

INFRASTRUCTURE DEVELOPMENT IN BIHAR: CHALLENGES AND OPPORTUNITIES



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ABSTRACT :

The challenge of development in Bihar is enormous due to persistent poverty, complex social stratification, unsatisfactory infrastructure, and weak governance; problems that are well known, but not well understood. The people of Bihar- civil society, businessmen, government officials, farmers, and politicians- also struggle against an image problem that is deeply damaging to Bihar's growth prospects. An effort is needed to change this perception, and to search for real solutions and strategies to meet Bihar's development challenge. There are many success stories that are not well known outside the state which demonstrate

Bihar's strong potential, and could in fact provide lessons for other regions. A boost to economic growth, improved social indicators, and poverty reduction will require a multi-dimensional development strategy that builds on Bihar's successes and draws on the underlying resilience and strength of Bihar's people. This paper is a modest attempt to study the problems and prospects of infrastructure development in Bihar.

KEYWORDS : Infrastructure Development, Investment Climate, Poverty, Social Service Delivery.

INTRODUCTION

Bihar's development challenges must be considered in the light of India's overall development agenda. Located in the most densely populated part of the "Hindi heartland", Bihar is India's third most populated state with a total population of 83 million, and accounts for one-seventh of India's population below the poverty line. The state's performance lags seriously behind national trends, and is a significant contributing factor to the growing income gap across the state of Bihar. Bihar does not enter the mainstream of national economic growth and prosperity, its performance disparities will continue to widen significantly.

Nearly 40% of Bihar's population lies below the poverty line, the highest in India. Its poverty gap, which measures the depth of poverty, is also far above the national average. This has been accompanied by much slower progress than the rest of India in meeting the Millennium Development Goals (MDGs). By current trends Bihar is projected to fall well behind on most of the MDG targets for 2015, understanding national performance. Although progress has been better in some areas, such as infant mortality and household access to improved water supply, it is from a low base, and a substantial performance gap in relation to the rest of India, persists. In other areas performance has been for worse: net primary enrollment actually fell over the 1990s, and access to improved sanitation has barely changed. The profile of poverty in Bihar is complex, but is key to understanding how people fall into poverty and how they are likely to be differentially impacted by public interventions. Rural poverty incidence (41.1%) is substantially higher than the urban level (24.7%); with a low urbanization rate, poverty is predominantly rural. Rural poverty is associated with limited access to land and livestock, poor education and health care, as also well-paid occupations and social status. The rural poor tend to depend on agricultural wages or casual non-farm jobs for income, a large percentage being landless or near-landless, owning lower quality livestock, and likely to be poorly educated (80% of the bottom quintile household heads have no education). Social or caste characteristics are also strongly associated with a lack of opportunities: scheduled tribes are thrice as likely to be poor as compared with upper castes, and significantly so in relation to Muslims and backward castes. The challenge of improving growth performance Bihar's growth performance, which was slightly below the national trend in the 1980s, became for lower subsequently. The state experienced zero growth in the first half of the 1990s and since 1994-95, when data for divided Bihar became available, annual growth has averaged 3.8, or about 1% per annum in per capita terms. As a result, income growth and consumption levels in Bihar have lagged seriously, thereby widening the gap between Bihar and the rest of India. Underlying this result has been Bihar's exceptionally weak performance in agriculture and modest performance in services. A somewhat better performance has been experienced in the industrial sector, but this is from a very small industrial base.

The Challenge of Strengthening Social Service Delivery

Lack of education, poor health, and inadequate access to safe drinking water and sanitation are closely associated with, and perpetuated by high levels of poverty. Differences among social groups in Bihar are acute and have been persistently so over the decades. Education enrollment and literacy rates are far below the national average, and reveal large differences in education outcomes across gender, social and economic groupings. In the case of some health outcome, for example access to safe drinking water, Bihar does slightly better than the national average. However, child mortality rates exceed that of most other states, child nutrition is among the worst in India, and only 10% of children were fully immunized. The main reason for poor social sector outcomes is deficiencies in service delivery, particularly in services that affect the poor and where the government plays a dominant role. For example, a chronic problem in public educational services is teacher absenteeism. Administrative deficiencies compound the problems: there is a lack of monitoring, frequent use of teachers in other work capacities, inadequate resources and slow recruitment of teachers. As a result, in recent years, the pupil-teacher ratio has risen to more than 90:1 in primary schools. A similar situation exists in the health sector. There is a serious shortfall of health sub-centers and primary health clinics are beset by endemic problems relating to quality standards: poor maintenance of facilities, idle equipment (mainly due to lack of power), and chronic short supply of medicines and vaccines, particularly in the rural areas. Unlike the case of education, where there is little private presence in service delivery, there is significant reliance by households on private health providers for critical health services. In Bihar, the

ratio of private spending on health care, relative to public spending is the second highest in India. More than half of the women rely on the provision of pre-natal care by private providers, compared to just one-fifth on government providers.

Public subsidies often fail to reach the poor. Both education and health subsidies are skewed in favor of the upper economic groups, and in particular towards males, especially in the case of secondary education. There are four main reasons for this in Bihar. First, public spending does not favor the poor or the services they need, even if the government devotes an adequate share of its budget to health the education (which it does not). Second, not all the money spent reaches the front line provider due to leakages and corruption. Third, service providers must be present to ensure that services reach the poor, but Bihar's absenteeism rates are among the highest in India. Fourth, there is a lack of demand for public services in the state due to poor quality of these services, the high cost and time required to access them, and the influence of local cultural factors.

Towards a Development Strategy:

Placing economic and social development objectives as central to government policy is vital for transforming Bihar's human and economic landscape. It requires moving away from a narrow focus on political gains or special interests to making development outcome the measure of good governance. In other words, it means shifting political and civic discourse to focus on building roads, controlling floods, and educating children. This shift in focus, which may already be under way, could prove a catalytic force in bringing about development.

A development strategy for Bihar will require a multi-dimensional approach across sectors and institutions. Improving educational and health customers requires working with different communities and organizations private, public and non-government to leverage scarce resources. It will require developing a vision and strategy for reforming the administrative system to remove antiquated rules, strengthen capacity, and eliminate the paralysis in decision-making. And it will also require improved fiscal performance to manage the mounting debt and carefully shepherd the state's scarce resources in the right direction. This report argues for a basic development strategy that resets on two key pillars:

- (a) enhancing Bihar's growth performance by establishing a healthy investment climate to encourage entrepreneurship, investment, and the spread of improved technologies, particularly in the rural sector, and
- (b) supporting human resource development through improved quality and access to social services, particularly for the poor and socially disadvantaged communities.

Improving Economic Growth through Strengthening the Investment Climate:

The first development pillar involves strengthening Bihar's investment climate to enhance the use of Bihar's current agricultural and human resource base, attract new productive resources and create jobs. Generating productive income earning opportunities in agriculture remains pivotal to reducing chronic poverty while the rural economy continues to dominate economic opportunity over the medium term. The primary reason for Bihar's weak investment level and growth rate is its poor investment climate. Several contributing factors are identified, including inferior infrastructure (roads, power, water, telecommunication), weak financial markets and low access to credit, shortage of skilled labor, poor law and order, and a general lack of political support for private investment. Of these, the two most important priorities for the government law and order. The key infrastructure services that require public sector delivery are water management and roads, particularly for boosting investment and output of agriculture, agro-industry, and related services (transport, storage, marketing, etc). The public sector has an important role in basic capital investment and maintenance of large and medium

scale water management systems for irrigation, as well as sanitation and urban water supply. Private and community management of small scale irrigation and feeder systems has proved effective where communities have been able to organize and appropriate the benefits with low bureaucratic or political interference. Reliable and affordable power supply is also an important part of the investment climate; a reform agenda in the power sector should aim to reduce public subsidies to the ailing Bihar State Electricity Board (BSEB), and explore alternative partnerships and decentralized models of power supply, particularly for rural areas. Strengthening of rural infrastructure is also needed to reduce the sharp swings in agricultural output, and should aim to target this key sector's constraints of water control and flooding, rural power supply, and market access. Complementing this is the well-targeted public support for extension services and for agricultural Research and Development (R & D), appropriate to Bihar's topology and crop profile. The second priority for strengthening the investment climate is improving basic law and order, and in doing so, reversing the perception of endemic problems is clearly a risk factor which current and potential investors are very concerned about. Detailing a strategy for improving law and order goes well beyond the scope of this report. However, it is clear from investor surveys and interviews that high level government attention to the problem is needed, even if the official view is that statistics point to problems no worse than those of many other states. Bihar has some encouraging models of entrepreneurial success that provide lessons for what is needed to help business thrive. The profitable Bihar State Cooperative Milk Producers' Federation Ltd (COMFED) has been extraordinarily successful and has improved the lives of many thousands of families. Another example is Bihar's litchi export industry, which account for about 70% of India's total production. Both COMFED and the litchi industry build on areas of Bihar's strength in farm based agro-industry, but have different organizational characteristics. COMFED's success points to the critical importance of professional management that is free from political interference. Its horizontal production base and vertically integrated structure were conducive to broad membership and participation, and its business design focused on sustaining the financial interest of its members. By contrast, litchi cultivation has evolved with no direct government or organizational support. Increased international demand and entrepreneurial traders with a business plan have managed to develop a production chain, utilizing pre-harvest sales arrangements and contract farming packages including seed, fertilizer and credit.

Strengthening Social Service Delivery:

A critical complement to the first development pillar is investment in human resources to meet social development goals and to support medium-term economic growth. This is particularly important for the rural poor for whom access to basic health and education services is essential to empower them and enable their participation in productive income-earning opportunities, as also movement into off-farm activities. A robust social service delivery system requires attention to three core relationships: (i) between policy makers and service recipient (in rural areas these are primarily poor people) to make policies responsive to people's needs; (ii) between policy maker and service providers to ensure quality standards; and (iii) between end clients and service provider to strengthen accountability mechanisms. Together, these help to ensure that social services are actually provided, well targeted, and responsive to community needs. There is a need in Bihar for developing a coherent policy framework based on a strategic plan that reflects the needs of beneficiaries, the responsibilities of services providers and the state, and addresses key delivery constraints. It must also have the support of the political and bureaucratic establishment.

Implementation of a sound strategic framework requires several complementary inputs. Most importantly, this calls for administrative arrangement to demarcate lines of responsibility between

various levels of government, departments, and service providers, and includes a clear accountability framework and system of incentives that rewards competence. The five areas, where further analytical and strategic efforts need to be focused have been identified:

- (i) Improving Bihar's investment climate;
- (ii) public administration and procedural reform;
- (iii) strengthening the design and delivery of core social services;
- (iv) budget management and fiscal reform; and
- (v) improving public law and order.

CONCLUSION

Bihar faces many daunting challenges, but despite a difficult environment there are instances of successful development effort. These demonstrate that projects can succeed, entrepreneurship can thrive and that strong leadership and a vision for change could yield dramatic results. Such examples can also provide lessons for other states in India and abroad. One need look no further than the COMFED dairy cooperative, Muzaffarpur's National Literacy Campaign, or the Paliganj Participatory Irrigation Management experience as examples of excellence. The challenges facing Bihar today is to build on these successes, draw lessons from them, and use them to underpin the state's future development.

While this report has attempted to analyze some of Bihar's main development constraints and formulate some basic policy recommendations, the coverage is by no means complete. The issues raised here require further discussion and debate within and outside government. As part of a broad effort to strengthen the development dialogue and impart prime importance to the development process, initiatives should be taken to combine external expertise with local knowledge, and invite public debate.

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