



# Resurgent Bihar

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PHD RESEARCH BUREAU

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**Sandip Somany**  
President

## Foreword

Bihar is a treasure house of opportunities with immense potential arising out of the rich mineral reserves and a large base of immensely talented rural human resource. The state provides for a perfect mix of the traditional with the modern, making it an ideal platform for pilgrimage as well as rural tourism.

Historically known as a low income economy with weak infrastructure and a victim of vagaries of nature, the state has come a long way by posting more than 11% economic growth over the recent years. Although, there remains a lot to be done in the sphere of human development and social upliftment of the dwellers, the state is well equipped and better poised to generate sustainable livelihood and demonstrate higher growth prospects in the coming times.

Agriculture is one of the most important areas of the economy of Bihar and the state boasts of huge potential in terms of agri-business and agro- based industries. Although, this area has room for further development, the state government is highly focused on the exports of fruits and processed fruit products.

The key industries of the state are mineral based industries, leather, textile and food-processing. However, the relatively under explored areas of further growth are IT/ ITEs, infrastructure and tourism, which can be improved further with policy stimulus by the government.

With lowest levels of per-capita income and literacy rates and high unemployment rates, human development is a major challenge to the economy of Bihar. There is a tearing need to improve the quality of life of the people by enriching their social, economic and cultural well-being.

The economy has undergone several changes which have come about with the collaborative efforts of the government and other stake holders. The economy is all set to scale new heights to emerge as an economy with sustainable and inclusive growth, going forward.

*Sandip Somany*



**Susmita Shekhar**  
Secretary General

## Preface

Resurgent Bihar is an extensive study of the state of Bihar, that the PHD Chamber has come up with and it gives me immense pleasure and honour to present it to our esteemed readers. This study is unique in its kind, which captures the essence of the grass roots of the traditional state of Bihar.

The study is an exhaustive report on the state's economy and its socio-economic scenario. It includes its economic policies like, industrial policy, SEZ policy, agro and food processing policies and social infrastructural framework.

The study also brings together latest developments in the state and highlights potential roadmap for its further growth. It has made recommendations to improve the agriculture production scenario, to capitalize on the opportunities emerging from its rich mineral reserves, to explore alternative energy based industries and to strengthen the tourism sector. Finally the study recommends measures to attract investments in the various sectors of the economy.

The PHD Chamber has always aimed to be an important stakeholder to the development of the northern and central states of India and the nation. I hope this study helps in further policy formulation in the state, so as to serve as a vehicle for its inclusive growth and socio-economic development. We will carry out similar reports on all the states that we serve in the days to come.

I commend and appreciate the tireless efforts of PHD Research Bureau, which has come up with this report with their focused approach.

I hope that this report serves as a handy and informative readers' guide!

**Susmita Shekhar**

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## Abbreviations

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Bn	Billion
CAGR	Compounded Average Growth Rate
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFD	Gross Fiscal Deficit
GSDP	Gross State Domestic Product
IT/ ITES	Information Technology/ Information Technology Enabled Services
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
Km	Kilo Meter
MDR	Major District Roads
Mm	Millimetre
Mn	Million
MNERGA	Mahatma Gandhi National Rural Employment Gurantee Scheme
MOFPI	Ministry of Food Processing Industries
MSMEs	Micro, Small & Medium Enterprises
MW	Mega Watt
NH	National Highways
PCDE	Per capita Development Expenditure
PPP	Public Private Partnership
RGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
RRB	Regional Rural Banks
SH	State Highways
STP	Software Technology Park

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# Resurgent Bihar



Owing to its natural beauty, mythological, historical importance and geographical location, Bihar is a state rich in cultural ethos. Its contributions in the fields of arts-literature, religion and spiritualism, marks its importance in the history of Indian civilization. The state has its capital at Patna, which is situated on the bank of the holy river Ganga. The state as it is today has been shaped from its partition from the province of Bengal and most recently after the separation of the tribal southern region now called Jharkhand.

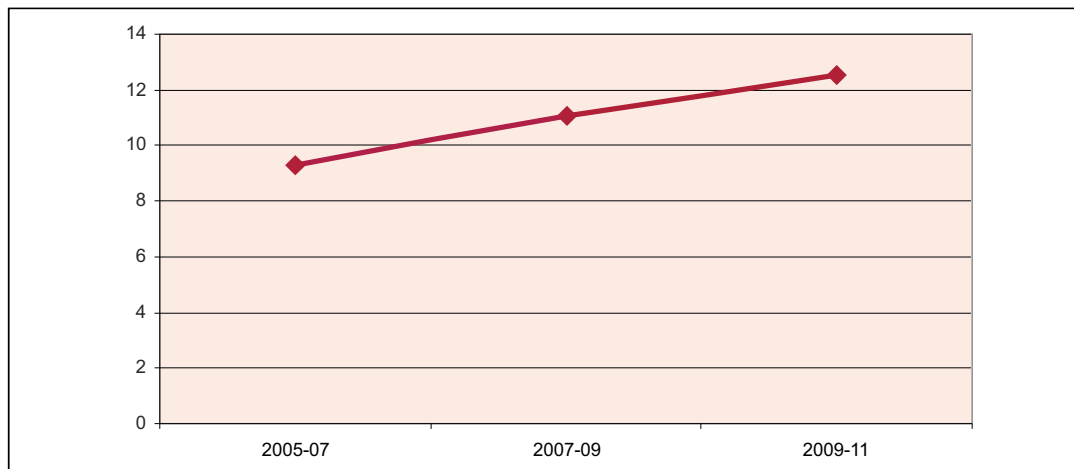
Bihar is located in the eastern part of India (between 83°-30' to 88°-00' longitude). The topography of Bihar shows a distinctive pattern. Bihar portrays an undulating land giving rise to short-range variations in terrain and soil and water conditions; thereby influencing the crops that are grown in this region. With a tropical climate, the state's temperature tends towards extreme ends. Bihar has a monsoon climate with an average annual rainfall of 1200 mm.

## 1. Structure of the economy

The economy of Bihar witnessed a turnaround as its growth scaled a healthy path during the recent years. Its GSDP (at current prices) has grown about thrice over from Rs 73,654 crore in 2004-05 to 2,17,814 crore in 2010-11. The real GSDP of the state has increased from Rs 6,59,95 crores in 2004-05 to Rs. 1,44,472.0 crore in 2010-11.

The economy of Bihar grew at an annual rate of 11.36% during the period 2004-05 to 2010-11. A glance at the trend of growth rate of the state over the last decade reveals that the state has been able to sustain its growth momentum.

**Growth of real GSDP of Bihar since 2005**



Source: PHD Research Bureau, Compiled from Economic survey of Bihar 2011-12.

During 2010-11, the tertiary sector contributed a large share of around 60% in GSDP followed by the primary and secondary sectors at 23% and 16% respectively. Over the last five years period the share of agriculture sector to the GSDP has decreased and industry and services sectors have started picking up.

**State domestic product and its composition**

Components	FY05	FY08	FY11
GSDP at Current prices (Rs Crore)	77781	118922	217814
NSDP at Current Prices (Rs Crore)	70167	108095	201264
Economic Growth (Real GSDP -2004-05 prices)	12.17%*	7.6%	14.7%
<b>Contribution in GSDP at current prices (%)</b>			
Primary	31.59	26.65	22.70
Secondary	13.7	16.30	15.60
Tertiary	54	57.03	61.66

Source PHD Research Bureau, Compiled from Economic survey of Bihar 2011-12;

Note: \* calculated on the basis of 1999-00 prices

### Summary of socio-economic indicators

State Capital	Patna
State Capital	Patna
Area (Sq. km)	94,163
Population (Census 2011)	103.8 million
Population Density(Sq.Km)	1019.51
No. of Districts	38
Important Rivers	Ganges and its tributaries
Desert and Mountains	Rajgir Hills and Chhota Nagpur Plateau
GSDP at Current Prices (2010-11)	Rs 217814 Crore
NSDP at Current Prices ((2010-11)	Rs 201264 Crore
Real GSDP Growth (2010-11)	14.7%
Per capita income (2011) constant prices	Rs 14865
Gross Fiscal Deficit /GSDP (FY12)	2.93%
Government borrowings Annual Plan 2007-08 to 2009-10	109.12
BPL population	53.5%
National Highway length (2011)	3,434 Kms
Rail Length (2011)	5400 kms
International Airport	Bodh Gaya Airport
Domestic Airport	Patna
Per Capita Health Expenditure (04-05)	Rs. 513
Human Development Index *	0.35
Literacy Rate (2011 Census)	63.8%
Life Expectancy at Birth (2002-06)	61.6
Sex Ratio (2001 Census)	921
Key Industries	Minerals, agro & food processing, leather & textile, Tourism, IT/ ITES, infrastructure
Composite ranking of the state^	20th
Macro economy^	20th
Agriculture^	16th
Infrastructure^	16th
Investment environment^	20th

Source: PHD Research Bureau, Compiled from various sources

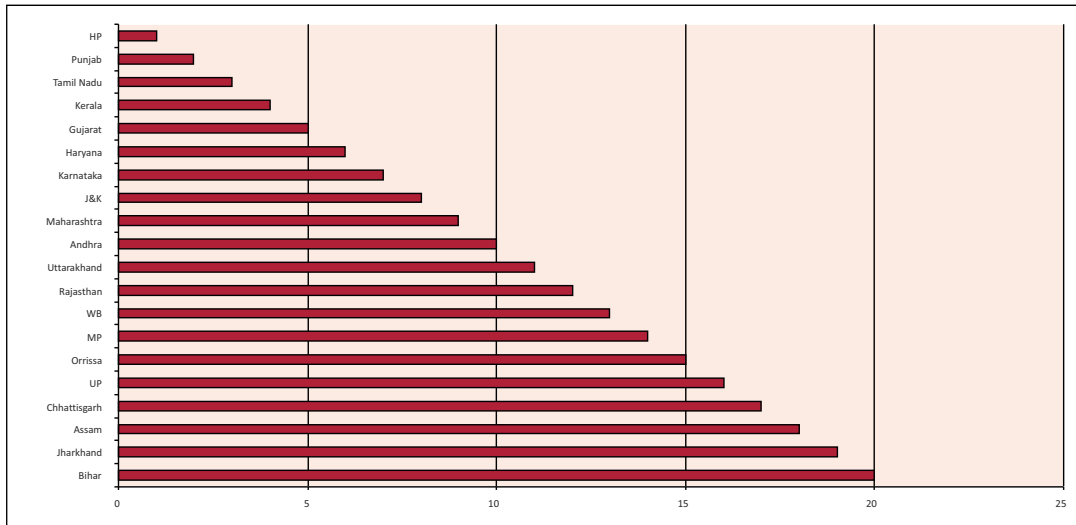
\* Human Development Index lies between 0 and 1.

^ India Today, 29th Nov 2010, an article by Bibek Debroy and Laveesh Bhandari

### Composite Ranking of the state

Bihar has been ranked last out of the 20 big states on the basis of macro economy, investment environment, infrastructure, agriculture, primary education and consumer markets.

**Composite ranking of the state**

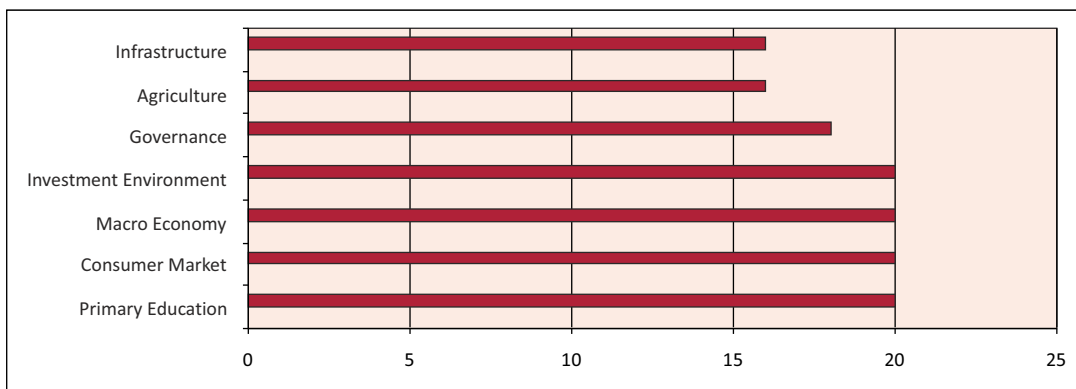


Source: PHD Research Bureau, Compiled from India Today, 29th Nov 2010, an article by Bibek Debroy and Laveesh Bhandari  
 Note: Only big states have been taken up with area over 35000 sq. km. and with population over five million.

### Socio-economic ranking of the state

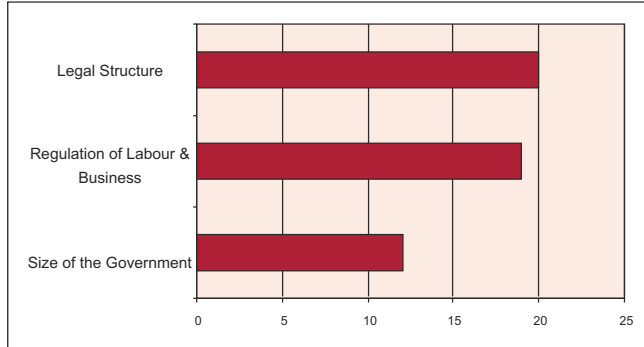
Bihar stands 16th in agriculture, 16th in infrastructure, 18th in governance, 20th in consumer markets, 20th in macro economy, 20th in investment environment, and 20th in primary education among the big states.

**Socio-economic ranking of the state**

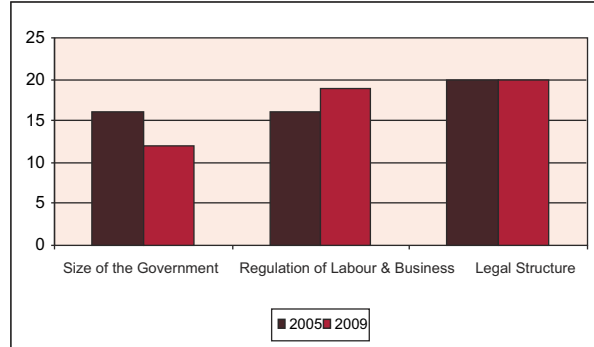


Source: PHD Research Bureau, Compiled from India Today, 29 November 2010, an article by Bibek Debroy and Laveesh Bhandari.  
 Chart depicting area with highest rank to lowest rank

**Bihar's ranking in economic freedom index**



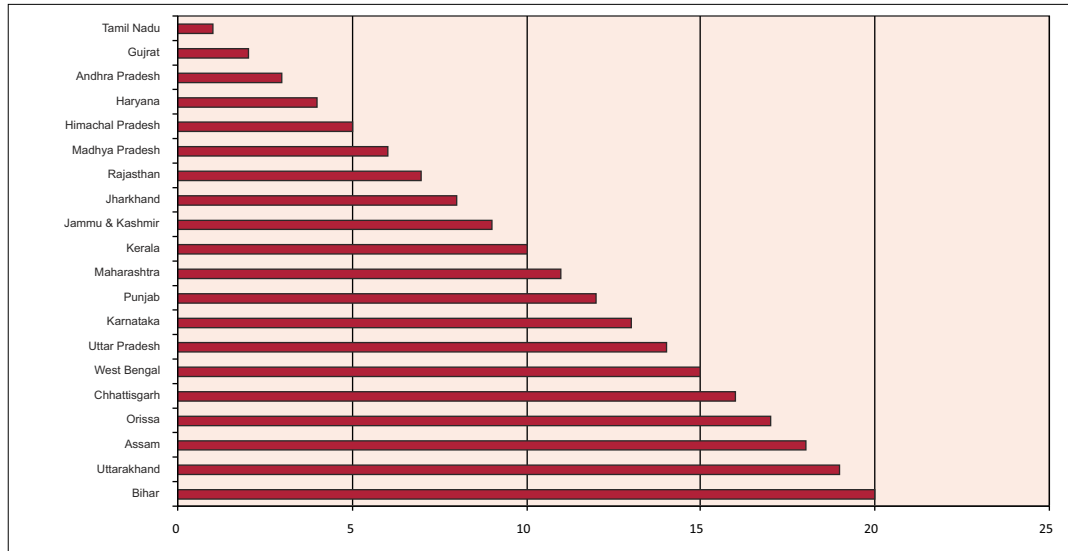
**Bihar's ranks in 2005 vis-à-vis 2009**



Source: PHD Research Bureau, Compiled from Economic Freedom of the States of India 2011, by Laveesh Bhandari, Bibek Debroy and Swaminathan Aiyar.

The state puts up a modest show as its overall ranking stands at 20th over the period of 2005 to 2009. The state ranked 12th in size of governance, 19th in labour regulations and 20th in legal structure during 2009.

**Comparison of Bihar with other states in overall economic freedom**



Source: PHD Research Bureau, Compiled from Economic Freedom of the States of India 2011, by Laveesh Bhandari, Bibek Debroy and Swaminathan Aiyar.  
Data pertains to Fy2009

**Competitiveness ranking of the state**

Bihar has scored fairly well in terms of governance quality with 2nd rank in government procedures, 7th rank in speed of response and 8th in reforms outlook.

In terms of its business efficiency, the state has ranked 12th in number of new enterprises and 15th in growth of manufacturing employment. In case of human resource, Bihar has been ranked 5th in number of IT literates, 9th in unemployment rates and 13th in female work force participation.

### Competitiveness ranking of the state

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#### State competitiveness

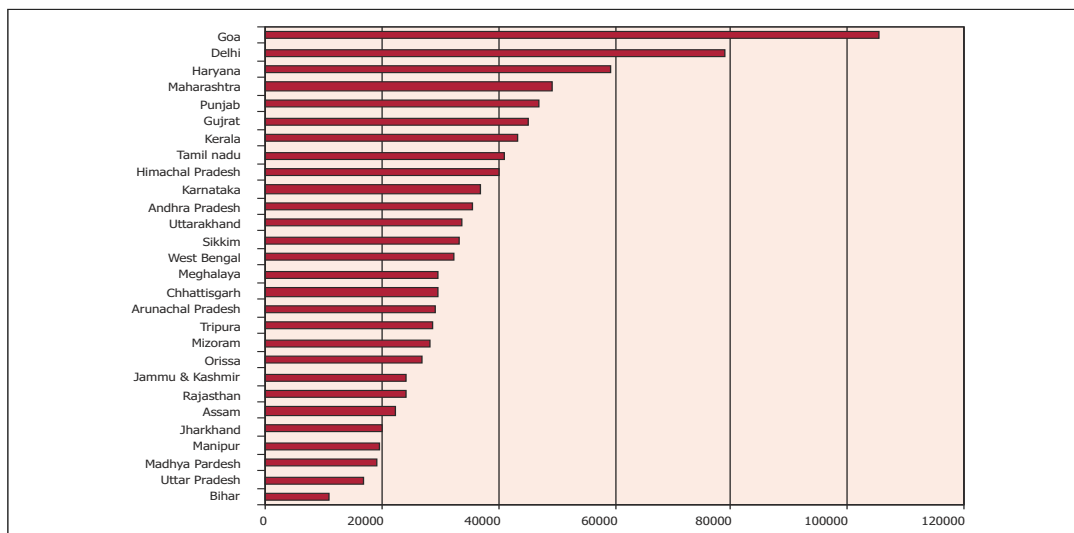
Business efficiency	Labour cost per worker 15th rank
	Growth in manufacturing employment 15th rank
	Number of new enterprises/ industries 12th rank
Governance quality	Reform outlook 8th rank
	Fiscal deficit 15th rank
	Speed of response 7th rank
	Computerization of records 13th rank
	Government procedure 2nd rank
Human resource	Industrial workers 15th rank
	Female labour participation 13th rank
	Unemployment rate 9th rank
	IT literates 5th rank

Source: PHD Research Bureau, Compiled from State Competitiveness Report, 2004

### Per-capita income

Bihar is the state with lowest per capita income amongst all Indian states. According to the latest data available, the per-capita Net State Domestic Product of Bihar in 2010, stood at Rs. 16119 at current prices compared to Rs.46492 at national level.

#### Pattern of per-capita net state domestic product of the Indian states



Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

Note: Comparable data for all the states was latest available for 2010

## Fiscal position

Bihar has entered a position of fiscal stability over the years posting moderate performance in most of the fiscal indicators. The gross fiscal deficit/GSDP ratio had increased considerably in FY2011, however, it is estimated to narrow down to 2.5% in FY2012. The primary revenue surplus and the revenue surplus are estimated to improve significantly in FY2012 and stand at 4.5% and 2.6% of GSDP. The debt burden of the state has declined over the years, which is encouraging. The debt/GSDP stands at 28.9% in FY2012

### Fiscal indicators (% of GSDP)

Fiscal components	FY2004- 08 (Average)	FY2010	FY2011(RE)	FY2012(BE)
Debt/GSDP	51.2	34.0	30.2	28.9
GFD/GSDP	2.6	3.0	4.1	2.5
RD/GSDP	-2.0	-1.7	-1.1	-2.6
PD/GSDP	-1.2	-0.9	2.0	0.6
PRB/GSDP	-5.8	-3.8	-3.2	-4.5

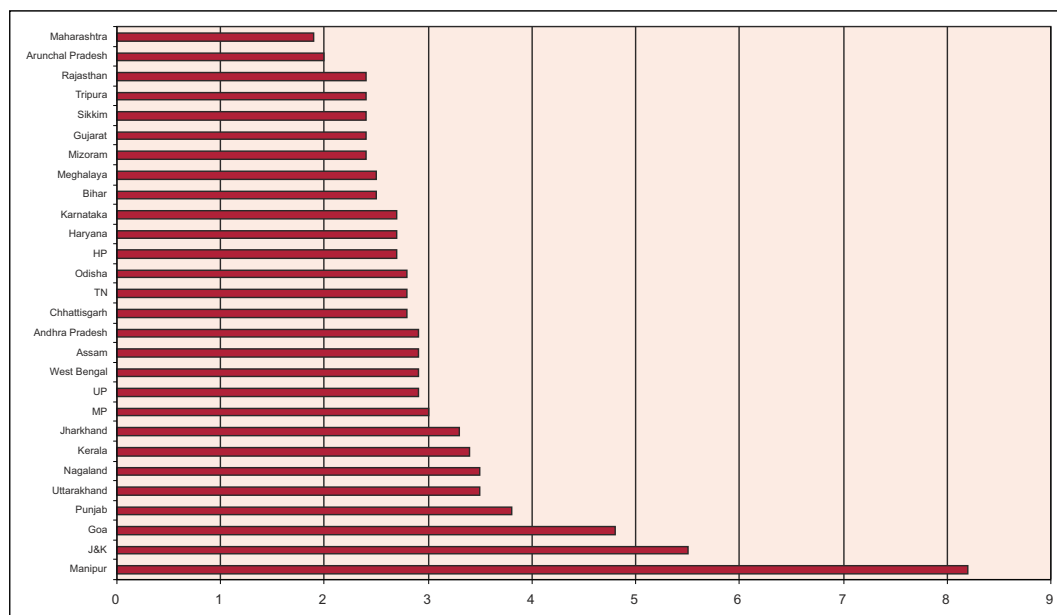
Source: PHD Research Bureau, Compiled from RBI.

RD: Revenue Deficit, GFD: Gross Fiscal Deficit, PD: Primary Deficit, PRB: Primary Revenue Balance.  
BE- Budget Estimates, RE-Revised Estimates (-) sign refers to surplus.

## Comparison of fiscal position with other states

The GFD as a per cent to GSDP at 2.5% for the FY2012 is comparatively strong and lesser than many Indian states. This indicates that the state has been able to reduce its deficit sizably, which is commendable.

### Comparison of gross fiscal deficit as a % of GSDP



Source: PHD Research Bureau, Compiled from RBI

Note: Data pertains to FY2011

## Investment environment

Although, the investment environment in Bihar has been known to be rather lacklustre, the state is picking up rapidly in this front by unveiling of investor friendly policies in the different sectors of the economy. The government is also making efforts to rope in Public Private Partnership investment initiatives to bridge the infrastructural gap in the state. The industrial investments in Bihar increased from Rs8580 crore in 2006 to Rs44026 crore in 2011.

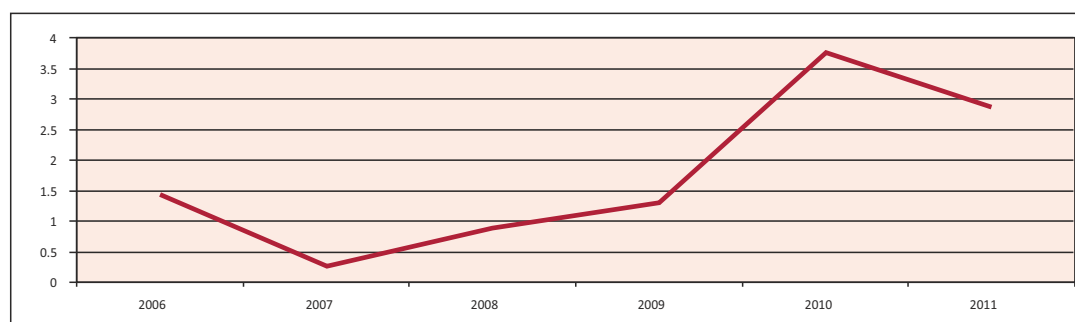
**Industrial investment proposals in Bihar vis-à-vis India (Rs. Crore)**

Year	Bihar	India	Bihar's share in India's total industrial investment proposals
2006	8580	593380	1.44%
2007	2194	834249	0.26%
2008	13577	1523852	0.89%
2009	13710	1040259	1.32%
2010	65190	1736322	3.75%
2011	44026	1539728	2.86%

Source: PHD Research Bureau, Compiled from Department of Industrial Policy and Promotion, Govt. of India

The share of Bihar in receiving industrial investments from India's total industrial investment has seen a quantum jump during the recent years. The share had been relatively lacklustre at 0.26% and 0.89% during 2007 and 2008 respectively, which jumped up to a much higher level at 3.75% and 2.86% in 2010 and 2011 respectively.

**Industrial investments in Bihar (as a % of total industrial investments)**



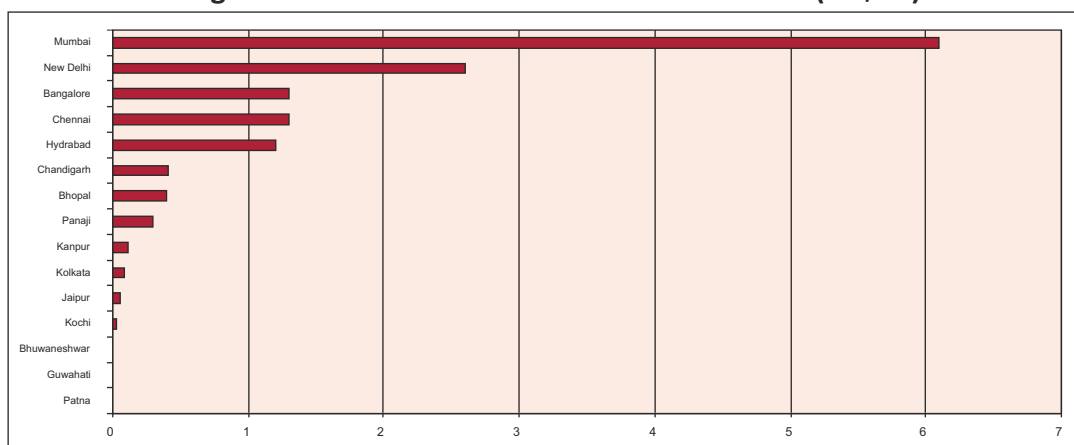
Source: PHD Research Bureau, Compiled from Department of Industrial Policy and Promotion, Govt. of India

## FDI inflows

The FDI equity inflows have not been that impressive for the state. Patna is positioned below all the other regions of India like Mumbai, New Delhi, Bangalore, Chennai, Kolkata, Jaipur, Panaji, Bhubaneswar and Guwahati.



**Regional share of FDI in India's total FDI inflows (US\$bn)**



Source: PHD Research Bureau, Compiled from Department of Industrial Policy and Promotion, Govt. of India

## Exports

The state boasts of a huge potential in agro exports which includes both fruits and vegetables. However, there is a need to promote the further development of the same so as to boost the total exports. Bihar is all set to form of its first software technology park (STP). Located in Patna, the park is the 49th of its kind in the country. It will have facilities to accommodate around ten small and medium level software firms. This is sure to boost the technology exports of the state. Minerals exports are also dominating the total export basket of the state. Export Promotion Industrial Park (EPIP), Hajipur, is being developed as a multi-product export-processing zone for north Bihar under the umbrella of the Union Ministry of Commerce and Industry and the Government of Bihar. It would be spread over 94 acres and cost about \$2.6 million with requisite infrastructure facilities for setting up export units. According to the economic survey of Bihar, the total export of goods and services from Bihar grew at 12.38% during 2011.

## Agriculture

Bihar is rich in soil and water resources. Agriculture and allied sector plays an important role in state's economy. It contributes around 23% in GSDP. However, more than 80% of Bihar's population is still dependent on agricultural activities for their livelihood. Despite agriculture in Bihar being hit by adverse climatic conditions and drought like conditions during FY2005 to FY2009, the state has attained self sufficiency in food grains production. However, barring maize and pulses, productivity of various farm produce in Bihar is much below the national average. Though the area under cultivation is shrinking, there is tremendous scope for income generation, by improving productivity.

The principal crops cultivated in Bihar are paddy, wheat, pulses, maize, potato, sugarcane, oil seeds, tobacco and jute. The gross and net sown area in the state is estimated at 80.26 lakh hectare and 56.38 lakh hectare, respectively. The intensity of cropping is 1.42%.

**Summary of agro statistics**

Sr. No	Components	Growth/ratio
1.	Real Agriculture GSDP FY2011	Rs 24970 Crore
2.	Growth of Real Agriculture GSDP ( CAGR from FY2005 to FY 2011)	3.73%
3.	Agricultural sectors contribution in GSDP FY2011	22.70%
4.	Food Grain production (Fy2011)	9884 (Thousand Tonnes)
5.	State's contribution to national food grain production(FY2011)	4.05%
6.	State's rank in production of food grains (FY2011)	10th
7.	Yield (Food grains)	1570 kg/hectare
8.	Commercial crops production (FY2011)	16408 (Thousand Tonnes)
9.	State's rank in production of commercial crop	7th
11.	Total agricultural area irrigated ('000 ha)	3320.88
12.	Area under wells and tube well irrigation ('000 ha)	2056.74
13.	Population dependent on agriculture	>80%
14.	Rice Production (FY2011)	3320 (Thousand Tonnes)
15.	Wheat Production (Fy2011)	4670 (Thousand Tonnes)
16.	Coarse Cereals (FY2011)	1338 (Thousand Tonnes)
17.	Pulses (FY2011)	556 (Thousand Tonnes)
18.	Oil Seeds (FY2011)	155 (Thousand Tonnes)
19.	Raw Jute & Mesta (FY2011)	1253 (Thousand Tonnes)
20.	Sugarcane (FY2011)	15000 (Thousand Tonnes)

Source: PHD Research Bureau, Compiled from RBI and various policy papers of Government of Bihar.

The average yields of rice and wheat are 1120 and 2084 kg/hectare respectively, while the average of maize yields of the state is about 2341 kg/ hectare.

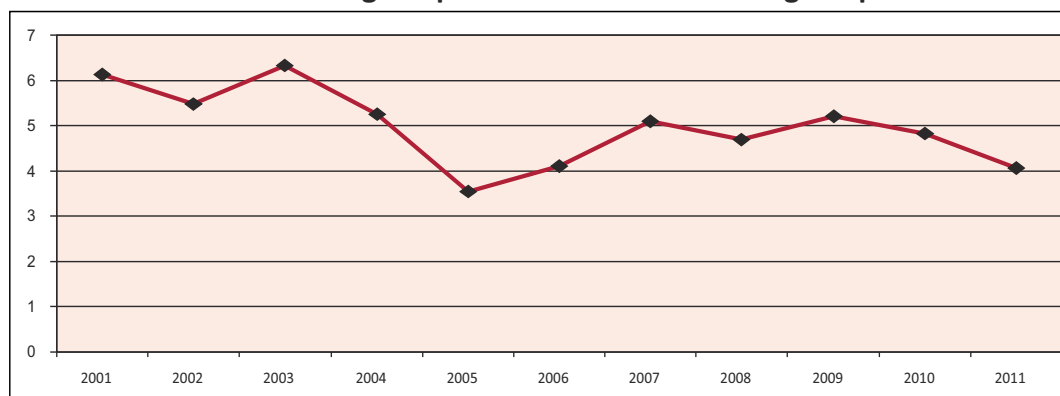
**Food-grain production scenario in Bihar**

Year (FY)	Bihar (Million Tonnes)	India (Million Tonnes)	Share of Bihar in India's food grain production (%)
2001	12.06	196.81	6.12
2002	11.68	212.85	5.48
2003	11.08	174.78	6.33
2004	11.21	213.19	5.25
2005	7.04	198.36	3.54
2006	8.58	208.59	4.11
2007	11.09	217.28	5.10
2008	10.86	230.78	4.70
2009	12.22	234.47	5.21
2010	10.55	218.20	4.83
2011	9.88	241.56	4.05

Source: PHD Research Bureau, Compiled from RBI, Ministry of Agriculture

Bihar's production of food grains has declined from 12.06mn tones in 2001 to 9.88 mn tonnes in 2011 with fluctuating performance over the years. The share of Bihar's foodgrain production in India's total food grain production has also shown a downward trend in the recent years, which is an area of concern.

**Share of Bihar's food grain production in India's food grain production**



Source: PHD Research Bureau, Compiled from RBI, Ministry of Agriculture

Bihar ranks 7th in total commercial crop production amongst all Indian states, with a share of around 4% in India's total commercial crop production. Amongst the major commercial crops, sugar cane production is most significant in the state followed by jute.

**Trend in production of select commercial crops in Bihar (Million Tonnes)**

Year (FY)	Oilseeds	Sugarcane	Raw Jute & Mesta
2005	0.11	4.11	1.18
2006	0.13	4.33	1.38
2007	0.14	5.95	1.38
2008	0.13	3.85	1.46
2009	0.14	4.95	1.22
2010	0.13	5.38	1.18
2011	0.15	15.00	1.25

Source: PHD Research Bureau, Compiled from RBI

Although horticulture occupies about 15% of land area, income generated from horticulture is much higher. Bihar occupies the third position in vegetable production and seventh position in fruit production in India. It produces 75% of the litchi in the country. Dairy and fishery are also prominent in the state.

## 2. Economic policy of Bihar

Bihar has immense potential to emerge as one of the most economically developed state in India. It possesses the richest mineral reserves in the country. It also is endowed with resources such as surface and ground water, fertile land, disciplined and skilled man power etc., which are at the core of economic growth. These have created a natural attraction both for the Indian and the foreign investors for investment in the state.

Bihar has a mix of industries ranging from agro-based (food processing, silk and tea) to leather and non-metallic minerals, though dominated by the small scale sector. Food, beverages, tobacco and petroleum products account for more than 85% of the total industrial income. The state contributes about 10% of India's common fruit and vegetable output, but less than 1% of processed output.

The state is committed to create an investment climate conducive for private sector participation. With its Industrial Incentive Policy 2006, the state initiated power sector reforms, one-time settlement schemes, creation of special economic zones (SEZs), revival of sick industrial units and other measures to attract investments. The economic agenda of Bihar focuses on food processing, MSMEs, mining, handicrafts and tourism.

### The key strategic thrust areas

Food Processing	To develop and increase productivity in food processing industries To expand, modernize and diversify products To promote Agri-Export Zone/ Food parks
Enterprises/ MSMEs	To further develop of existing MSME units To revitalise and provide technical assistance to sick units To promote new industries and attracting MNCs and PPP initiatives
Mining	To focus on production of high value minerals To rapidly strengthen mining infrastructure To focus on export promotion in this field
Handicrafts	To provide technical training to weavers To facilitate diversification of trades
Tourism	To focus on domestic tourism opportunities To step up spending on infrastructural investment in tourism

*Source: PHD Research Bureau, compiled from various policy papers of Govt. of Bihar*

Based on the strategic framework to improve the investment and business climate in the state, Bihar has identified immediate and long term actions necessary to achieve the target set for economic growth. Recently, state has initiated facilitation steps aimed at streamlining the approval processes, promotion of exports, promotion of knowledge intensive industries and better quality infrastructure. The key measures aimed at are:

- **Improving Business Climate**--focus on reducing the cost of delays and cost of doing business. The Single Window Clearance Scheme was adopted in 2006.
- **Developing High Quality Infrastructure**-- enhancing the competitiveness of enterprises by providing high quality infrastructure
- **Enhancing Skill Levels and Employability**--setting up of different types of training institutes in partnership with private sector.
- **Ensuring easy availability of land for Projects**--simplification of the process of land use change, conversion of land and approvals of building plants. Land banks have been established.
- **Encouraging MSME**--the state facilitates cluster based development of MSMEs to make the produce competitive for the world market.
- **Promotion of Thrust Areas**--special emphasis for promotion of mining and mineral processing, IT, tourism, handicraft, cottage and agro based industries.
- **Incentives and assistance to indigenous handlooms**--exemptions and incentives are given on raw materials for modernization and diversification.
- **I.T. Mission**--to promote human resources development, transparent administration and state-of-art communication in information technology

## Industrial policy

The Industrial policy of Bihar was introduced in 2006 to focus on creating a favourable environment for investment in industries. Some of the key features announced in the policy to facilitate the sector are:

- Bihar Single Window Clearance Act - 2006 was announced to promote all round development of the state and industrial growth rapid clearance procedures for establishing industries, to issue license and certificates
- Human resources development was emphasized on to promote and industrialization
- Land Bank- To meet the requirement of land for industries and development schemes, establishment of Land Bank in the state was envisaged.
- Technical assistance and marketing arrangements was facilitated for MSMEs.
- Enhancing capital investment in the industrial areas and inviting the private sector investment/PPP
- Development of Infrastructure.

## Agro business policy

Bihar is the only state to have a separate Vision document on Food Processing and has been termed as the Model State by Ministry of Food Processing Industry, Government of India. The state has approved Rs 450 crore worth projects in the field of food processing including sugar cane, jute and others, which are in the various stages of implementation. The government provides huge assistance in terms of incentives, exemptions, power subsidies, packaging facilities, marketing and technical assistance to facilitate these industries. The state envisages the development of infrastructure and integrated value chains under PPP mode. The setting up of Food Development Centre and Food parks are on the anvil.

## Services

In the era of globalization, privatization and liberalization a well-developed service sector is pivotal to growth. Services sector in Bihar contributes around 60% in GSDP. IT and ITEs, Tourism, Hospitality, and Banking services are important components of services sector in Bihar.

**Tourism**--Keeping in view a great potential of tourism in Bihar, the creation of basic infrastructure for tourism development like -- arranging accommodation for increased number of tourists, building of highways on tourist circuits, international level airports with total aviation back up and facilities, local transport, rail routes linking tourist spots, the vital telecommunication link, continuous quality electricity supply are important. Bihar State Tourism Development Corporation plays an important role in development of tourism and acts as the nodal executing agency of the state government.

Private sector has been invited by the government to enter into joint venture to develop many important places whose tourism potential had not yet been tapped. A special cell will be constituted to facilitate loan and the needed guidance to the entrepreneurs seeking involvement in tourism development. The department is formulating a 20 years Master Plan with a future projection for development of tourism in the state. The Master Plan is to envisage selection of tourist sites in all the districts of the state for their development. Personnel allied to tourism will be given suitable training to ensure care and comforts of the tourists.

**Rural tourism:** Rural tourism is emerging area in Bihar tourism. As a majority of people live in villages in Bihar, the linking of the villages to tourism development will encourage the tourists to enjoy the country life. A move in this direction would generate rural employment linked to tourism. The department is taking possible measures to promote rural tourism adding a new dimension in dotting the state with rural tourist spots.

**IT and ITEs services** -- Bihar has been catching up fast in the field of IT and related services in recent years. Several initiatives have been made to promote IT and allied projects to facilitate e-governance in the state. To make Bihar one of the top five e-governed, IT enabled and e-literate states by 2012, the state government has formulated its Information Technology Policy in 2008. With a view to making Bihar a preferred destination for IT business and industry, the state government has also decided to offer a special package of incentives to attract them to the state and another Draft Information Technology Policy is under consideration.

The state government would launch an I.T Mission for the development of Information Technology Industries with the following objectives:

- Economic Development.
- Human Resource Development
- To provide simple, effective and transparent administration.
- State of the Art Communication System

The Industry Department is all set to promote Information Technology on priority basis in industrial areas.

**Banking**– Banks have become the spine for the development of the economy. The commercial bank branches in Bihar have grown at a steady rate from 0.69% in FY2005 to 4% in FY2011. A welcome move in the banking sector is clear from the fact that over the years the percentage of rural commercial banks branches (56.21% in FY2011) has been outnumbering the semi urban and urban branches by a large proportion.

#### Banking scenario in Bihar

Year (End March)	No. of Banks	Growth (%)	% share in Banking Network		
			Rural	Semiurban	Urban
2005	3648	0.69	64.8	20.07	15.13
2006	3675	0.74	63.59	20.6	15.18
2007	3712	1.01	62.8	20.66	16.54
2008	3792	2.16	61.63	20.97	17.41
2009	3942	3.96	59.72	21.66	18.62
2010	4180	5.43	57.44	22.75	19.81
2011	4348	4.02	56.21	23.60	20.19

Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

Both credits and deposits have increased at the same pace over time leaving the credit deposit ratio in Bihar more or less stagnant over the years. The credit deposit ratio of the state has augmented from around 23% in FY2002 to around 34% in FY2011. The credit deposit ratio for FY2012 (till September 2011) is estimated to go upto about 35%.

#### Bihar's total credit and deposit

Year	Credit (Rs Cr)	Deposit (Rs Cr)	CD Ratio
2001-02	30482	6946	22.79
2002-03	33815	8089	23.92
2003-04	35824	9604	26.81
2004-05	40295	12031	29.86
2005-06	46134	14808	32.10
2006-07	56342	19048	33.81
2007-08	68244	22077	32.35
2008-09	83048	24051	28.96
2009-10	98588	31679	32.13
2010-11	113909	38723	33.99
2011-12 (till Sept)	122934	43003	34.98

Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

Bihar's exposure to the banking services is very limited and hence, per capita availability of financial services in Bihar is considered to be lowest in the country. To push Bihar on sustained economic growth momentum, there is an urgent need to expand the base of financial services, with a particular focus on the rural economy and the small and medium entrepreneurs. The expanded financial services must be cost effective and their delivery should be of high quality.

### Governance and Labour laws

The Department of Labour Resources, Government of Bihar, supervises over the labour situation and industrial peace in the state. They have come up with several policy interventions to upgrade the labour situation in the state. These include protecting interests of workers, both in organized and unorganized sectors, social security measures, creation of skilled labour force by imparting training through I.T.I.s. and checking labour exploitation. As a result of improvement in law and order situation, resultant faith in the government, and other positive changes taking place in Bihar, a favourable environment for private companies, investors, entrepreneurs and tourists, etc. has been created in Bihar.

### 3. Infrastructure

Infrastructure is the backbone of any economy. To develop a strong economy, Bihar has been making conscious efforts in the development of infrastructure.

The Bihar Infrastructure Development Enabling Act- 2006 had been constituted to provide for rapid development of physical and social infrastructure in the state and to attract private sector participation in the same.

**Roads**— Of the total road length in Bihar, around three-fourths (71%) are rural roads; whereas the National Highways (NH) and the State Highways (SH) constitute around 3% and 4% respectively. The major district roads (MDR) constitute 7.54% and other district routes constitute 13.76% of the total roads. Another matter of concern is that a large proportion of rural roads (95%) are unpaved.

**Road statistics of Bihar**

Category	Road Length (km)			
	Paved	Unpaved	Total	% share of total
National Highway	3734.38	0.00	3734.38	3.31
State Highway	4857	0.00	3989	4.31
Major District Roads	8505.20	0.00	8966	7.54
Other District Roads	9396	6112	7944	13.76
Rural Road	14171	65958	69379	71.08
Total	40663.58	72070	94009	100.0

Source PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12



**Aviation**– The civil aviation sector showed signs of slowdown in passenger traffic in 2008-09 due to steep rise in passenger fares, coupled with impact of economic slowdown. However, the signs of recovery became visible in the latter half of 2009 when the domestic traffic increased. But it may be mentioned that the state has a long way to go as far as aviation sector is concerned. The fact that the state capital, Patna is linked by only a few airlines like Air India, Jet Airways, Air Deccan, Kingfisher, Go Air and Indigo with their limited number of flights, is a matter of concern.

**Bihar: Growth in air traffic**

Airport Patna	Aircraft movement (No.)		Passenger (No.)		Freight movement (No.)	
	International	Domestic	International	Domestic	International	Domestic
2006-07	16	9723	0	352434	0	1473
2007-08	0	12604	0	444458	0	1770
2008-09	0	9666	0	369408	0	1943
2009-10	8	10726	0	552542	0	2532
2010-11	4	9547	0	838509	0	3279
2011-12 (till Aug 2011)	0	7013	0	769997	0	5865

Source: PHD Research Bureau, Compiled from All India Airports \_ Airport Authority of India

**Power**– Power sector is a critical infrastructure for the overall development of a state. Supply of reliable and quality power at reasonable and competitive rate can transform the pattern in agriculture production, village, small and micro industries development and other commercial and industrial activities in Bihar. Bihar has the lowest annual per capita consumption of electricity in the country at 122.11 KWH, against the national average of 778.71 KWH. The power supply position in Bihar is very poor and the deficit in relation to peak demand is ever increasing. Rising to the occasion, the government has announced a number of projects to enhance the availability of power in the power-starved state. Most of these power projects are under the Public-Private Partnership mode.

**Power generation in Bihar**

Total installed power generation capacity	1930.3 MW
Thermal based power	1724.70 MW
Hydro based power	129.43 MW
Renewable Energy	76.80 MW
Overall Centre generated (%)	68.57
Overall State generated (%)	30.62
Overall Private sector generated (%)	0.8

Source: PHD Research Bureau, Compiled from Central Electricity Authority, Ministry of Power, Govt of India

Note: Data is as on 29th Feb 2012

Rural electrification has become a priority with the implementation of the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in 2005. In Bihar, with a large number of beneficiaries under the scheme, there will be substantial additional demand on the system as new villages and households would have access to electricity.

**Urban Infrastructure** – Although, Bihar has a very marginal urban population, the urban infrastructure is quiet unplanned and underdeveloped. Currently there are altogether 139 Urban Local bodies in Bihar, of which 10 were Municipal Corporations, 43 Municipal Councils and 86 Nagar Panchayats. The Bihar Urban Infrastructure Development Corporation (BUIDCO) had been created to officially supervise over the sector.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) had been implemented in the state and till 2009-10, the total allocation of central and state government was Rs. 2581 crore, of which projects worth Rs. 1965.38 crore were sanctioned. Under JNNURM, the projects planned to be taken up through PPP are solid waste management, public transport, water supply and waste water management. Encouraging private partnership under PPP models for various projects is one of the key reforms under the Mission.

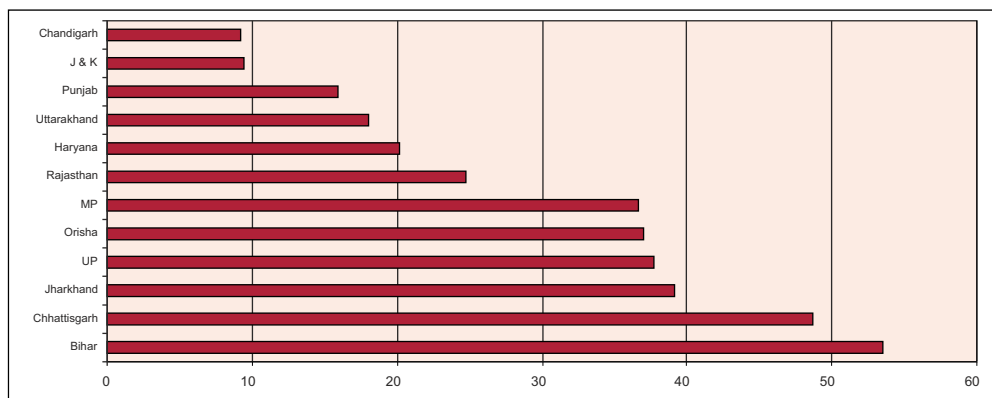
The Solid Waste Management Programme is to be implemented by all the Urban Local Bodies. For development of basic infrastructure in Bihar towns, financial assistance to the tune of \$150 million is being obtained from the Asian Development Bank.

**Telecom** -- The Eleventh Plan has laid emphasis on a world class telecommunication infrastructure as a vehicle for inclusive growth. There has been a fast growth in Bihar in service related infrastructure, such as, personal computers and telecommunications. However, a digital divide has emerged in terms of internet and broadband connectivity between urban and rural Bihar and a policy may be formulated to address this issue.

## 4. Social Infrastructure

**Poverty** -- With the lowest per capita income in the country, Bihar has very high levels of poverty. Its population below poverty line stands at 53.5% which is alarmingly high compared to most other Indian states and the national average of around 30%.

**Population below poverty line (BPL): Bihar amongst other Indian states**



Source: PHD Research Bureau, Compiled from Planning Commission.

Note: Data pertains to 2009-10.

The Per Capita Development Expenditure (PCDE) in Bihar has grown at a gradual pace in the last 10 years and has kept up with the rising trend in the national level. The PCDE of Bihar stands at Rs3467 in 2010-11 as compared to Rs6034 in case of India.

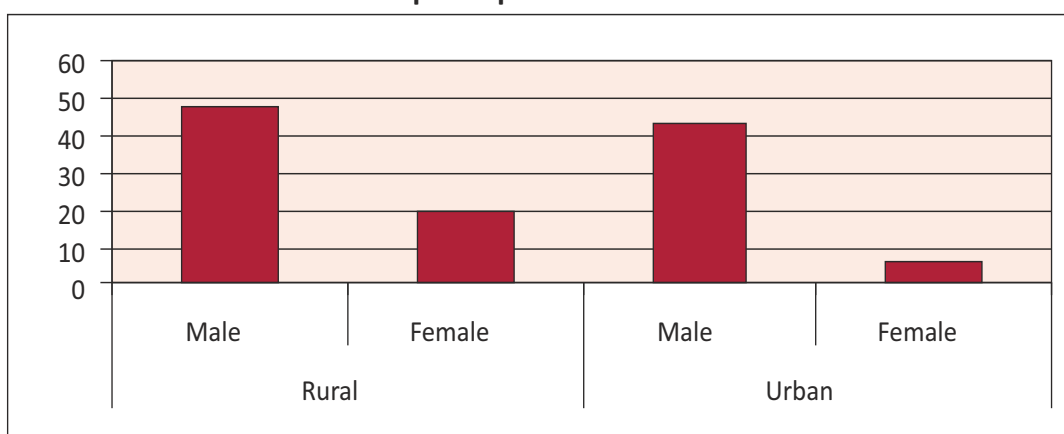
**Per capita development expenditure in Bihar**

Year	PCDE Bihar (Rs)	PCDE India (Rs)
2001-02	930.63	2072.49
2002-03	1070.34	2149.38
2003-04	1140.95	2593.24
2004-05	1002.01	2673.87
2005-06	1399.26	2957.96
2006-07	1823.01	3458.07
2007-08	2107.40	4029.59
2008-09	2493.78	4840.66
2009-10	3282.29	5765.86
2010-11	3467.09	6034

Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

**Unemployment** – The unemployment rate in Bihar is 16.8% as on 2010, which is considerably high compared to the national average of 9.4% and the fourth highest among Indian states. Unemployment rate among males is 15.2% whereas amongst females is 30.6%.

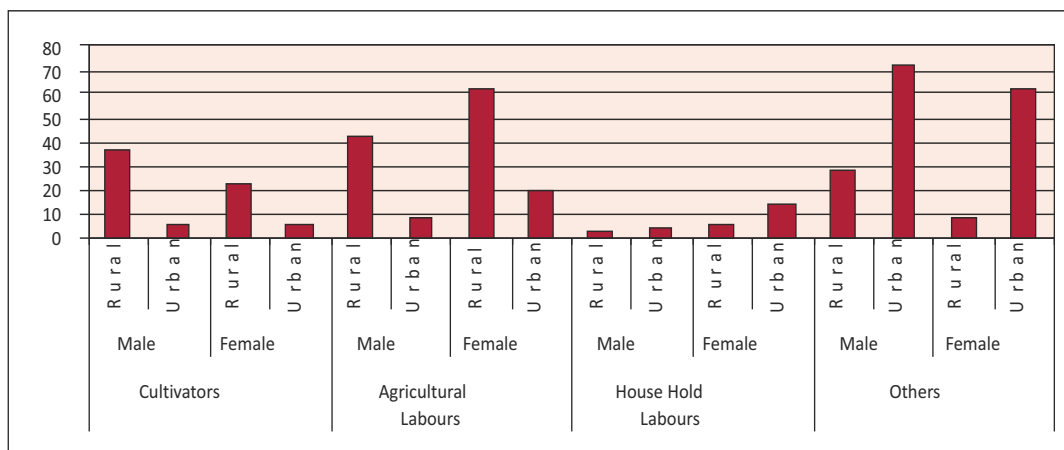
**Work participation rate in Bihar**



Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

During 2001 Census, the Work Participation Rate (WPR) was 32.9% for Bihar. However, the gender gap is high with the male WPR at 46.3%, vis-à-vis the female WPR at 18.4%. It was observed that majority of the work participation was in the unorganized sector.

**Employment by sectors**



Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

Some of the employment generation schemes which have been implemented in Bihar are, Swarnajayanti Grameen Swarozgar Yojana (SGSY), Indira Awas Yojana (IAY) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS).

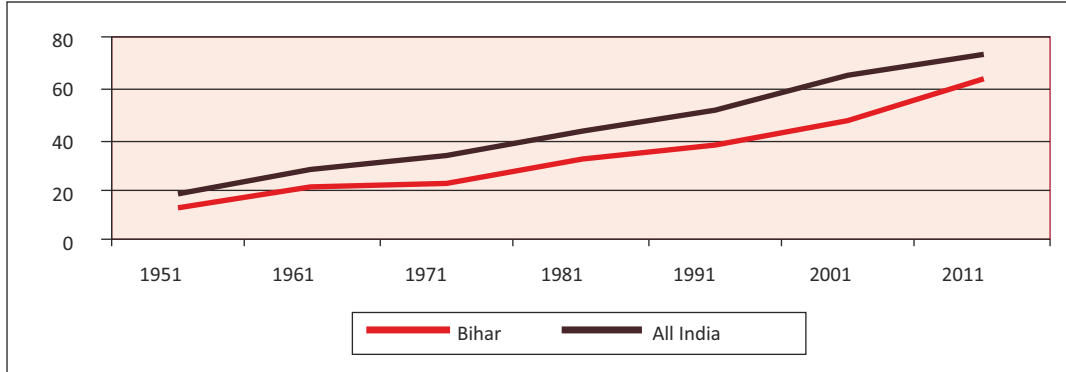
**Overview of MNREGS**

Number	2009-10	2010-11
HHs issued jobcards	12406518	4127311
SC hhs issued jobcards	5202033	1137.53
HHs demanded employment	4131450	341.33
HHs provided employment	4127311	287757
HHs completed 100 days of employment	287019	239670.91
Hhds completing 100 days of employment among Hhds provided employment	6.95%	30.01%

Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2010-11  
Note: HH: Households, SC: Schedule Castes

**Education** -- In Bihar, the 2011 Census recorded a literacy rate of 63.8% with male literacy at 73.5% and female literacy at 53.3%. The National Family Health Survey of 2005-06 estimated the male and female literacy rates in Bihar to be 70.4% and 37.4% respectively. Thus, the increase in literacy in the second half of the last decade has been accompanied by a very steep increase in female literacy from around 37% to 53%, which is a very positive sign.

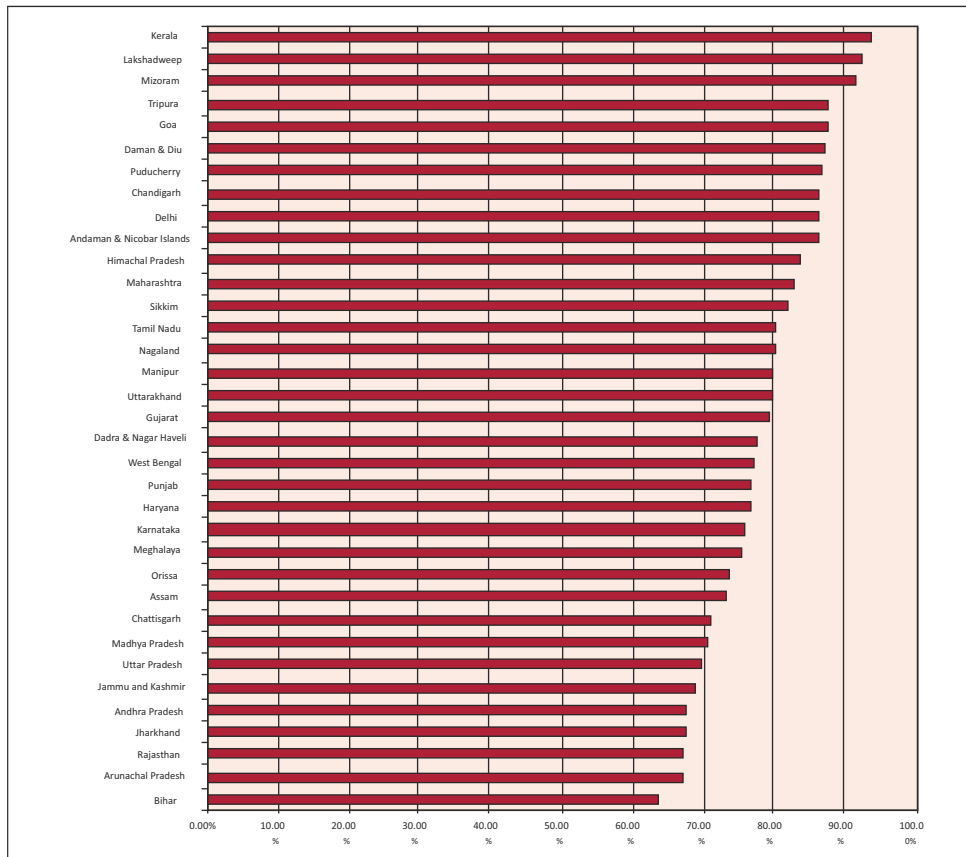
**Trend of literacy rate in comparison with India**



Source: PHD Research Bureau, Compiled from Economic Survey of Bihar 2011-12

The All India trend shows that the literacy rates at national level exceeded literacy rates of Bihar at every successive time period, but from 1991 to 2011 there is a steep increase in Bihar's literacy level. The gap between the national literacy level and the Bihar literacy level widens over the years. Currently the literacy rate in Bihar is the lowest among all states in India.

**Trend in literacy rate in comparison with other states**



Source: PHD Research Bureau, Compiled from Economic Survey 2010-11

The Gross Enrollment Ratio (GER) between 6-13 years of age was 104.4, between 11-13 years of age it was 46 and between 6-13 years of age it was 82.6.

**Health** -- There were 10,632 health centres as on October 2010 as compared to 11,107 in December 2008. Of these, 494 are rural Primary Health Centres (PHCs), 37 are urban PHCs, 8858 are health sub-centres and 1243 are Additional PHCs. For every lakh of population, there were 11 health centres in 2009 and 2010.

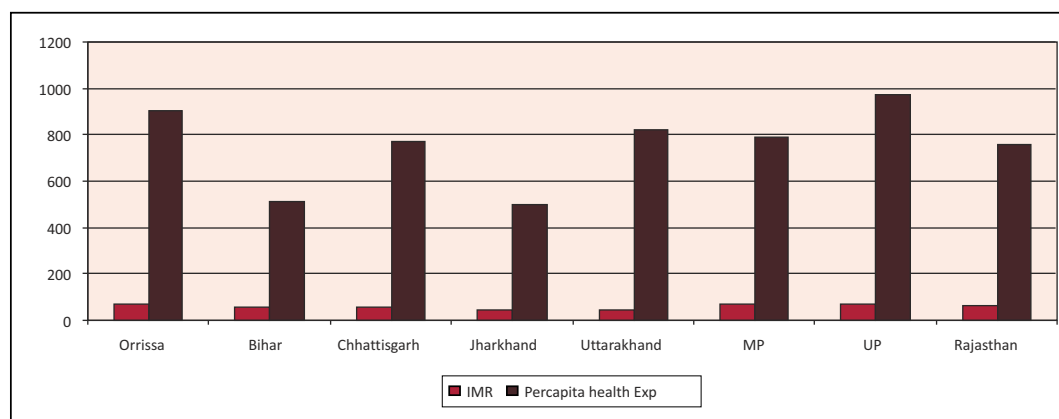
### Summary of Health Indicators

Life Expectancy at Birth (2002-06)	61.6 years
Infant Mortality Rate (2008)	56 per 1000 live births
Maternal Mortality Rate (2004-06)	312 per 1,00,000 live births
Total Fertility Rate (2008)	3.9 children born per woman
Per Capita Health Expenditure NHA-04-05	Rs 513

Source: PHD Research Bureau, Compiled from Annual Report to People on Health, September 2010

However, the low per capita health expenditure in Bihar and a high IMR (Infant Mortality Rate) is not a very good sign. Its per capita expenditure is the lowest among the states covered under EAG scheme.

### Bihar vis-à-vis other EAG states in Health

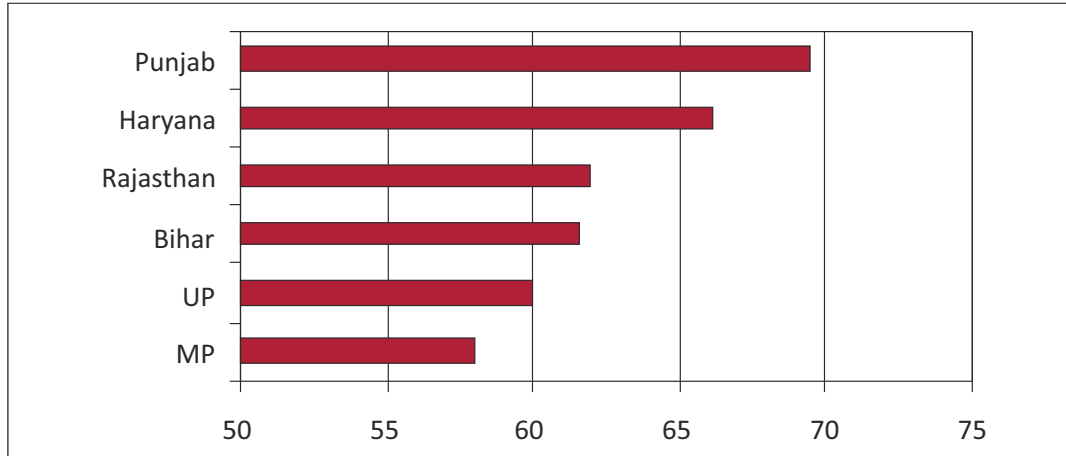


Source: PHD Research Bureau, Compiled from Annual Report to people on Health, September 2010.

Note: Empowered Action Group Scheme has been launched by Ministry of Health and Family Welfare and covers the above eight states.

In terms of life expectancy at birth among major states in India, Bihar puts up a moderate show with 61.6 years as compared to Punjab with 69.4 and Haryana at 66.2 years. Although there have been various efforts towards improving health standards, yet this low longevity levels indicate that much more effort needs to be put in.

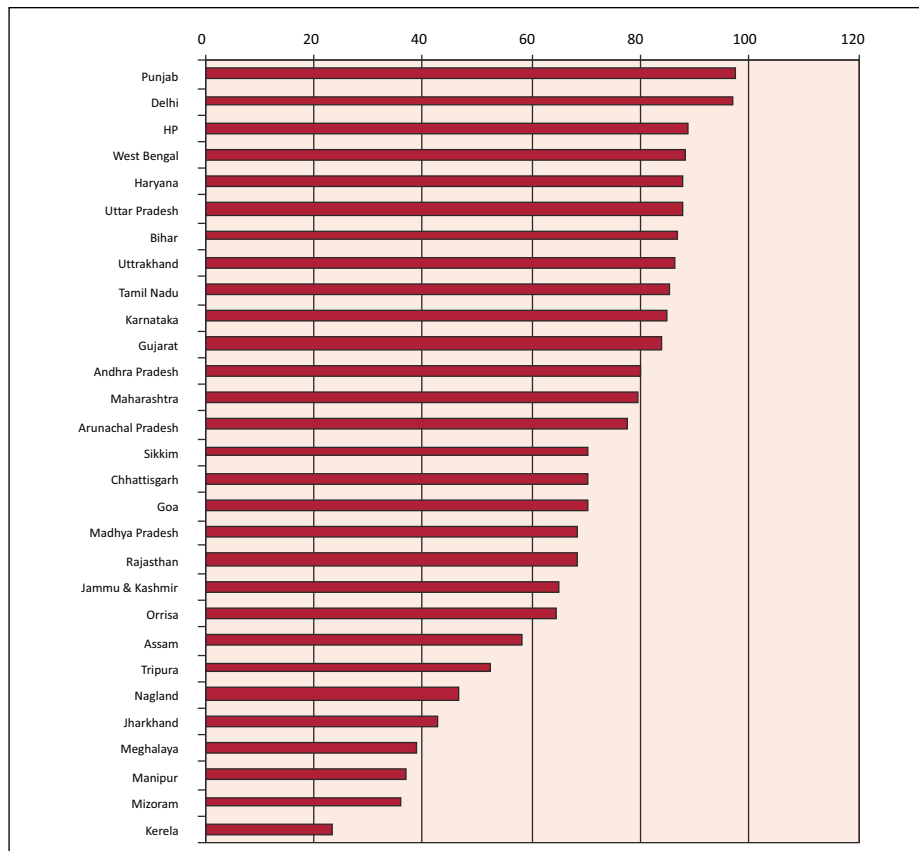
**Life expectancy at birth (in years)**



Source: PHD Research Bureau, Compiled from Annual Report to people on Health, September 2010.

In terms of availability of safe drinking water Bihar stood at one of the highest positions with of about 87% of its population having an access to safe drinking water. This shows the progress state is making in terms of development of its infrastructure.

**Availability of safe drinking water to households (in percent):**



Source: PHD Research Bureau, Compiled from Economic Survey 2011-12

In conclusion, Bihar has a relatively weak social sector driven by high unemployment and poverty. Although, the state has caught up in terms of literacy rate, it has a long way to go in terms of health infrastructure and overall social development.

## 5. Performance in the six thrust areas focused by PHD Chamber

The six thrust areas of PHD Chamber are: Industry, Infrastructure, Education and Skill Development, Health, Housing, Agriculture and Agribusiness. Bihar has been making efforts to improve its position in all these areas. However, there is a lot of scope for improvement, going forward.

### Performance in six thrust areas

<p><b>Agriculture and Agribusiness</b></p>	<p>Bihar is an agrarian economy with majority of the population dependent on it for their livelihood. Bihar is the largest producer of litchi in India and a major producer of several other crops including sugar cane. The state ranks 10th in terms of food grain production and 7th in terms of commercial crop production in India. With a view of its large potential, the state government is promoting agriculture on a whole, by providing irrigation facilities, promoting agro processing and agri business. The Union Ministry of Food Processing Industry has sanctioned the establishment of Food Parks at Hazipur and Begusarai to promote agro-based and food processing units. Agri-Export-Zones (AEZs) are being promoted to give impetus to litchi exports in the state.</p>
<p><b>Education and Skill Development</b></p>	<p>The state has made considerable progress in terms of literacy level which stands at 63.8% in 2011. Even though, the literacy rate of Bihar has improved, it is considerably below the national average. However, the sharp rise in the female literacy rate over the years is encouraging. The state government is progressing towards making provision of education for all. Bihar has launched several schemes to uplift the overall education scenario of the state with special emphasis on primary education and female education.</p>
<p><b>Health</b></p>	<p>Bihar had shown a very steady improvement of health care facilities among the rural and urban sections of the society. The vaccination coverage, institutional deliveries and infant mortality between 2002-04 and 2007-08 have improved drastically. There were 10,632 health centres as on October 2010, of which 494 are rural Primary Health Centres (PHCs), 37 are urban PHCs, 8858 are health sub-centres and 1243 are Additional PHCs. The state government's utilisation of funds against total receipts for health expenditure has gone up from 31.1% in 2005-06 to 89.8% in 2009-10.</p>



<p><b>Housing</b></p>	<p>With a majority of population residing in the rural areas, Bihar faces acute rural housing shortage. National Housing and Habitat Policy, 1998, was designed to help ameliorate rural housing conditions in the state. The need is to facilitate credit, subsidy, technology, formation of self-help groups and support infrastructure required for rural housing. Indira Awas Yojana has been implemented in Bihar to primarily help construction/upgradation of dwelling units of members of Scheduled Castes/Scheduled Tribes, labourers and others below the poverty line and non-SC/ST rural households by providing them lumpsum financial assistance.</p>
<p><b>Industry</b></p>	<p>The state government has taken several measures for industrialization of the state. The strategies for development of industries, particularly of the MSME sector, which include establishment of land bank for making land available to different industries, are being prepared. Marketing arrangements for small, micro, medium industries with special reference to handloom and handicrafts are on the anvil. A number of project proposals have been approved by the State Investment Promotion Board, from which the emerging investment scenario in the state is expected to be robust. With a view to making Bihar a preferred destination for IT industry, the state government has also decided to offer a special package of incentives to attract them to the state.</p>
<p><b>Infrastructure</b></p>	<p>The situation in terms of electricity generation, roads, railways, aviation has improved in the state. The endeavors made by the state government in capacity addition in key infrastructure sectors like power and roads are noteworthy. A large number of infrastructure projects are on the verge of completion. It is expected that growth in infrastructure will not only remove the supply side constraints in production but also stimulate additional domestic demand. However, there is a need for planned urban development and steady power generation in the state to facilitate industrialization and overall economic growth.</p>

Source: PHD Research Bureau.

## 6. Budget 2012-13

The government of Bihar presented a revenue surplus budget for 2012-13 announcing a total expenditure of Rs 78686.82 crore which is Rs.13360.95 crore (20.45%) more than Rs 65325.87 crore for the year 2011-12 (B.E.). Out of the total, the Non Plan Expenditure is estimated Rs.45322.97 Crore, which is Rs.7500.02 crore more than Rs 37822.95 crore for the year 2011-12 (B.E.). State Plan Outlay for the financial year 2012-13 is estimated at Rs. 28000 crore, which is Rs.4000.00 crore more than Rs 24000 crore for the year 2011-12 (B.E.). Centrally Sponsored Plan Scheme (CSS) stands at Rs.5255.18 crore, while Centrally Plan Scheme (CPS) is estimated at Rs. 108.67 crore.

Budget at a glance		(Rs. Crore)	
S.no	Description	2010-12 (BE)	2011-13 (BE)
1	Total revenue receipts	56205.86	68047.86
2	Tax Revenue	39549.29	48821.63
3	Capital Receipts	9106.98	9336.48
4	Revenue Expenditure	49933.56	60959.27
5	Revenue Surplus (+)/ Deficit (-)	6272.3	7088.59
6	Capital expenditure(Excluding debt)	12466.33	17727.56
7	Total expenditure	65325.87	78686.82
8	Plan Expenditure	27502.92	33363.85
9	Non Plan Expenditure	37822.95	45322.97
10	Primary Surplus (+) / Deficit (-)	-1455.52	-2383.43
11	Fiscal Surplus (+) / Deficit (-)	-6194.03	-7569.43

Source: Government of Bihar, Budget 2011-12.

The budget made proposals to facilitate the growth of several sectors which are critical for the economy. With the objective to enhance farm productivity and to improve the agricultural supply chain, Rs.1200 crore has been allocated for the agriculture department. In addition to this Rs.1574.84 crore has been earmarked for the rural development in the budget for FY2013.

The state government has made allocations of Rs2192.47 crore for water resources development while energy generation in the state has been sanctioned Rs.2001.75 crore in the budget of FY2013.

The provision for education for the year 2012-13 is estimated Rs. 15054.12 crore which includes Rs 8896.85 crore for Non plan and Rs 6157.27 crore for Plan expenditure. Health expenditure for the year 2012-13 is estimated Rs. 3085.99.

Social welfare has received a total allocation of Rs.2118.40 crore water resources have been allocated an amount of Rs.2192.47 crore. The state has focused on rapid improvement of infrastructure and increasing the road lengths. To promote road construction, an amount of Rs.3613.63 crore has been provided in the budget.

## 7. Conclusions and Recommendations

The growth rate of Bihar's economy has not been uniform over the last decade. However, the economy then witnessed a turnaround as the growth scaled a healthy path during the recent years. Its GSDP (at current prices) has grown about thrice over from Rs 73,654 crore in 2004-05 to 2,17,814 crore in 2010-11. The real GSDP of the state has increased from Rs 6,59,95 crores in 2004-05 to Rs. 1,44,472.0 crore in 2010-11.

The tertiary sector contributed a large share of around 60% in GSDP followed by the primary and secondary sectors at 23% and 16% respectively during 2010-11. Over the last five years period the share of agriculture sector to the GSDP has decreased and industry and services sectors have started picking up.

Bihar is mostly a state with a level topography and part of the Gangetic plains, while southern Bihar is wooded and hilly. The state has fertile soil, well-irrigated by rivers, and is endowed with rich forest wealth. Thus, agriculture is a prominent component of the economy of Bihar, employing over 80% of the state's workforce.

Bihar has a mix of industries ranging from agro-based (food processing, silk and tea) to leather and non-metallic minerals, though dominated by the small scale sector. Food, beverages, tobacco and petroleum products account for more than 85% of the total industrial income. The state contributes about 10% of India's fruit and vegetable output, but less than 1% of processed output.

The state is committed to create an investment climate conducive for private sector participation. With its Industrial Incentive Policy 2006, the state initiated power sector reforms, one-time settlement schemes, creation of special economic zones (SEZs), revival of sick industrial units and other measures to attract investments.

Bihar has been making conscious efforts for rapid development of physical and social infrastructure in the state and to attract private sector participation in the same. The state has a well developed rail network, and is working on enhancing its roads as well as upcoming inland waterways network. Telecom is developing rapidly, while the power shortage in the state needs to be addressed. Bihar needs to drastically step up its urban development policy alongside facilitating for provision of affordable housing in the rural area.

Despite several measures undertaken by the government, the social sector of the state is still weak and needs to be improved. With the lowest per capita income in the country, Bihar has very high levels of poverty. Bihar is below national averages on various health and social indicators (life expectancy, literacy etc). The state government has taken several steps to address the gaps in its social infrastructure by inviting private participation in higher and technical education as well as financial support programmes for healthcare.

## Recommendations

Historically known as a low income economy with weak infrastructure and a victim of vagaries of nature, the state has come a long way by posting above 11% economic growth over the recent years. However, the state's growth trajectory has been rather volatile with frequent ups and down. This is not a very encouraging sign as the economic turbulence has harmful repercussions on the various economic agents.

The state ranks 10th in terms of food grain production and 7th in terms of commercial crop production in India. Providing for the livelihood of more than 80% of the population, agriculture in the state has been severely affected by the drought and flood conditions in the past. The contribution of this sector has been declining over the years and the yield of 1570 kg/ha is moderate as compared to the All India Level (1768 Kg/Hectare) and also in comparison to its agrarian counterparts. The state needs to take up measures to step up farm productivity and ensure proper farm-gate linkages along with cold chain infrastructure so as to facilitate smooth supply and availability of food grains. The process would also help provide for sustainable employment and income to the rural poor.

Bihar is the largest producer of litchi in India and a major producer of several other crops including sugar cane. Agro processing is a promising area where Bihar has significant strengths. Agro-processing zones and value-addition in different agro-climatic zones in the state could attract huge private investments. There have been measures taken up by the state government towards promoting agro processing and agri business etc. There is need for agricultural output to operate with an increased focus on processing and value addition. To promote competitiveness and efficiency in the marketing chain, impetus needs to be provided to establish private mandis.

Despite the efforts by the state government, Bihar's industrial growth has still a long way to go. Although services and agriculture sectors contribute largely to the Bihar's economy, the state cannot have economic prosperity/growth without industrial growth. Bihar has all the ingredients required for industrial growth including land, labour, and financial support from the government and its biggest strength is a large consumer market. The state should promote private sector investments and encourage the creation of their long term partnerships in industries. These investments can be attracted through lucrative policy benefits to promote Public Private Partnerships. The state lacks enough paved roads, adequate power and an impressive urban infrastructure. Emphasis needs to be provided to the development of infrastructural facilities, especially the basic infrastructure, to ensure rapid economic growth.

Although, tourism in Bihar is not the chief revenue contributor into the state's economy, but in the recent times it has shown wide development and seems to be growing. Bihar is known world-wide for its enormous contribution to the rich tradition and culture of India. Heritage assets, all over the state provide for immense potential for development of tourism. The maintenance of the heritage sites should be taken care of. The tourist guides should be registered and procuring information should be made easy. The state is endowed with enormous potential for development of rural tourism which can provide for sustainable livelihood to the vast rural population in the state.

Bihar's exposure to the banking services is very limited and hence, per capita availability of financial services in Bihar is considered to be lowest in the country. The state government should focus on increasing the outreach through rapid financial inclusion. To push Bihar on sustained economic growth momentum, there is an urgent need to expand the base of financial services, with a particular focus on the rural economy and the small and medium entrepreneurs. In view of the low savings potential of the people, expanded financial services must be cost effective and their delivery should be of high quality.

The state's social sector has improved over the years, but still remains an area of concern, which needs to be dealt with. Key issue which is to be addressed is human capital development. Unemployment in Bihar, one of the highest in India, is adverse in the state. Efforts need to be taken to provide job centric education and skill development to the youth so that they can be fruitfully employed in the mainstream job market.

With lowest levels of per-capita income and literacy rates, human development is a major challenge to the economy of Bihar. There is a tearing need to improve the quality of life of the people by enriching their social, economic and cultural well-being. Providing the natives with quality and long term sources of employment by rapid sensitization among the people on the benefits of literacy and education are the first step towards it. Implementation of social welfare schemes addressing their basic needs should be considered at the earliest for social development. These would have a multidimensional effect on the economy, first, by creating employment opportunities, second, by reducing the level of poverty, third, by educating and up-skilling work force and finally by enhancing the growth of the economy.

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**Bihar: Key contacts**

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5.	Labour Laws	Labour Commissioner, Labour Department, Govt. of Bihar, New Secretariat, Patna. +91-612-2215559.
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