

## **Bihar: An overview of the 1980-2010 economy**

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### **Abstract**

Modern-day Bihar is a relatively poor state in India compared to others in the country. Since the mid-1980s, many have accepted Bihar's status as a "basket-case" with little hope for improvement because of the wide gap between Bihar and India in economic output and almost every relevant indicator, including the Human Development Index, access to infrastructure, healthcare, education, and law and order. Evidently, a stop in growth is not the case if progress is only slowed. The lack of development or growth is not indicative of a stagnant state of affairs. For your convenience, we've included a high-level summary of the areas of agreement within the Indian economy where this topic is comparable to others. Our analysis spans the years 1980-2010, and that time period is broken down as follows: 1980-2000, 2000-2005, and after 2005. Our categorization system is based on reasoning, not calculations. Although these methods provide equivalent results during certain time ranges, it is not made clear whether or not these values are equal during other time ranges. A sequence from the beginning of the film shows the economic situation of Bihar before the partition. Changes in Bihar's political and economic institutions following November of 2000 are particularly illuminating. For instance, although most people in Jharkhand are tribal and consider themselves to be of a low caste, caste has traditionally served as a foundation for discrimination and inequality in neighbouring Bihar. Much of Jharkhand is located on the mineral-rich Chota Nagpur Plateau, which has historically served as the state's economic hub. However, there is a great expanse of alluvial soil throughout the districts of Bihar that is rich and frequently refreshed by flood waters, making it an excellent choice for agricultural usage. The economy of Bihar following the civil strife of 2000–2005. In the 1990s, the Jharkhandi movement had an opening it had not had for decades prior, thanks to shifting social norms, growing political demands for secession, and the political opportunism of the RashtriyaJanata Dal (RJD) in Bihar and the National Democratic Alliance (NDA) government at the national level. Although the economics of northern and southern Bihar could no longer be compared, there was a critical period of political and policy continuity between 1980 and 2000 when RJD was in control. Nitish Kumar and the Janata Dal (United), or JD (U), came into power in Bihar after the state elections in 2005. (BJP). Significant policy, administrative, and general governance changes, together with significant economic expansion, characterise this period. In terms of both quantity and quality, this age cannot be compared to any other. Bihar's relative position has not changed, and many of the structural changes that were previously detected persist. Nonetheless, economic development has picked up significantly.

### **Pre-Bifurcation Bihar**

Prior to the 1980s, agriculture accounted for a disproportionate share of Bihar's economic production and employment. This was also true for a sizable portion of India's surviving landmass. The relative per capita production between Bihar and India has decreased since the mid-1980s. This is because Bihar's economy grew at a far slower rate than the rest of India's throughout this time. After Lalu Prasad's RJD came to power in 1990, Bihar's relative production stabilised at about 35% of the national per capita GDP for the rest of the decade. Through much of this decade, this share has remained relatively unchanged. After this increase, the economy saw major structural changes, with the services sector becoming the most lucrative industry at the national level; similar changes also occurred inside the state of Bihar. The increase in population necessitated these alterations.

### **Level of Growth: Absolute and Relative**

In the 1980s, the state of Bihar had a per capita income of 917 rupees, or almost 60% of the national average. This trend has remained since 2011, when the Central Statistical Organization (CSO) of the Government of India published statistics revealing that Bihar has the lowest per capita income of any state in India. In 1981, Bihar had the lowest HDI (Human Development Index) among India's 15 main states, according to statistics given by the Planning Commission (2002). Bihar's dismal performance was well-established by 1980; hence, the root reason of such dramatic regression must have occurred before 1980. To be sure, Bihar has a long way to go before it could be classified as an endemic failing state. From 1980–1981 to 1984–1985, Bihar had one of the fastest rates of growth in terms of per capita income, at 5.3%. "... the growth rate of the Bihar economy during the post-reform period was the lowest of any areas of India in any of the decades," they write. Bihar did not profit from India's overall liberalisation, even though the rest of the country benefitted. Bihar's development stagnated while the rest of India's accelerated, marking the moment when the state's already dismal showing became much more hopeless. By the turn of the century, the disparity between Bihar and the rest of India in terms of per capita output had widened to a shocking degree, having first shown in the late 1980s. Bihar's per capita income fell from 1,197 Indian Rupees in the fiscal year 1990-1991 to 1,073 Indian Rupees in the fiscal year 1997-1998, reflecting the widening gap between the state's economic indicator levels and the national average. Between 1980 and 1998, India's per capita income increased at a compound annual growth rate (CAGR) of around 3.2 percent, whereas in Bihar, it increased at a far more modest 1.1 percent. There is a clear distinction between these growth rates when looking over the whole time frame. If the average Indian's income doubled every 22 years, it would expand by at least a factor of two throughout the duration of their lifetime. Incomes are unlikely to double since the average life expectancy in Bihar at the time was far lower than 63 years.

### **Structure of the Economy:**

Bihar's economic composition changed significantly, even while the overall level of economic activity remained stable. Once heavily reliant on agriculture, modern economic growth has been spurred by the emergence of a robust industrial and service base. For as long as I can remember, the agricultural industry has been the economy's bedrock. Since 1980–1981, when the services sector began contributing more to Bihar's State Domestic Product (SDP) than the industrial sector, this ratio has increased continuously. Around 35% of SDP was generated by the service sector and agriculture in the years 1997–1998. Both the services and industrial sectors had grown significantly by this point. As time has passed, the gap between the two industries has become even wider. This graph displays data from 1990–1991 and 1997–1998; it highlights two noteworthy features: to the extent that What we saw here was a mirror of the pattern of shifts taking place in the Indian economy at the same time. Bihar's production was still more dependent on agriculture than the rest of India's, but the state was clearly moving in the direction of becoming a services-based economy akin to the rest of India. There are several reasons why the economic restructuring that took place between 1980 and 2000 is so astounding. Very little change was made to the employment structure, and it was matched by very little growth in economic production. Because of these two variables, this occurrence is quite exceptional. These two factors contribute to the widespread belief that the economy underwent a radical change around this time. The bulk of Bihar's workforce continued to be employed in agriculture not only in 1999-2000, but also in 1977-1978. Among the Indian states, Bihar has the lowest urbanisation rate in 2010 with just 10.5% of its people residing in urban areas. Since its inception, the state of Bihar has relied heavily on agricultural labour as its main economic driver. More than 715 out of every 1,000 employed males and 845 out of every 1,000 employed females in rural parts of the United States were involved in agriculture as their primary source of income in 1999-2000. However, only 161 out of every 1,000 rural men were employed in the services sector, and the employment rate for rural women was much lower than that of rural men. In the state of Bihar's limited urban enclaves (most of which are focused around Patna), employment in the service industry was prevalent, especially among males, and the number of individuals working in the service sector has been gradually expanding throughout the course of recent history. Bihar's limited rise in production is likely due in large part to the state's failure to invest in developing its non-agricultural businesses. Based on labour force data, it seems that the service sector failed in its attempt to lure farmers and farmhands away from their traditional occupations. Based on the evidence, this is the conclusion that can be made. Kishore (2004) presents evidence showing that during the 1980s, Bihar's agricultural output was higher than the national average. However, agricultural output began to level down in the middle to late 1990s. This provides support for the statements made by Ghosh and Gupta (2010) and Sharma (1995), who contend that the lack of development in Bihar was mostly due to the incapacity of the services and industrial sectors to expand. The lack of development in Bihar, according to Ghosh and Gupta (2010) and Sharma

(1995), was mostly attributable to the inability of these sectors to expand. This, in turn, prompts inquiries into Bihar's policy climate during the decade of the 1990s. This is especially significant when considering that Bihar's access to its natural resources remained mostly uncontrolled during the 1990s. More though Bihar's human development indicators were already rather low, the state's weak economic expansion and growth during this time period made them even worse. This is the main reason why Bihar ranked very low on the HDI both in 1991 and 2001.

### **Poverty – Pre-Bifurcation:**

It's no secret that Bihar has a greater poverty rate than the rest of India; in 1983, it was 62% compared to 44% nationwide. Poverty in Bihar has always been much higher than in the rest of India. Since Bihar's economy began developing at a rate that was far slower than that of India in the late 1980s, the widening difference in poverty incidence in the 1990s is not unexpected. Progress was made in the fight against poverty, however, and by the end of the era, the poverty rate had dropped from over 60% in the 1970s and early 1980s to below 50%. Therefore, poverty rates in India have gone down even more, mirroring a worldwide trend. And yet, extreme poverty disparity maintained and even worsened over this period. The gap between Bihar's poorest and the rest of the country's citizens has grown wider over the years. It's even more clear now. Bihar's progress in reducing poverty was slower than average, in part because of the state's lower than average rate of per capita income growth. As a result, during the 1990s, Bihar had a greater percentage of its people living in poverty than the rest of India. Extreme reliance on agriculture has contributed to Bihar's chronic poverty. The body of literature on poverty was not previously divided. Bihar has mostly been concerned with the progress made in the agricultural sector and the variables that have led to the state's modest improvements in this area. The absence of land reforms in Bihar, the state's low agricultural productivity, the increasing fragmentation of land holdings through time, and Bihar's entrenched caste systems are all significant factors in the state's high poverty rate. Extensive investigation into six different communities supported an intriguing idea put out by Kishore (2004). According to this theory, inconsistent and erratic public investment in agriculture is more responsible for agricultural failure than other commonly held explanations. Sharma (1995) argues, to the contrary, that "... the state's backwardness is more related to the iniquitous and exploitative socioeconomic structure, lack of political leadership, and almost total collapse of administrative law and order machinery - to the point that it is said that in Bihar 'the state has withered away.'" A single reason may not have been responsible for the little decline in poverty in Bihar throughout the 1990s, although the state was in a dire condition with regard to a number of important indicators. It is difficult to identify a single factor, although poverty did diminish in Bihar, if somewhat, in the 1990s. Simultaneously, broad pessimism pervaded the discussion of Bihar's economy, and the state's overall collapse was generally accepted.

### **Social Indicators – Pre-Bifurcation**

During this time period, the level of human advancement in Bihar was comparable to that of the rest of India. Despite the fact that there was progress made in every category, Bihar's performance in terms of human development remained lower below the average for the country. Around 5% of the population was illiterate in 1951, but that number drastically climbed during the 1960s and 1970s, reaching 11% at the time of the 1981 census and 14.7% by the time of the 1991 census. In 1951, the proportion of illiterate people in the population was relatively low. In Bihar, as is the case across the rest of India, the percentage of males who are literate has historically been higher than the percentage of females who are literate. Although it was wider in 1981, the difference between the literacy rates of men and women in Bihar has narrowed significantly since that time. The most apparent difference between Bihar and the rest of India was the much lower rates of literacy for both males and females. This was the case even though there were larger gender inequalities everywhere else in India. Both a country's life expectancy at birth and its infant mortality rate may serve as indicators of the quality of its medical care system. Both demonstrate that there is not a significant and persistent discrepancy in economic data between Bihar and the rest of India between the two states. In Bihar, there is a significant gap in the lifespan of the male and female population. In most places of the United States, women have a longer life expectancy than their male counterparts. However, in the state of Bihar, the roles are reversed, and it seems expected that this will continue to be the case in the foreseeable future. In the years 1981–1984, the male life expectancy in India was 55.2 years on average, while in the state of Bihar, it was just 54.5 years. On the other hand, the life expectancy of a woman was just 51.2 years, while in India it was 57. In the years between 1999 and 2003, the average life expectancy of a woman in Bihar was 59.7 years, while the average life expectancy of a woman in India was 63.8 years. This was the case despite the fact that the gender gap between the two nations had shrunk in the 1990s. We were surprised to see that the rate of infant mortality in Bihar is not significantly different from the national norm. Before the state of Bihar was split in two, the infant mortality rate was actually somewhat lower than the average for the country. Following the division, the rates of infant mortality finally caught up to or surpassed the national standards. It should not come as a surprise that Bihar has a low Human Development Index (HDI) score since the state has a high wealth difference, a huge education gap, and moderate health outcome discrepancies. All of these factors contribute to inequality. According to estimations provided by the Planning Commission for the Human Development Index (HDI), Bihar has been making advances throughout the course of time; nevertheless, these advancements have not been sufficient to bridge the gap with the average for the whole country. And last, Figure 4 demonstrates that Bihar's population trends have lagged behind the national trend by a number of decades, which brings us to our final point. After a decade of slow development, India's national population had significant expansion throughout the 1950s and 1980s. However, the population growth rate began to decline during the period of 1991-2001, and it continued to drop drastically

during the years of 2001 and 2002. This serves as a wonderful example of how the predictions of demographic change may be shown. When compared to the rest of India, population growth in Bihar during the years 1950 and 1960 was very sluggish. Between 1970 and 1980, Bihar's population grew at the same rate as India's overall population growth. However, between 1991 and 2011, the total population of the state of Bihar more than quadrupled, and Bihar alone had an astonishing rate of population growth during that time period. In comparison to the rest of the country, Bihar has a significantly younger population, which has a number of advantages. One of these advantages is more time to adapt to the impending demographic transition.

### **Bihar: 2000-2005**

The political division of the state that was previously known as Bihar into the states of Bihar and Jharkhand brought to light the requirement of establishing guidelines on the distribution of monetary and material resources between the two newly formed states. These guidelines should be established for the distribution of resources between the states of Bihar and Jharkhand. Both the state of Bihar and the state of Jharkhand need to adhere to these recommendations with regard to the allocation of their respective resources. This method of dividing anything into half was not in the least bit equitable. While the distribution of all of the physical assets was done on a "as is, where is" basis, the distribution of the duties for the finances was done according to demographic factors. This was done both for reasons related to logistics and with the intention of providing an edge to the newly constituted state of Jharkhand (Bihar Economic Census, various rounds). Jharkhand was handed ownership of three-quarters of all of the resources that had previously belonged to the state of Bihar, but it was only accountable for one-quarter of all of the responsibilities as a direct result of this event. The simple act of bifurcation led to an absolute and relative worsening of the economic condition in Bihar, which resulted from the scenario. This was due to the fact that Bihar was split into two separate states. At the time when the state of Bihar was cut in half, there was a great deal of uncertainty over whether or not the "reduced" version of Bihar could even function as a viable state on the basis of its economy. In the end, regular business operations in the state were able to resume as usual. While it might seem straightforward to compare GSDP figures from before and after the split in 2000, the Central Statistical Organization only begins reporting national income estimates for (divided) Bihar and Jharkhand beginning in 1993-94, well before the bifurcation had place. Because of this, comparing GSDP estimations pre- and post-bifurcation may be challenging. This makes it hard to draw parallels between GSDP estimates made before and after the split. The size of the economy was diminished as a consequence of the split, although quantifying the exact amount is difficult. This was caused by the fact that the economy was split in two. The result of the divide was this unfortunate defeat. Although we have estimates of the population of undivided Bihar from the 1980-81 series and the 1993-94 series for a number of years that overlap, it is impossible to compare these data even if they were for the entire state of Bihar before it was partitioned. This is the case despite the fact that we have these estimates of the population. The data from 1980-1981 and the series from

1993-1994 are the sources for these respective estimations. However, it is still feasible to conduct a study of the structure of the economy using these two separate price series for the same year. This is the case even if they pertain to different price points. By doing so, one would be able to get a better understanding of the dissimilarities in the structural compositions of the economies of split and undivided Bihar. When we analyse the statistics for the two distinct iterations of Bihar during the years 1995 and 1996, we discover that a bifurcation leads in a significant loss for the manufacturing sector. This finding is brought about by the fact that there are two distinct iterations of Bihar. In undivided Bihar, the industrial sector was accountable for 24% of the Gross State Domestic Product; however, in partitioned Bihar, the industrial sector is only liable for 4% of the GSDP. As a consequence of this, the bifurcation indicated that a greater focus should be placed on the part that the agriculture and service sectors play in the process of generating money for the country. This is because the bifurcation indicated that a greater focus should be placed on the part that the agriculture and service sectors play in the process. Because of this, there was a fairly significant shift in the economy, and as a direct result of this transition, a considerable portion of the state's industrial base relocated to Jharkhand in the year 2000. This relocation was a direct consequence of the revolution that took place in the economy. Not only did the economy of Bihar previous to the year 2000 have its own distinct characteristics, but the state's chances for development prior to and after it was partitioned into two halves were also quite different from one another. This came as a result of the fact that Bihar functioned as an independent state economically before to the year 2000. The variations in statistics such as poverty ratios, per capita incomes, and Human Development Indicators (HDI) that happened throughout these two independent time periods are thus not comparable to one another in any way. This is the case not only due to the fact that the population and economic resources were split between Bihar and Jharkhand, but also due to the fact that these factors would accumulate at different rates in Bihar and Jharkhand. This is the case because of two reasons. The first reason is that the population and economic resources were split between the two states. The reason for this is because the population as well as the economic resources were distributed unevenly between the two states of Bihar and Jharkhand. Specifically, the state of Jharkhand would be the location where the buildup of these components would occur at a more rapid rate. In the end, it doesn't matter which path to development is taken; what matters is how it ensures a deepening of economic activity, and whether or not the growth process is inclusive and accessible to persons throughout the entire spectrum of the distribution of income and assets. In other words, it doesn't matter which path to development is taken; what matters is how it ensures a deepening of economic activity. The yearly compounded growth rates that were calculated over intervals of five years are presented in the panel that is positioned on the right side of the figure that shows the same data. This panel displays the same information as the left side of the image. The general level of unpredictability shown by this panel is lower, with the exception of the three-year period that encompasses 2010–2012. It is noteworthy to notice that immediately after the split in 2000-2005, we witnessed a

considerable boost in growth at 4.51% per year in contrast to the 1.44% per year that was experienced all during the period of time between 1995 and 1999. This is something that should be taken into consideration. The fact that the two firms are now functioning separately has led to an increase in growth, which can be ascribed to that fact. In spite of this, India saw a quicker rate of development than Bihar did during the years of 2000 and 2005, with an average annual growth rate of 5.69%, and the gap between the two countries continued to widen throughout this time period. Despite the fact that the economy of Bihar increased at a rate that was significantly quicker in the first five years after the state was divided into two parts than at any moment prior to 1985, this was the situation that prevailed.

### **Conclusion**

The GDP is the most widely used and accepted measure of a country's economic prosperity (GDP). One of India's most populous states, Bihar, also happens to have the country's lowest per capita net state domestic product. Its GDP is little over one-third that of India as a whole (NSDP). India's economic system is often referred to by this term. The service industry accounted for 52% of India's GDP in 2006, followed by the industrial sector at 28% and agriculture at 20%. However, the relative importance of these foundational sectors to the economies of the various states varies widely. At the state level in Bihar, the primary sector's contribution to GDP has been continuously falling during the time period considered. The secondary sector's part in the economy in Bihar started to decrease when the state was split in two. But with the 2009-2010 academic year, the percentage began to rise again. The percentage of NDDP money allocated to the tertiary sector is on the rise, and now accounts for 60% of the total, as is the case throughout all of India. Larger NDDPs per person may be seen in cities like Patna, Begusarai, Munger, and Bhagalpur, where the primary sector provides a disproportionately tiny share of the economy. This is because the principal industry is not as advanced in these urban centres. What stands out the most is how few goods are really made. Nevertheless, the industrial sector's share of the total increased steadily from 2005 to 2010. Bihar's economy is undergoing changes at the local, state, and national levels. Careful forethought and significant government involvement are needed to bring about this change. Furthermore, the transition is well on its way to actualization.

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