



## An analysis on Industrial Development Potentials in Bihar State

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### **Abstract:**

An attempt is made in this paper to present the industrial development potentials, Significance of industrial development potentials in Bihar state. It is found that the development of industrial sector plays a pivotal role in economic uplift. It raises the productive capacity of the people and creates ever-increasing employment opportunities. The people thus can have more goods and service: leisure and better health denied the previous generations. Industrial development reduces dependence on agricultural exports to earn badly-needed foreign exchange. Technological development plays an important part to influence the industrial productivity. Bihar has all the ingredients required for industrial growth including land, labour, and financial support from the government and private sectors and the biggest support is Bihar itself which has a large consumer market.

**Keywords:** Technological development, industrialization, industrial development potentials

### **1. Introduction**

The development of industrial sector plays a pivotal role in economic uplift. It raises the productive capacity of the people and creates ever-increasing employment opportunities. The people thus can have more goods and service: leisure and better health denied the previous generations. Industrial development reduces dependence on agricultural exports to earn badly-needed foreign exchange. An industrialized nation is always economically stronger and thus capable of defending itself against any aggression. Economies of scale can be assured by applying advanced technical knowhow, systematic management and division of labour. This results in increase in production, employment and simultaneous growth in capital formation and economic

development. Since the launch of "Make in India" in 2014, much progress has been achieved in pursuing the country's manufacturing agenda and global competitiveness. Globally, India is the sixth-largest manufacturing nation and the biggest recipient of foreign direct investments (FDIs), with inflows touching \$60 billion in 2016-17, the highest-ever annual inflow into the country. India has also improved its rank on the Global Competitiveness Index and Global Innovation Index.

### **2. Significance of industrial development potentials**

#### **Modernisation of Industry:**

Industrial development is necessary for modernization of agriculture. In India, agriculture is traditional and backward. The cost of production is high and



productivity is low. We need tractors, threshers, pump sets and harvesters to modernise agriculture. To increase productivity, we need chemical fertilizers, pesticides and weedicides etc. These are all industrial products. Without industrial development, these goods cannot be produced. Agricultural products like jute, cotton, sugarcane etc. are raw materials. To prepare finished products like flex, textiles and sugar etc. we need industrialisation. So industrial development is necessary for modernisation of agriculture.

**Development of Science and Technology:** Industrial development encourages the development of science and technology. The industrial enterprises conduct research and develop new products. Ethanol in the form of biofuel is an example of industrial development. Industry conducts research on its wastes and develops byproducts like biodiesel from Jatropha seeds. Due to industrialisation, we have made progress in atomic science, satellite communication and missiles etc.

**Capital Formation:** Acute deficiency of capital is the main problem of Indian economy. In agricultural sector, the surplus is small. Its mobilisation is also very difficult. In large scale industries, the surplus is very high. By using external and internal economies, industry can get higher profit. These profits can be reinvested for expansion and development. So industrialisation helps in capital formation.

**Industrialisation and Urbanisation:** Urbanisation succeeds industrialisation. Industrialisation in a particular region brings growth of transport and

communication. Schools, colleges, technical institutions, banking and health facilities are established near industrial base. Rourkela was dense forest but now is ultra-modern town in Orissa. Many ancillary units have been established after setting up of big industry.

**Self-reliance in Defence Production:** To achieve self-reliance in defence production, industrialisation is necessary. During war and emergency dependence on foreign countries for war weapons may prove fatal. Self-reliance in capital goods and industrial infra-structure is also necessary. Atomic explosion at Pokhran (Rajasthan) and Agni Missile are examples of industrial growth.

**Importance in International Trade:** Industrialisation plays an important role in the promotion of trade. The advanced nations gain in trade than countries who are industrially backward. The underdeveloped countries export primary products and import industrial products. Agricultural products command lower prices and their demand is generally elastic. While industrial products command higher values & their demand is inelastic. This causes trade gap. To meet the deficit in balance of payments we have to produce import substitute products or go for export promotion through industrial development.

**Use of Natural Resources:** It is a common saying that India is a rich country inhabited by the poor. It implies that India is rich in natural resources but due to lack of capital and technology, these resources have not been tapped. Resources should be properly utilized to transform them into finished industrial products. The British people took India's



cheap raw-materials for producing industrial goods in their country. India was used as a market for their industrial products. So India fought with poverty and England gained during industrial revolution. Hence industrialisation plays important role for proper utilisation of resources.

**Alleviation of Poverty and Unemployment:**

Poverty and unemployment can be eradicated quickly through rapid industrialisation. It has occurred in industrially advanced countries like Japan. The slow growth of industrial sector is responsible for widespread poverty and mass unemployment. So with fast growth of industrial sector, surplus labour from villages can be put into use in industry.

**Main Sector of Economic Development:**

Industry is viewed as leading sector to economic development. We can have economies of scale by applying advanced technology and division of labour and scientific management. So production and employment will increase rapidly. This will bring economic growth and capital formation.

**Fast Growth of National and Per Capita Income:**

Industrial development helps in the rapid growth of national and per capita income. The history of economic development of advanced countries shows that there is a close relation between the level of industrial development and the level of national and per capita income. For instance, the share of industrial sector to national income was 26% and the per capita income in year 2000 was 36,240 dollar in USA. The share of agriculture

in the same year was only 2%. In Japan, the share of industrial sector in her GDP was 36% and her per capita income was 36210 dollar. In India due to industrialisation, the contribution of industrial sector to GDP has gone upto 28.5% in 2000-01 and per capita income has risen to Rs. 16,486 in 2000.

**Sign of Higher Standard of Living and Social Change:**

A country cannot produce goods and services of high quality in order to attain decent living standard without the progress of industrial sector.

**3. INDUSTRIAL DEVELOPMENT POTENTIAL FACTORS IN BIHAR STATE**

Bihar, the third largest state in the country in terms of population and 12th largest in area, is surrounded by Nepal in the north, West Bengal in the east, Uttar Pradesh in the west and Jharkhand in the south. The state enjoys a great geographical advantage by virtue of its proximity to big markets in eastern and northern India, access to ports such as Kolkata and Haldia, raw material sources and mineral reserves in the neighbouring states, and has close proximity to South-East Asian markets too. Bihar is one of the strongest states in agriculture which provide employment and livelihood to about 80% of its people. It is the largest producer of vegetables and the second largest producer of fruits in India. Food processing, dairy, sugar, manufacturing and healthcare are among the fast growing industries in the state. Bihar has planned initiatives for the development of other sectors such as education and tourism and also provides incentives for information technology and renewable energy. Large scale



infrastructure development, such as roads and bridges and a large base of low-cost industrial labour, make Bihar a potential investment destination for a wide range of industries. Ease of doing Business indicates simpler, speedy, and hassle free regulations for setting up of business. The State has implemented the same through setting up of Udyog Mitra under Department of Industries. State Investment Promotion Board (SIPB) through Single Window Clearance System is accepting & approving the investment proposals in Bihar.

#### **State Domestic Income:**

State income is one of the sources of industrial potentials. The economy of Bihar is presently on a continuous growth path, a result of sound development strategies of the State, particularly the high levels of its development expenditure. According to the new series of data on Gross State Domestic Product (GSDP), the growth rate of Bihar's economy in 2017-18 was 11.3 percent, increasing from 9.9 percent a year before. The GSDP of Bihar in 2017-18 was Rs. 4, 87,628 Crore at current prices. At constant (2011-12) prices, the figure stood at Rs. 3, 61,504 Crore. The economy of Bihar is presently on a continuous growth path, a result of sound development strategies of the State, particularly the high levels of its development expenditure.

#### **Availability of Resources**

Given the limits to the supply of land resource, it is vital to recognize the different uses of the land resources for productive activities. Rational use of land is important for its implications on economic growth, food supply and ecosystem management. As a landlocked

state, Bihar's total geographical area stands at 9.4 million hectares, while its share in country's population is around 8.6 percent. The area under forests as a proportion of total area has remained constant at 6.6 percent over the last 5 years at 6.22 lakh hectares. This pattern continues for areas such as barren and unculturable land (4.6 percent), land under tree crops (2.6 percent), fallow land (1.3 percent), culturable waste land (0.5 percent), area under permanent pastures (0.2 percent), and water bodies (3.8 percent) over the five-year period.

#### **Quality of Human Resources**

The population of the State as per 2011 census is 104099452 persons Bihar is the 3rd most populous State of the Country with 54278157 males & 49821295 females. The density of the population in the state works out to 1106 persons per sq. km. as against 382 for all India. Sex ratio in the state is 918 females per thousand males. The Literacy rate is 61.80%.

#### **Infrastructure Facilities in Bihar**

The availability of sound infrastructure has direct and indirect impact on the economy, as well as on the life of the people of any region. Better infrastructure leads to better service delivery, inclusiveness, wider market accessibility, and stronger backward and forward linkages for all the sectors — primary, secondary and tertiary. The physical infrastructure in Bihar has been strengthened considerably during the last decade. This chapter addresses the infrastructure sectors like Road Network, Road Transportation, Railways, Civil Aviation, Irrigation Infrastructure, Telephone Network, Postal Network and Information Technology Infrastructure. The public investment in the road sector



has grown at the rate of 16.3 percent during the last seven years, showing an increase from Rs. 5988 Crore (2012-13) to Rs. 17,585 Crore (2018-19)

#### **Civil Aviation**

Air transport is an indicator of business activity and prosperity of the region. Air transport has registered a high annual growth of 35.2 percent since 2011-12. The GSVA of air transport has increased six fold to Rs. 192 crore in 2017-18, as compared to only Rs. 31 crore in 2011-12 at constant (2011-12) prices. Air passenger traffic in Bihar, taking into account both domestic and international passengers, witnessed more than 50 percent growth in the year 2017-18, compared to the previous year.

#### **Railway Network**

The Ministry of Railways, Govt of India had established the new zone of East Central Railway in 1996 which is functional since 2002. In order to improve connectivity and services of railways in Bihar, the development of railway infrastructure through new lines, gauge conversion, electrification, Road Over Bridge and maintenance of existing railway infrastructure are under process. The railway network has always played a key role in social and economic development. It is an affordable means of transportation for millions of passengers and also for bulk freight. As on March, 2016, there were a total of 6870 Kms of rail track and 3731 kms of rail route in Bihar. The share of rail route in Bihar was 5.6 percent of the national figure. The density of rail route in Bihar was 39.6 kms per 1000 sq. km of area. However, Bihar had only 4.9 kms of rail route available for per lakh of population.

#### **Information Technology (IT) Infrastructure**

IT is a basic necessity for e-governance. It provides platform to execute egovernance in a smooth and time bound manner. The E-governance is basically a mode of governance through Information and Communication Technology (ICT). ICT facilitates by speeding up governmental process, taking decisions expeditiously and judiciously, increasing transparency and enforcing accountability. Information and Communication Technology (ICT) is a prime sector in Bihar. During 2011-12 to 2016-17, it has been growing annually by 10.7 percent; in 2017-18, it grew at a even faster rate of 16.6 percent. The contribution of communication sector was nearly 3 percent in the GSVA (Gross State Value Added) during 2017-18, up from 2.2 percent in 2011-12. Presently, working- from-home, distance learning, e-banking, and e-governance are possible with an internet connection.

Infrastructure is being created in the state for smooth IT services and several projects are in progress. Bihar State Wide Area Network (BSWAN) has been established with an objective of providing data, voice and video communication for government machineries to save time, money and effort. It will also aid decision making through video conferencing.

#### **Availability of Power**

There has been significant improvement in peak demand met in Bihar from 1712 MW in 2011-12 to 4535 MW in 2017-18, implying a growth of around 165 percent in six years. The peak demand has reached a new high of 5139 MW during current financial year in the month of September, 2018. The availability of power has increased from an average of



6-8 hours to 18-20 hours in rural areas and from 10-12 hours to 22-24 hours in urban areas. The per capita consumption in the state has risen from 134 kwh in 2011-12 to 280 kwh in 2017-18, implying a growth of more than 100 percent in six years.

#### **Industrial Investment**

Since inception of Industrial Investment Promotion Policy, 2016 to 01.03.2019, total number of 1028 industrial proposals with capital investment of Rs 14200.22 Crores were given Stage-I clearance by State Investment Promotion Board (SIPB). Food Processing Sector continues to attract maximum number of proposals and investment of Rs 2805.40 Crores with 486 approved proposals followed by Manufacturing (149 proposals of Rs 1474.59 Crores) and Energy (14 proposals of Rs 5953.1 Crores).

#### **Industrial policies of the Bihar State**

It is a well-known fact that, given proper infrastructure, Bihar has comparative advantage in agro-based industries. In this direction, Bihar has shown tremendous promise, over the last 10 year period. This growth in agro-based industries was almost five times the growth rate achieved across all states of India. In case of nonagro-based industries in Bihar, the growth was again higher than the growth rate achieved at all-India level. The State has devised the Industrial Investment Promotion Policy, 2016. The resolution document of the Industrial Investment Promotion Policy, 2016 unequivocally argues that "the main strategy for achieving the goals of this policy is to focus on development of support infrastructure, prioritizing core sectors of future development with

emphasis on advanced technology, skill development, a modified structured package of assistance and balanced regional development i.e. uniformly extending the benefits of investment to all geographical areas of the State. Ease of Doing Business indicates simpler, speedy and hassle-free regulations for businesses. A portal namely "Udyog Samvaad" launched by State for getting hassle free clearances for 16 different Departments. This portal also provides link for providing assistance to existing entrepreneurs for getting easy and fast solutions to their different problems. This portal is also having link namely "Industrial 45 Financing" for applying financial assistance on cheaper rates for units who falls under Sick category and cannot able to sustain further due to financial problems. The same portal is also inviting online applications under Chief Minister SC/ST Udyami Yojana.

#### **4. Conclusion**

Indicators are showing industrial growth, but Bihar is still far away from the expected/optimal industrial growth. The state has a large base of cost-effective industrial labour, making it an ideal destination for a wide range of industries. Bihar continues to suffer from low industrial production though the growth rate of industries in the state is higher than the national average. Of the total number of industrial units in operation in the country, the share of Bihar was only 1.5% in 2015-16. According to the Economic Survey report tabled in the state assembly on Monday, agro-based industries continue to dominate the industry sector in Bihar. As per annual survey of industries, the growth in agro-based industries was almost five times the growth rate achieved by all states





between 2006-07 and 2015-16. Though the overall contribution of industry sector is very low, the growth in non-agro-based industries in Bihar has been higher than the growth rate achieved at all-India level. Though Bihar contributed only 1.5% of the total industries in the country in 2015-16, the growth rate of such industries in the state was 10%, much higher than the national average of 4%. However, Collaborative efforts by central and state governments, industry, academia, research and financing institutions are the need of the hour to ensure leveraging of the digital manufacturing revolution and reaping benefits of enhanced competitiveness.

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