

Social and Economic Development in Bihar: Opportunities and Challenges

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1. Stagnation and Resurgence

- Historically - a prosperous region and seat of empires; important cultural and educational centre; having a significant manufacturing base
- Decline and Stagnation
 - Permanent Settlement of 1793
 - Victim of systematic neglect over last 100 years
 - Policies such as freight equalisation
 - Smaller financial outlays
 - State bifurcation in 2000



2. Changing Production Relations

*Insights from three rounds of IHD Longitudinal Surveys
1981 - 2011*

- Historically Bihar's exploitative agrarian relations a major cause of rural stagnation and poverty.
- "Semi-feudal" model based on attached labour, tenancy and indebtedness.
- During last 30 years (1981 to 2011) virtual disappearance of semi-feudal production relations:
 - Attached labour and landlords in sharp decline
 - Casual landless agricultural labour and poor peasants increasing
 - Land under tenancy increased (1/3 of cultivated area), but increasingly governed by market relations
 - High and increasing migration



3. Path of High Growth

- Today Bihar transforming rapidly, through high growth and better governance since mid-2000s
- Double digit growth in NSDP between 2006-07 and 2012-13; significant growth in per capita income, but level only around 42% of national income
- All sectors contributed to growth, but growth of industry highest: 14.9%, (manufacturing 15.4%, construction 15.5%); services: 11.7% (major contributors: trade, transport, banking and insurance); agriculture: 6.6%. Thus growth largely led by services
- High growth has been facilitated by better governance including sound fiscal management; high increase in government spending, both from internal and external sources, but particularly central transfers on capital outlay on development expenditure; large inflow of institutional credit



4. Inclusiveness of Growth

- Significant reduction of poverty in the high growth period: between 2004-5 and 2011-12, % of poor declined from 54% to 34%
- Poverty reduction much more among dalits and OBCs compared to other groups, indicating inclusive nature of growth
- Better performance of some government programmes (PDS, pension schemes etc.) also contributed to poverty reduction, although still need of their better implementation
- Also, massive increase in literacy—state witnessed highest increase in the rate of literacy among all Indian states between 2001-2011; the gender gap in literacy rate also declined
- Improvement in health and nutritional indicators, although still among lowest in the country
- However, due to increasing contribution of services sector, increase in sectoral as well as rural-urban inequalities



5. High and Increasing Migration

- High and increasing migration very important factor for poverty reduction, and profound changes in labour markets and other socio-economic institutions
- Significant increase between 1981 and 2011
 - 45% men in age group 15-59 (56% in age group 25 to 39) are migrants; female % very small
 - 28% of rural income contributed by remittances
 - pattern of migration changing from seasonal to longer-term; people from all strata migrating; high percentage from the bottom and highest income groups; migration very high in north Bihar, but also increasing in south Bihar
- Significant growth in real wages: above 2.5-3 times in 30 years
- Also increase in commuting to nearby areas



6. Challenges of Job Creation

- Low job creation in the state; during 2005-12, only 34 lakhs jobs created
- Decline in agriculture which is rather positive but stagnation in manufacturing employment; over 60% in construction and rest services
- Overall job quality poor – only 6 % regular and 2.5% regular formal workers
- Much higher youth unemployment (10%) than India (6%); educated youth unemployment higher(overall 16%; urban 26%; female about 60%)
- Significant rise in wages; contributing to poverty reduction
- Bihar to witness high youth bulge; 40% pop below 14 yrs (30% for India)
 - Need of expanding quality education, skill development and job creation.
- Difficult to absorb youth bulge in local labour market even at high growth
- Migration to outside labour markets to continue – need of effective migration policy emphasising education and skills development; utilising skills acquired by migrants for local development



7. Sustainability of Growth and Inclusive Development

- Urgent need of sustaining, rather accelerating, high growth momentum and making it more widespread
- Even with high growth (around 50% higher than India), Bihar will catch up with Indian average in about 25 years
- To reach Indian average National Income by 2030, Bihar will have to grow by over 13%
- Huge coordinated efforts needed at several fronts – enhancing human development, bridging infrastructural bottlenecks, boosting agricultural and industrial development, all of which require massive investment as well as sustained strengthening of governance and institutions
- Coherent and effective strategies for exploiting emerging opportunities and circumvent challenges



8. Rural and Agricultural Development

- Bihar will continue to be a rural society for many decades
- Share of agriculture in GSDP declining; however, potential in agr. growth enormous, but many challenges
- Low levels of holdings: 95% small and marginal (average size of holding: 1.5 acre); low levels, but high cost of inputs; high fluctuations in output; except maize, almost all crops have much lower yield than national average, although productivity almost doubled in three decades
- Agriculture no longer dominant source of rural income- only 26.5% contributed by agriculture and rest non-agricultural income (28% remittances); in agriculture, cultivation contributes 47%, fruits and forest produce 8%, livestock 29%, and rest wage work
- Dairy development has had some success and has high potential (livestock distribution less unequal than land)
- Agro-industries and non-agricultural rural production required for dynamic rural areas



Rural and Agricultural Development- contd.

- Fair rules for tenancy (1/3 area leased-in) & consolidation of holdings
- Mitigating impact of floods and droughts
- Irrigation energy nexus: high and unsustainable irrigation cost due to diesel fuel; need of alternative and economical sources of irrigation.
- Increasing productivity levels on sustained basis; achieving substantial jump in input levels; making agriculture environment friendly, etc.
- Better institutions for delivery of inputs, training and marketing
- Innovation in dairy production
- Developing cold chain and linking with market and communications
- Agriculture Road Map aims to address multiple challenges but need of robust system of monitoring and evaluation
- Agricultural prosperity essential, but need of having a strategy in medium to long-term for shifting workers from agriculture to non-agricultural production, both in rural and urban areas



9. Industrialisation

- At present, industrial base very small; agro-industries also small, even sugar and jute related industries have declined; several steps taken to revive
- Construction growing sector; manufacturing very small – 5.2% of GDP and 5.5% of employment (1.7% of GDP and 0.5% of employment in organised)
- Steps towards industrialisation
 - Large scale manufacturing experience needs to be transported; also use of knowledge gained by migrants
 - Strategy to use its strong traditional & artisan skills and make globally competitive
 - Public investment, attracting private investments, in labour intensive
 - Choosing few sectors and bringing them up to a critical mass
 - Need of developing strong clusters, depending upon the local resource base and location of other facilities
 - Ensuring power supply
 - Banking, finance, distribution centres, transport networks, government promotional agencies



10. Urbanisation

- Urbanisation 11% in Bihar as against 31% in India (density of population 1100+)
- Urban centres with poor infrastructure & services - little autonomous growth
- Lack of pyramidal structure of urban areas
- Strong connections between rural labour markets & urban labour markets of other states.
- Small manufacturing base; weak urbanisation strongly related with migration?
- Rural produce exported to other states for processing/ manufacturing
- Urban development & accelerating urban growth essential for sustaining growth
 - Improving infrastructure in existing towns & strengthening eco. activities
 - Facilitating growth of large villages into market/small towns by proper physical and infrastructure planning along with local eco. devt (42% rural people live in villages with 5000 + pop.; close to 20% in 10,000+ pop.)
 - North-central Bihar can be an important large urban cluster; density of pop. more than 1400 persons alongwith large number of big villages
 - Massive expansion of much needed social services (education, training, health etc.) will accelerate the pace of development and growth



11. State Action for Infrastructure

- Significant infrastructure development during last 7 years – specially roadways
 - Rail connectivity good and air connectivity improving, but much more required for achieving a critical mass
- Power – key deficit, but signs of recent improvement
 - Implications for agriculture, industries and urbanisation
 - Traditional electrification; exploring alternative sources
- Water management for irrigation, flood control and drainage
- Infrastructure for specific key industries required for attracting private investment
- Infrastructure required to prevent floods and mitigate their adverse impacts in North Bihar
- Proper infrastructure planning for industrial and urban clusters



12. Gender Equality

- Significant shift towards gender equality in certain respects such as educational enrolment, school attendance, panchayat reservations
- Male migration affecting women's economic and social roles
- Major issues such as property rights, labour force participation, lack of opportunities (high rate of female educated unemployment), dowry etc.
- Consolidating gains made from progress difficult as educational advances of girls difficult to convert into greater access to labour markets
- Gender equality in social spheres with increasing education likely to increase, but providing jobs to the large number of educated women a major challenge



13. Increasing Capabilities: Education

- Large cohort of illiterate adults
- Educational enrolment in primary education not far short of universal; however system beset with quality issues
- Higher levels of educational system abysmal – reason for those with means to seek education elsewhere
- In future, challenge of expanding higher education and improving quality education more daunting with increasing youth bulge (40% population below 14 yrs; nearly a million complete secondary school every year)

14. Increasing Capabilities: Health

- Infant & maternal mortality rates amongst highest in India, but significant improvements recently
- But in absolute terms, most health indicators worse than national average
- Shortfall in infrastructure, trained staff, medicines and poor maintenance impacting service delivery
- Rural infrastructure poor & high dependence on private health care providers
- Poor health and sanitation behaviours, low awareness of programmes prevents optimal benefits from health services and interventions
- Need of building on impressive achievements in-facility childbirths – ensuring comprehensive maternal & neonatal care & smooth referral mechanisms
- Strengthening interventions such as Health Cards for broad-spectrum health behaviour change and community-based preventive care
- Leveraging on decentralized health governance, accountability and decision-making by capacity-building of stakeholder committees; ensure smooth fund-flow and prioritized interventions

15. Resources for Development

- State revenues increasing; but mostly central transfers have led to improvement in the state's public finances; much still needed
- Huge increase in bank credit; C-D ratio one of the lowest
- Bihar needs to expand its own tax base
- Public investment must complement and leverage private investment
- Bihari diaspora can be an important source
- But with high levels of poverty, high pressure on land and other adverse factors, Bihar faces the classic case of open economy with weak resources and 'vicious circle' of poverty, which grossly inhibits internal generation of resources beyond a point
- As such, in the absence of large scale investment from outside state, central agencies as well as private, extremely difficult for the state to be at par with even national average in near future



16. Need for Stronger Institutions

- Improvements in governance have been an important step towards stronger institutions
- Considerable improvements in service delivery in social and economic services, but still need of much more improvements; need of capacity building of middle level and lower bureaucracy and panchayat leaders
- Most issues are an amplified reflection of India
- Challenges of caste/community divides, weak civil society and local organisations
- Need of vibrant civil society, local organisations and social movement
- Other institutions to connect Bihar with diaspora, for social protection, with skills, information, finance and trade etc
- Good Governance is a continuous struggle; need of accelerating the process and avoiding backsliding



Thank You