

WHAT IS HOLDING BACK GROWTH IN BIHAR

• Historical reasons:

- Bihar has been denied due share of Investment & Resources Allocation- there has been Inadequate investment in infrastructure, particularly in terms of:
 - Power- meager investment in ~~about 2000MW~~^{North}, including State & Central bodies. Also Transmission & Distribution systems
 - Roads.
 - Bridges to link North Bihar.
 - Healthcare.
 - Education.
- No real efforts to control floods in North Bihar.
- Virtually no investment in Industry since 60s- without Jharkhand region, but for Barauni Refinery, no major investment has come in Bihar Region, even prior to 60s.
- Freight Pooling System in Steel, Cement etc. negated locational advantage of Bihar in terms of setting up of downstream mineral based industries- meant transfer of wealth estimated at about Rs. 40,000 cr.

• Recent Past:

- Denial of need-based resource allocation, coupled with State's inability to raise its own resources led to crumbling of even the existing meager infrastructure, leave alone fresh investment.
- Decay of Governance-
 - Increased security concerns.
 - Fire fighting approach of problem; hesitant decision making apparatus.
 - Outdated Rules & Regulations- no bearing with present needs.
 - Huge deficits in BSEB, mainly on account of inefficient working & power thefts.

- Security concerns along with weak infrastructure, particularly the social segment, resulted in some flight of capital, but notably huge exodus of talent. It's increasingly difficult to retain home grown talent, leave alone attracting people from outside.
- Bihar's image has taken a beating. Though it's a 'larger than life' image, but coupled with governance & infrastructure bottlenecks have combined into a formidable force to shy away investment in the State.
- Industrial Policies not competitive enough. And whatever announced was largely not implemented.
- Despite high figures of Saving Rate in Bihar, funded generally from remittances from outside the State, surplus generated by Industry per-se, has been inadequate to fund plough-back in terms of expansion, modernization & diversification.
- Industrial performance has been sub-par due to high transaction costs in the State, erratic power supply & cost, and the past taxation policies. Growth of Industry largely begins with 'home grown' entrepreneurs, who do not have surpluses to plough-back and even those who have inherited capital, other States appear more attractive- neighbor's grass appear greener!
- Result has been shortage of investible resources with both Govt. & Private sectors to invest for growth- present resources barely cover operating expenses.
- All economic indicators of Bihar are worse than States which have been given Central largesse in terms of Subsidies & Tax exemptions to attract investment. No State deserves more than Bihar for a 'Special Package' to make up for, at least some of the denied due share of the State.