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## **A STUDY ON ECONOMY OF BIHAR**

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### **ABSTRACT –**

To boost economic growth means an increase in real GDP – an increase in the value of state output, income and expenditure. Essentially the benefit of economic growth is higher living standards – higher real incomes and the ability to devote more resources to areas like health care and education is a broad term in the development prospect of any state. Measures to boost economy of Bihar, the main objectives of our research is to study the current sources from where to boost economic growth in Bihar and to find out the obstacles to boost the economy. In this era of globalization, Bihar is one of the strongest agricultural states. The percentage of the population employed in agricultural production in Bihar is around 80%, which is much higher than the national average. In India, it ranks as the eighth largest grower of fruits and the fourth greatest producer of vegetables. Among the industries in the state that are expanding quickly are food processing, dairy, sugar, manufacturing, and healthcare. In addition to offering incentives for information technology and renewable energy, the state has planned efforts for the growth of other industries, including tourism and education. However, there are other problems that have grown to be significant barriers, such as flooding, wealth concentration, corruption, and caste-based politics and elections. The provision of public goods and state capacity both rise with economic expansion. Wealth is produced by growth, and some of it immediately benefits companies and employees by raising their standard of living. As people earn higher incomes and spend more money, this enables people to exit poverty and gain improved living standard. To boost economy results in higher of educations greater employment opportunities, and higher income levels.

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### **1. INTRODUCTION**

The boost means causes it to increase, improve, or be more successful. An economy is the framework that organize, a nation's or region's trade, industry, and money.

India's eastern region is home to Bihar. West Bengal to the east, Uttar Pradesh to the west, Jharkhand to the south, and Nepal to the north encircle the state. Due to its proximity to the large markets of eastern and northern India, its accessibility to ports like Haldia and Kolkata, and its availability to raw materials and mineral reserves from neighboring states, the state benefits from a special location-specific advantage. Between 2015–16 and 2019–20, Bihar's Gross State Domestic Product (GSDP) increased at a CAGR of 13.27%. The net state domestic product per capita in Bihar has increased significantly. At current prices, per capita, the NSDP of the state grew at a CAGR of 13.41% (in Rs.) between 2016 and 2021. Bihar is one of the strongest agricultural states. The percentage of the population employed in agricultural production in Bihar is around 80%, which is much higher than the national average. It is the fourth-largest producer of vegetables and the eighth largest producer of fruits in India. Food Among the industries in the state that are expanding quickly are manufacturing, processing, dairy, sugar, and healthcare. The state has planned initiatives for the development of other sectors such as education and tourism and also provides incentives for information technology and renewable energy. The state is a prime location for a variety of sectors due to its substantial pool of reasonably priced industrial labour.

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### **2. HISTORY OF BIHAR ECONOMY**

The Mauryan and Gupta dynasties, the first two all-Indian empires in history, were centred on Bihar. Renowned for its educational establishments, including the universities at Vikram hila and Nalanda, it was also the residence of erudite figures such as Kautilya, Aryabhata, and Panini. After gaining its independence, the state, however, entered a downward spiral that left it at the bottom of all human development indexes by the 1980s. Despite decades of loss and stagnation, the state has made impressive gains. Despite its reputation for crime and violence, it is now comparatively safe. a situation when development and growth that had not been seen in decades are displaying both in large quantities. Bihar is currently one of the Indian states that has performed the best in recent years on a number of fronts. The State of Bihar with a geographical area of 94.2 thousand square km is divided by the river Ganges into two parts, the north Bihar with an area of 53.3 with the southern part of Bihar covering 40.9 thousand square kilometers. The percentage of the population employed in the agricultural production system in Bihar is estimated to be 81%, which is much higher than the national average. Nearly 42% of the GDP-o of the state (2004-05) was from the agriculture sector (including forestry and fishery). The high concentration of population largely dependent on agriculture coupled with low yields of the major cereal crops are main reason for the high poverty ratio in the state. Consequently, about 42 % of the State population is below the poverty line as against the national average of 26 %. Bihar happens to be the second highest rural population below poverty, (44.3%). The typical rural character of the economy is heightened by the absence of support industries i.e., the heavy dependence of communities on agriculture with limited diversification to non-farm or cash crops. The rural non-farm

economy, therefore, plays a significant role in providing employment and income for the poor in rural areas in most Asian countries. Non-farm sources of income for the rural poor are important since their direct agricultural income is not enough to sustain their livelihood either because of landlessness or insufficient owned or tenanted land and also wage employment in agriculture is highly seasonal and requires supplementation of income during lean.

### ***2.1 First Phase: Pre-bifurcation Economy of Bihar***

The first period of the Bihar's pre-bifurcation economy. This is the period when the structure of the economy, its resources, and its politics were noticeably different from Bihar after bifurcation in November 2000. The districts that now make up Jharkhand and Bihar are consistently significantly distinct from one another in terms of social and economic traits. Furthermore, "Jharkhand has historically been the center of manufacturing due to its abundance of mineral resources. On the other hand, districts constituting Bihar have large swathes of alluvial soil, often replenished by floodwaters, which are particularly suitable for agriculture" (Mukherji & Mukherji, 2012). The level of economic output was stagnant during that time. Additionally, Bihar's economy underwent a significant structural transformation. It changes from being mostly an agrarian economy to one where the industrial and service sectors made significant contributions. In terms of output, Bihar's economy was more agrarian than the national average for India, but it was clearly transitioning, just like the national average, towards a services-based economy.

### ***2.2 Second Phase: Bihar under Rabri Devi Govt. in Post-bifurcation***

The political division of once-undivided Bihar into the modern states of Bihar and Jharkhand highlighted the need for guidelines governing the distribution of financial and infrastructure resources between the two new states. All material assets went to Jharkhand during this highly asymmetrical bifurcation procedure, while other financial obligations were divided in accordance with demographic norms. Just as a result of this division, Bihar became comparatively and completely impoverished. Serious doubts were voiced at the time of the split regarding the viability of the "reduced" Bihar as a state economically (Bhattacharya 2000). Rastriya Janata Dal (RJD) was in power during this period under the leadership of Rabri Devi. "Consequently, not only was Bihar's economy different before 2000, but the prospects for growth before and after bifurcation were also very different. Variations in data between these two time periods, including poverty ratios, per capita incomes, and the Human Development Indicator (HDI) are therefore distinct, not just because people and financial resources were distributed between Jharkhand and Bihar, but also because these elements will amass in Jharkhand and Bihar at various times. rates" (Mukherji & Mukherji, 2012). The bifurcation artificially secures Bihar's transformation into a services-led economy that has become more dependent on the services sector, and still remains one of the poorest states in India. According to Simon Kuznets, the key features of modern economic growth seen in an economically dominant nation is the structural "... shift away from agriculture to non-agricultural pursuits and, recently, away from industry to services; a change in the scale of productive units, and a related shift from personal enterprise to the impersonal organization of economic firms, with a corresponding change in the occupational status of labor" (Kuznets 1971). The most income of Bihar now comes basically from the services sector, but the agricultural labor still not moving out to non-agricultural services<sup>2</sup> (Mukherji & Mukherji, 2012) Although this is the typical structural imbalance for the entire nation, Bihar has a particularly severe imbalance.

### ***2.3 Third Phase: Bihar under Nitish Kumar Govt. in Post 2005 era***

The third phase began during the Bihar elections of 2005, when Bhartiya Janta Party (BJP) and Nitish Kumar's political party, Janta Dal (United) (JD(U)), came to power. Along with significant adjustments in administration, policy, and general governance, this age also witnessed fast economic expansion. This is a distinct historical time, both statistically and qualitatively. While many of the structural changes seen in the past continue, and the relative position of Bihar amongst other states remains as is, there is a distinct increase in economic growth" (Mukherji & Mukherji, 2012). The post-2005 era has seen the fastest rate of rise in per capita income. According to Mukherji and Mukherji (2012), there was an annual fluctuation in the growth rate during the period 2005-10 saw a compounded annual growth of 8.6% for Bihar (that was significantly higher than the growth seen for India (7.04%) over the same time)

### ***2.4 Objective of the study***

- To study the current sources from where to boost the economic growth in Bihar.
- To find out the obstacles to boost the economy of Bihar.

### ***2.5 Scope of the study***

The study relates to finding to boost the economy of Bihar. The present study comprises to boost the economy and find out the obstacles to boosting the economy. The data is selected for five years from 2015 to 2021. The basis for this selection is the availability and consistency of the data during the study period This is done in order to get comparable and meaningful findings. This study is limited to study points of view.

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## **3. LITERATURE REVIEW**

Researchers have consulted different literature about Measures to Boost Economy of Bihar. This literature is as follow: - **Mitthan Lal Kansal, Kumar Abhishek, and Prashant Kumar (2017) IMPACT OF FLOOD AND ITS MANAGEMENT:** Floods are the most recurring and frequent natural hazard in India causing enormous loss to life and livelihood, and damage to infrastructure. Bihar is one of the states in India most severely damaged by floods.

According to one estimate, floods affect over 6.880 million hectares in Bihar, or roughly 73.06% of the state's total land area of 9.416 million hectares. It has an impact on the state's socioeconomic situation in addition to its infrastructure. So, there is a need to minimize the negative consequences and ill effects of flooding by means of flood management. In Bihar, most of the time, the decision makers go for structural measures like construction of embankments, flood retention walls, flood levees and channel improvements, etc. On the other hand, structural changes alone are thought to be insufficient to lessen the negative effects of floods in the state. Hence non-structural measures like flood plain management policy, building bye-laws, and flow and silt management policy are also required. It considers the prudent use of flood plains while allowing them to be released for usage by the river as circumstances dictate. This essay aims to illustrate the seriousness of floods' effects on the state's development and to talk about potential flood control strategies in the context of Bihar. Flooding is a perennial problem in the state of Bihar with a devastating impact on the livelihood of people. For a number of years, there were serious consequences from flooding-related losses to property and lives. The damage to infrastructure also badly affects the industry sector. Agriculture is the mainstay to our large growing population and the backbone of state's economy playing a primary role in its development. However, due to recurrent floods in the state, agriculture and allied sectors have accounted miserable growth rate but still play a vital role in the development of Bihar. It has been observed that flood events badly affect the agriculture sector and the GSDP of the state in an almost similar fashion. The majority of the rural population belongs to the lower socio-economic strata of society. The state's rural economy, which is dominated by small and marginal farmers, landless workers, and petty traders, is severely impoverished as a result of frequent losses from floods. In spite of the government's measures of flood management, households continue to live with suffering on an account of severe damage to their life and assets. It is not possible to avoid floods, but flood preparedness can be developed and its impact can be minimized. With appropriate planning and management, it is possible to reverse the uneven trend of growth in state and check the migration of the people in search of their livelihood. To minimize the negative consequences of flood impacts, flood management works so far implemented comprise of structural measures like, construction and maintenance of embankments, aprons in selected portions of land spurs, river banks, and other essential flood prevention projects But structural measures alone cannot solve the problem. So there is need to adopt nonstructural measures as well. Non-structural flood management measures such as land use regulations, flood forecasting and warning, flood proofing and disaster prevention, preparedness and response mechanisms should be adopted. A thorough understanding of the community's role in effectively responding to emergency situations should be maintained along with raising awareness of the community's vulnerability to flooding. They must be created to be able to live in flood plains and adapt to the risk of flooding while also allowing the area to be cleared for usage by the river whenever the situation demands.

PRS Legislative Research (2020-2021) <http://dx.doi.org/10.21474/IJAR01/3681>

The updated estimates for 2019–20 show a 21.5% rise in total revenue receipts to Rs 1,83,924 crore for 2020–21. Of this, Rs 39,989 crore (22%) will be raised by the state through its own resources, and Rs 1,43,935 crore

(78%) will come from the centre in the form of grants (28% of revenue receipts) and the state's share in central taxes (50% of revenue receipts).

Devolution: In 2020-21, receipts from the state's share in central taxes are estimated to increase by 43.8% over the revised estimates of 2019-20.

However, as per the revised estimates of 2019-20, the receipts from the state's share in central taxes are estimated to decrease by 28.9% as compared to the budget stage. The union budget for state devolution was lowered by 19%, from Rs 8,09,133 crore at the budget stage to Rs 6,56,046 crore at the revised stage.

Bihar's share in the centre's tax revenue will increase from 4.06% during the 2015-20 period to 4.13% for 2020-21 (an increase of 2%) as per the recommendations of the 15<sup>th</sup> Finance Commission.

**MTax Revenue:** Total own tax revenue of Bihar is estimated to be Rs 34,750 crore in 2020-21, an increase of 1.9% over the revised estimates of the previous year. The own tax to GSDP ratio is targeted at 5.1% in 2020-21, which is lower than the revised estimates for 2019-20 (5.5%).

This suggests that tax revenue growth is anticipated to be slower than economic growth. Structural change analysis is differentiated from standard economic research in that it assumes that the infinite multiplicity of reality can be studied by focusing on a relatively small number of or the activities that make up the economic structure, which in turn forms the economic system. Essentially, a structural representation offers a selected account of the economic system by replacing the observable heterogeneity with sets of more homogeneous classes with sets of classes of relatively homogeneous groups of agents or sectors of activity. In this framework, the definition of structure and of the unit of analysis is made to depend on the problem under investigation. This allows for a considerable degree of flexibility that is absent from standard micro and macroeconomic analyses, thus making it an appealing tool for the study of economic dynamics".

**Silva & Teixeira (2018):** Economic theory has a long history of using structural change analysis, which in turn adopted a tri-partite economic decomposition that distinguished between primary, secondary, and tertiary output. Petty-Clark's law provides a theoretical explanation for these sectoral shifts by indicating that as a nation's economy grows, the percentage of GDP produced by the primary sector declines and the proportion of GDP generated from the secondary sector increases first. After the industrial sector gathers momentum, the secondary sector dominates the economy in contributing to GDP.

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#### 4. RESEARCH METHODOLOGY

The Dissertation report mainly focuses on "Measures to boost economy of Bihar". The study is descriptive in nature. This research is fully based on secondary data. The secondary data has been collected from different sources such as books, journals, websites, and newspapers. In this research, the researcher had focused on Measures to boost economy of Bihar, to boost the economy of Bihar. For the Measures to boost economy of Bihar. The data are collected of the last past 6 years i.e., 2015 to 2021.

**Data type:** Secondary.

**Data Collection:** The data are a collection of last 6 years from 2015 to 2021

Time periods: 2015 to 2021

## 5. DATA ANALYSIS AND INTERPRETATION

### *General Approach*

- i. Bihar rural industrialization has to be based on location specific agree-resource endowment which is
- ii. in abundance but scattered with less value addition. The two major advantages for industrialization process would be product value addition and local employment creation;
- iii. The focus of rural industrialization would be 'cluster' based-with a coverage of specific farm-based products and the areas that have been identified as surplus in crops, vegetables and fruits production need to develop sound 'economic clusters' These areas may act as feeders for other significant agroindustries hubs in addition to providing future prospects for the promotion of rural industries there;
- iv. Special emphasis should be given to those high yielding varieties, which may be suitable for processing industries and growing off season vegetable crops in appropriate intercropping systems to enhance per unit area production. Vegetables alone could be used for producing a variety of products, such as potato chips, tomato powder/puree/juice/pulp/sauce, chili powder/ sauce/ pickle, apart from dried canned and frozen cauliflower, peas, cowpea, carrot, etc. This would open a great avenue for packaged food industries;
- v. The major thrust of rural industrialization should be to provide farm products and market linkages, based on product cluster formation;
- vi. Bihar is one of the prominent producers and exporters of Litchi. The most important market for fresh Litchi is European Union. The State should concentrate on export of both fresh and processed Litchi. Moreover, efforts should be made to tap more international markets for Litchi and other horticultural products. The main harvesting season for Litchi in Bihar is May and June. Except for Thailand, no other country can supply fresh Litchi during this season. Thus, there is a definite opportunity for India from Mid-May to early July when potential markets can be tapped;

### *Specific Development Approach*

- i. There would be a need to lay down both intensive and extensive thrust on the process of rural industrialization. These would include the following strategies:
  - ii. Strengthening credit and delivery system through training, sensitization, and Governments' commitment, supporting the recovery process of institutional credit;
  - iii. Strengthening the process of rural entrepreneurship development by training of master craftsmen, capacity building of supporting training institutions, implementing rural industrialization projects, arranging training programs by master craftsmen, and vocational training by master craftsmen;
  - iv. Technology transfer and technology development through Technology Upgradation cum Production Centers, Technology Demonstration Centre, District Industries Centers, and networking with technology-oriented Centers, etc.;
  - v. Sub-sector development & promotional interventions for handlooms, power looms, silk weaving/sericulture, handicraft, leather products, etc.

Stimulating agricultural growth to produce enough surpluses of food crops, fruits, vegetables and, crops to promote processing/agro-industries. Networking with large industrial units for promoting ancillary industries etc. should be accorded priority.

### *Policy Approach*

The Policy Approach for rural industrialization would cover the following:

- i. Apart from farm products value addition, attempts towards enlarged scope for light Industries with private enterprise development;
- ii. Formulation of appropriate microeconomic policies for proper incentives to private enterprise;
- iii. Injection of more accumulated rural capital and price incentives to farmers on farm products for increasing farm income and profitability for creation of home markets for consumer products and services
- iv. With large rural savings and bank deposits, the adoption of public policy to retain part of the annual deposits for the buildup of capital within the local area with the institutional support packages and infrastructure;
- v. Adoption of policy incentives for urban state and private factories/industries to relocate part of their expansion/operation to the nearby regions outside the city boundaries through subcontracting, joint ventures, and investment in viable rural enterprises;

## 6. FINDINGS, SUGGESTIONS & CONCLUSIONS

### *Findings*

- As far as Bihar's rural economic structure is concerned economic, agriculture contributes only 20% to the state GDP and workers in agriculture contribute more than 62% of the total workforce.
- Labor participation in the economy is high, but the returns are low and they are subject to the devastating effects of droughts and floods
- Poverty in Bihar is around 52%, which is the highest in the country.
- More than 50% of the population is landless. The strategy should be for shifting labor from agriculture to non-agricultural activities to improve the economy.
- Credit flow is very low in the rural economy, and wealth is generally concentrated in wealthy households. In the rural economy, loan flow needs to be streamlined.

- There is a lot of child labor, and more people should enroll in schools.
- In order to prevent the rural population from becoming dependent on private organizations, the government should give the health, nutrition, and sanitation sectors more attention.
- Why Women need to be empowered because they make up a very small percentage of the workforce and have limited access to finance.

#### *Suggestions*

- Need a business –friendly environment for investment.
- There is a need huge investment in infrastructure.
- There is a need to solve the problem of floods.
- The political system of the state should be reformed so that the confidence of the people and investors should be restored.

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### **Conclusions**

Economic growth increases state capacity and the supply of public goods. Growth creates wealth, some of which goes directly into the pockets of employers and workers, improving their wellbeing. As people earn higher incomes and spend more money, this enables people to exit poverty and gain improved living standard. To boost economy results in higher of educations greater employment opportunities, and higher income levels.

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