of the State.

The endeavors made by the State government in capacity addition in key infrastructure sectors like power and roads would yield the results and it is expected that, with the completion of large number of projects, the situation will ease and targets fulfilled. On one hand, growth in infrastructure removes the supply side constraints in production and, on the other, it stimulates additional domestic demand.

The State is committed to create an investment climate conducive for private sector participation with its new Industrial Incentive Policy. The State has initiated power sector reforms, one-time settlement schemes, creation of special economic zones (SEZs), revival of sick industrial units and other measures with a view to attract investments. Thrust areas also include promotion of specific industries, in particular agro-based since they are based on the State's factor advantages, as well as other industries like IT and entertainment.

Another initiative next to the Industrial Incentive Policy 2006 was the Single Window Clearance Act, 2006. It aims at speeding up the clearances required for implementation of industrial and other projects and ensures single point clearances to promoters for early commercial production of such projects. The initiative covers various nodal agencies and supervisory bodies with clearly defined roles and responsibilities.

The State is also working on enhancing industrial infrastructure as seen in projects such as Agro-Park, Air Cargo Complex and Inland Container Depot. The State has a well-developed rail network and is working on enhancing its roads as well as upcoming inland waterways network. Telecom, both fixed line and mobile, is developing rapidly, while power – grossly is seeing more investment in order to meet the growing demand. The State is working to improve on various health and social indicators (life expectancy, literacy etc), and gaps in its social infrastructure are also being addressed by filling vacancies in educational institutions, inviting private participation in higher and technical education as well as financial support programmes for healthcare.

With improved investment climate in the State, the State government created a State Investment Promotion Board (SIPB). It has approved as many as 398 project proposals upto October 2010 with proposed investment of US \$ 40.20 billion (INR 1.81 lakh crore) and employment potential of 1.55 lakh. There are as many as 180 of the proposals for food processing and 44 for power plants. Of the total 398 proposals, 45 have started working, 104 are at advanced stage and 249 at different stages of implementation, involving an investment of US \$ 244.87 million (INR 1,102.5 crore) so far.
