



## The Economic Growth and its Impact on Poverty in Bihar

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THE ECONOMIC GROWTH AND ITS IMPACT ON POVERTY IN BIHAR ABSTRACT: The economic growth and poverty in Bihar is an important agenda among the policymakers, leaders, development planners, and researchers. To achieve twin objectives of growth and equity that translate growth into faster poverty reduction and human development focus has been on inclusive growth.

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### Abstract

The economic growth and poverty in Bihar is an important agenda among the policymakers, leaders, development planners, and researchers. To achieve twin objectives of growth and equity that translate growth into faster poverty reduction and human development focus has been on inclusive growth. If we want Poverty reduction then we must have to focus on Economic growth but the linkage between the two is not automatic. In Bihar, in the past two decades, the state GDP is maintained two digits figures even if poverty is not decreased as compared to economic growth. During the period of 20 years, the distribution of income is not equal. The gap between rich and poor is wider during this period.

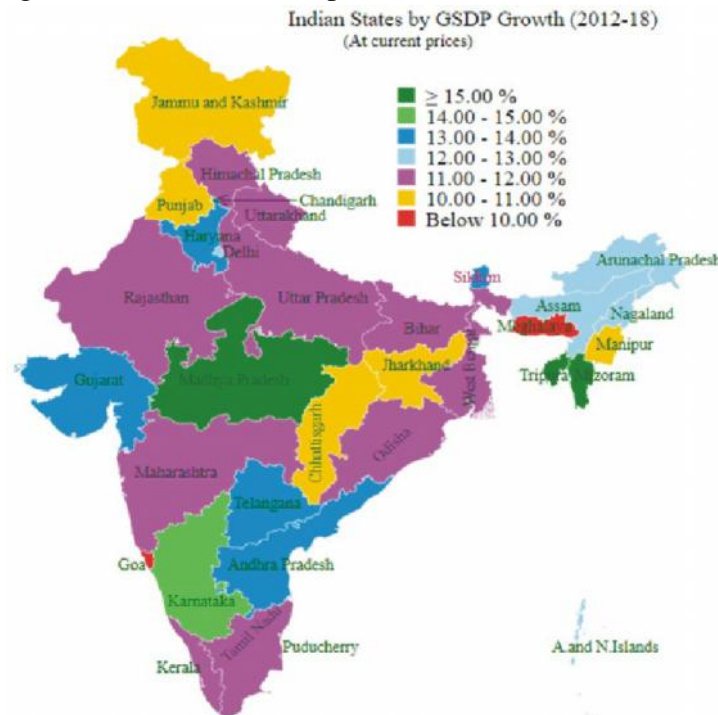
### Keywords

Economic Growth, Poverty, Bihar, India, world.

### Introduction

Economic Growth and poverty are two contemporary words which have generally opposite by nature. When we talk about economic growth is high, it means poverty is low and when economic growth is low, poverty is high. But our state Bihar is uninterruptedly suffering from a high poverty rate despite high economic growth after the Independence of India. One thing is also notable that after 2005 the economic growth has achieved a new height even if the poverty is not decreased. Bihar still gets first or some time second position in poverty among other states. The per capita income is the lowest in India. The whole economy of Bihar is based on Agriculture even if this sector is adopted an old pattern of technique and faced backwardness. The Industries are not developed for a long time as result this sector is

badly suffered from development. Natural factors like floods, drought, sometimes, and earthquakes have a great effect on the development and economic growth of Bihar. The other factors like low development of infrastructure, unjust socio-economic structure, the high population density, lack of political leadership, and fall of the administrative law and order also affect the development and economic expansion. This created an environment of non-development in which even large-scale poverty eradication programs have had little impact.



## Objectives

1. To analyze the Economic Growth and Development of Bihar.
2. To analyze the Economic growth and Poverty rate of Bihar.
3. To analyze the reason for Poverty in Bihar.
4. To develop new approaches and methodologies that are suitable for poverty eradication and Economic growth of Bihar.
5. To find the answer to the fact that even though the economic growth rate of Bihar has increased but Poverty of Bihar has not decreased.

## Hypothesis of the Study

1. Bihar is poor states in India which has a very low per capita income.
2. Bihar is the fastest growing economy in India.
3. Bihar is a good destination for Agricultural development.
4. It has low literacy.
5. It is the lowest Industrial developed state.
6. Economic Growth and Poverty are positively related.

## Methodology

The article seeks to the macroscopic view of India's poverty and microscopic view of poverty in Bihar and discusses the socio-economic situation of a state that could intensify the poverty.

The study tries to look at how numerous factors are affecting the poverty in Bihar. This study

presents an analysis of the socioeconomic determinant for the lowest poverty in Bihar. For the achievement of goals and objective of the study the following methodologies have been adopted:

The present study is based on secondary data and information collected from published and unpublished books, Governmental and Non-governmental reports, articles published in the Journal, and different websites. Primary data where required is collected through questionnaires.

### **Review of the Literature**

Among major backward states, there are good several learning are available on inter-state growth variability and performance of progressive and underdeveloped groups of states in India but much is not known about it. In the post-reform period, for a better understanding of the growth and poverty nexus in India, the present study is focused on the steady economic growth and performance of reduction in poverty in Bihar. During the post-reform period between 1991-96 Author Mathur (2001) had established a sharp acceleration in the coefficient of variation of per capita incomes. The focus or tendency of interest, towards the group of middle-income states, whereas variance was apparent within the groups of high-income and low-income states. Kurian (2000) effort a comparative study of fifteen most major states in respect of inter-state inequalities in social characteristics, demographic characteristics, importance and structure of SDP (state domestic product), developmental, non-developmental revenue expenditures & poverty ratio bearing on social & economic development. His finding was found a sharp and clear contrast between the forward & backward groups of states in India.

### **Concept of economic growth along with development**

Economic development refers to improvement in the economic, political, and social well-being of the people of the country. Now the term 'Economic development' is frequently used by economists as well as politicians, educationists, and many others in the 20th century. Although for centuries the concept of 'economic development' has been in existence in the Western countries. A well-known economist Amartya Sen explains, "Economic growth is one feature of the process of economic development". More often than not, the economic development of a country and state is allied with increasing incomes that outcome in an increase in consumption, savings, and investment. However, there is far more difference between economic development and income growth. For if the distribution of income is highly distorted, economic growth may not be accompanied by great progress towards the aim or goal that is usually connected with economic development.

Economic development generally refers to development in Agriculture, Industry, trade, transport, means of irrigation, power resource, etc. so this sector-wise development is, a course of action for development. One of the definitions of Economic development is "an increase in the real national income of economy over a long period". The other one is the "It is increasing in per capita real income of the economy over the long period." In the above both definitions, the 'real' term is important that may be affected by inflation and increase in population. So economic development will happen when the rate of rising in the real national income should be more than the growth rate of the population.

### **Poverty concepts and measurements**

Poverty is explained and measured by various policymakers differently in a different period. The definition of Poverty is multidimensional and there is no single and short definition and measurement. The World Bank explained in 2009 that if we talk about Poverty then it is hunger, lack of shelter as well as it is being sick and not being able to see a doctor, it means not comprise access to school and not knowing how to read. As well as Poverty is not having a job, it is fear for the future, living one day at a time. It is also losing a child to illness carried about by dirty water. Poverty characterizes as powerlessness, lack of representation, and freedom.

In the view of anthropologists, poverty has involved values such as self-respect, security, vulnerability, independence, political rights, identity, decision-making freedom, justice, and social exclusion.

### **Absolute Poverty and Relative Poverty**

The common and ordinary measure of poverty is Purchasing Power Parity (PPP). Poverty lines are drawn based on goods that satisfy a person for his basic needs. The goods & services are in different units so the units of those goods & services are converted into PPP. Moreover, a headcount ratio is calculated to represent the percentage of poor people in the total population. If we talking about Absolute poverty then it describes the conditions in which the basic needs cannot be met. Absolute poverty is the minimum basket of resources in which one needs to survive. Poverty in India is widely extensive, and many methods have been given by an economist to measure poverty.

Before 2005, Indian government officials measure poverty based on food security that means food availability per person that explained further as per capita expenditure of a person to consume adequate calories that means the persons should be able to pay for associated essentials food to survive. Since 2005, The Indian government was replaced calorie anchor to a basket of goods and adopted rural, urban, and regional minimum expenditure per capita required for surviving.

Since the government was set up Committee under Suresh Tendulkar to look into the people living under the poverty line in India in November 2009. The committee recommended a new method of calculating the poverty line that is based on per capita consumption expenditure per month or day. It was decided Rs 816 per month or Rs 27 per day per person for rural areas and Rs 1000 per month or Rs 33 per day for urban areas. According to this methodology, there was 354 million (29.6% of the population) population was below the poverty line in 2009-2010 and there was 269 million (21.9% of the population) population in India. Before that in 1979, the Alagh Committee that tries to measure poor people under the poverty line which was based on a 2400 and 2100 calories minimum daily requirement for an adult in Rural and Urban area correspondingly.

Afterward, there were various committees were appointed by the government from time to time to measure poverty. In 1993, The Lakdawala Committee was set up, the Tendulkar Committee was set up in 2009, whereas the Rangarajan committee was appointed in 2012 that did the poverty estimation.

In the view of the Rangarajan committee report (2014), the poverty line is estimated as a Monthly Per Capita Expenditure of Rs. 1407 in urban areas and Rs. 972 in rural areas.

### **Poverty and Economic Growth in Bihar**

Poverty is the stubborn challenge facing Bihar since its origin. The poverty issue of Bihar is increasing more in rural regions where almost 80% of the population is living. Their livings depend on the rural economy. They have a lack of necessities such as primary health care, education, safe drinking water, and declining social services. The income gap between the haves and have-nots is increasing. Some districts have more inequality, gender bias, and lack of geographic and spatial capital. Besides the economic growth of Bihar has been regularly increasing for the last decade, the growth rate is expectedly in double digits even if the per capita income is not increasing in the comparison of India's per capita income. But despite economic growth, it is not seen in the poverty reduction.



**The economic growth rate (NSDP) of various states including Bihar are as follows :**

NSDP Growth							
Rank	State	NSDP Growth (At 2011-12 prices)			NSDP Growth (At Current prices)		
		18-19	17-18	Avg(12-18)	18-19	17-18	avg(12-18)
1	Mizoram	-	8.52	12.80	-	13.11	18.43
2	Gujarat	-	11.21	10.12	-	14.06	13.73
3	Tripura	-	14.72	9.48	-	16.50	15.75
4	Andaman & Nicobar Islands	-	13.20	9.22	-	16.41	12.90
5	Karnataka	9.48	10.08	9.18	13.60	11.50	14.23
6	Haryana	8.21	7.89	8.36	13.04	12.58	13.06
7	Andhra Pradesh	11.02	10.72	8.28	15.30	16.38	13.73
8	Chandigarh	-	11.96	8.12	-	18.65	12.71
9	Uttarakhand	6.81	7.89	8.05	10.47	14.65	11.98
10	Delhi	8.48	8.28	8.03	13.23	12.20	12.15
11	Madhya Pradesh	6.99	6.09	7.92	11.32	12.53	15.36
12	Himachal Pradesh	7.31	6.35	7.56	8.35	12.12	12.33
13	Telangana	10.69	9.99	7.54	14.97	14.37	13.22
14	Odisha	8.34	6.54	7.49	11.13	10.87	11.08
15	Maharashtra	-	7.48	7.26	-	10.00	11.30
16	Assam	-	7.43	7.02	-	12.95	11.76
17	Sikkim	7.13	6.98	6.69	13.98	14.02	13.41
18	Jharkhand	7.09	12.92	6.66	11.55	17.30	11.16
19	Tamil Nadu	8.32	7.54	6.64	13.97	12.25	11.79
20	Goa	9.89	10.59	6.42	11.59	11.20	10.22
21	Kerala	-	6.03	6.20	-	10.31	11.64
22	Bihar	010.68	010.54	06.05	015.23	014.89	011.83
23	Rajasthan	7.35	6.27	6.01	11.25	10.11	11.25
24	Uttar Pradesh	6.52	7.05	5.87	12.32	10.53	11.30
25	Punjab	6.23	6.08	5.78	9.80	12.22	10.33
26	Arunachal Pradesh	-	7.26	5.64	-	12.47	12.18
27	Manipur	-	4.27	5.54	-	12.63	11.11
28	Chhattisgarh	5.89	5.61	5.40	9.62	11.56	10.31
29	West Bengal	12.88	9.13	5.14	18.01	15.02	11.63
30	Puducherry	7.85	10.17	5.04	11.21	11.59	12.33
31	Jammu & Kashmir	-	6.60	4.98	-	10.35	9.66
32	Nagaland	-	3.18	4.74	-	12.30	12.69
33	Meghalaya	-	9.30	2.72	-	12.33	7.47
	India	6.92	7.04	6.87	11.29	11.28	11.82

(Source: Ministry of Statistics and Programme Implementation)

**Position of Bihar and other states NSDP (Net state domestic product) at current year price and base year price :**

Rank	State	NSDP capita (INR at Current prices)		₹ (2014)	NSDP capita (INR at 2004-05 prices)	
		2018-19	2017-18		14-15	13-14
1	Goa	467,998	422,149	4,903	-	137,401
2	Delhi	365,329	328,985	4,642	125809	118,411
3	Sikkim	337,643	317134	3,861	-	83,527
4	Chandigarh	--	297313	3,433	-	82,798
5	Puducherry	220461	203583	3,143	102963	94,787
6	Haryana	226644	203340	2,919	71493	67,260
7	Maharashtra	---	176102	2,361	72200	69,097
8	Tamil Nadu	193750	171583	2,464	66635	62,361
9	A. & N. Islands	-	159664	2,350	-	72,716
10	Gujarat	-	174652	2,337	-	63,168
11	Kerala	-	184000	2,271	-	58,961
12	Uttarakhand	198738	182320	2,269	63820	59,161
13	Telangana	205696	180697	2,086	51017	48,881
14	Punjab	154598	142644	2,020	51403	49,529
15	Himachal Pradesh	179188	167044	2,019	-	54,494
16	Karnataka	210887	187649	1,959	48907	46,012
17	Arunachal Pradesh	--	127748	1,870	37683	36,019
18	Andhra Pradesh	164023	143933	1,780	44831	42,170
19	Nagaland	--	102581	1,696	51888	49,963
20	Mizoram	-	141,210	1,665	-	41,094
21	West Bengal	109491	93711	1,532	38624	36,293
22	Tripura	-	105,044	1,525	-	47,261
23	Rajasthan	109105	99487	1,443	33186	31,836
24	Meghalaya	69516	81,098	1,346	39503	37,154
25	Jammu & Kashmir	58888	83,717	1,297	30612	31,448
26	Chhattisgarh	98887	89,813	1,281	29047	28,373
27	Odisha	93352	84,854	1,150	26531	24,929
28	Madhya Pradesh	90998	82,941	1,133	29218	26,853
29	Jharkhand	76019	69,263	1,009	30950	28,882
30	Assam	--	74204	968	23968	23,392
31	Manipur	--	65411	909	-	24,042
32	Uttar Pradesh	461331	55456	793	20037	19,233
33	Bihar	43822	38631	682	16301	15,506
	India	126,406	114,958	1,627		39,904

(Source: Ministry of Statistics and Programme Implementation)

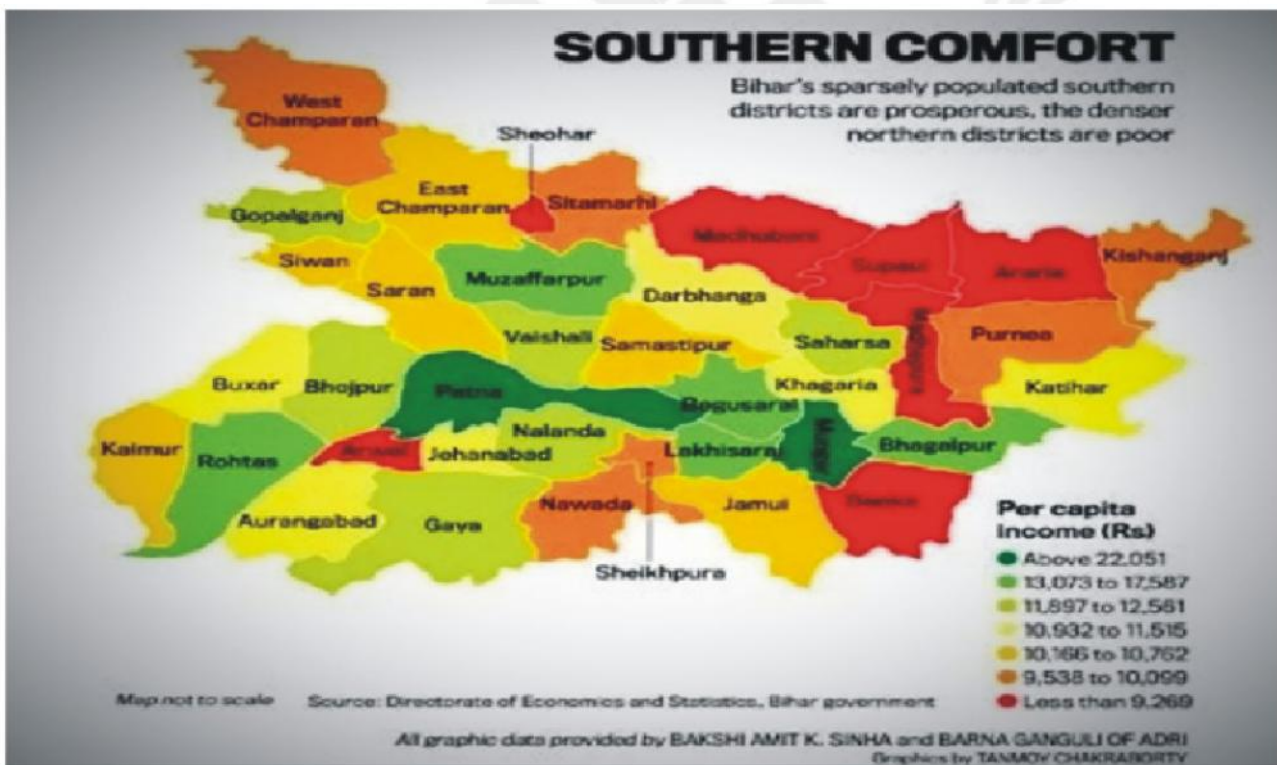


From the above two tables, we got two things, One is that NSDP (Net state domestic product) at current prices for Avg. (2012-18) of Bihar's economic growth is 11.83 %. Besides that current growth for 2017-18 and 2018-19 is consequently 15.23% and 14.89%. Although the Economic growth rate is high Bihar has the lowest per capita income that has an NSDP of just Rs. 43,822 in FY 2018-19 followed by Delhi and Sikkim. And the lowest economic per capita income shows even if the income is grown in the last previous year but not enough to achieve the national level per capita income which is Rs 126,406. And this increment of per capita income is unequal so the gap between rich and poor is even wider.

**Basic characteristic of the economy of Bihar**

Bihar was restructured with 38 districts, 9 divisions, 101 sub-divisions, 533 blocks, and 45,098 villages (according to Census, 2001) on November 15, 2000. Bihar gets hold of approx 94.2 thousand square kilometers area geographically & it gets the 12<sup>th</sup> position as the largest state area wise in India. It holds a 3<sup>rd</sup> position in the most populous state in India. According to census 2011, Bihar holds 1<sup>st</sup> position in population density that is 1102 persons per sq km. The river Ganga bifurcate Bihar into two parts: - (I) The area of North Bihar with 53.3 thousand sq. km and (II) The area of South Bihar with 40.9 thousand sq. km.

The agriculture sector holds the key to the state's economy by contributing more than one-fourth (26.51 %) to GDP (at 1999 constant price) in 2008-09 (CSO, 2009) and employing 81 % of the workforce in the state. It also assumes great importance because nearly 90 % of the population of the state living in rural regions are directly or indirectly dependent on agriculture and allied activities for their livelihood. Bihar is the third-largest producer of vegetables and the 7th largest producer of fruits in the country. There are 79.57 lac hectares in Bihar that comes under the gross cropped area (GCA). The state is the poorest by all means of socio-economic indicators. A large group of landless labor from rural regions of the state migrates to other states like Punjab, Delhi, and Mumbai and even in U. P in the period of sowing and harvesting seasons for their livelihood.



**Now we can see the economic and human development indicators of Bihar and India**

<b>Table-1</b>			
<b>Bihar: Economic And Human Development And Poverty Indicators</b>			
SI No.	Demographic Indicators	Bihar 2011	India 2011
1.	Total Population <In Millions>	0104	01210
2.	Total percentage part to the national population	08.58	0100
3.	Sex Ratio (compared females per 1000 males)	916	940
4.	Under 6 sex ratio (females per 1000 males)	933	914
<b>Economic Indicators</b>			
5.	NDP at F.C(at factor cost)(Rs. Crores) (for state) & GDP at F.C (Rs crores ) for India	110778	4493743
6.	Contribution of Agriculture to NSDP/GDP %	21.30	14.62
7.	Contribution of Industry to NSDP/GDP%	4.63	20.16
8.	Contribution of Service to NSDP/GDP (%)	74.07	65.22
9.	Per Capita NSDP/Per capita NNP at FC	11558	33731
<b>Poverty and Hunger Indicators</b>		<b>2009-10</b>	<b>2009-10</b>
23	Poverty Headcount Ratio (%)	53.5	29.8
24	Total number of poor (in millions)	54.35	354.68
25	Multidimensional Poverty Index (MPI)	0.479	0.283
26	Multidimensional Poverty Headcount (%)	79.3	53.7
27	Number of Multidimensional Poor (in millions)	72.3	612
		<b>2007</b>	<b>2007</b>
28	<b>Global Hunger Index (GHI)</b>	<b>27.3</b>	<b>23.3</b>
29	GHI Rank (out of 17)	15	
		<b>2005-06</b>	<b>2005-06</b>
30	Prevalence of calorie undernourishment (%)	17.3	20
31	Prevalence of Underweight Children under 5 years of age (%)	56.1	42.5

**Development challenges and poverty in Bihar**

Bihar has the highest poverty among all states in India in terms of consumption measures. In key human development indicators, deficiencies are reflected. There are many dimensions of human development like — education, malnutrition, and maternal mortality.

There is not a short problem of the weak performance of Bihar and other poor states. There is a severe challenge of development in rural regions since the combined figures include large rural-urban gaps for most indicators. Rural challenges are essential to the outcome for Bihar because Bihar has a large rural population. It is one of India’s largest and most densely populated states, with one-twelfth of the country’s population. Therefore, as the country as a whole can achieve considerably better poverty and human outcomes are linked to the level of development in Bihar.



There are great numbers of poverty alleviation programs that are sponsored largely by the central government to make their contribution towards the decline of poverty ratios, because of the growth of the economy that contributes most forwards such decline in poverty. A one of the estimation by 'Dutt' in 2002 for the Indian economy, there was no less than 85 % of the decline in poverty ratio is interceded by the process of growth, the contribution of the other for poverty alleviation programs, is only 15%. There was a small reduction in poverty during the eighties and nineties in rural areas and urban areas. The cause of poverty declination is the moderate growth of its agricultural economy, especially in rural areas. Some local employment and opportunities create income opportunities that help in poverty reduction in urban areas. And the extensive out-migration of poor people for both rural and urban regions is also influenced by poverty reduction. It is a study that total net interstate migrants from Bihar to another state as the total population were 1.18% according to census 1981 in Bihar further it had increased to 1.32% in 1991. These studies show that from 1981 to 1991, an additional 17-lakh male people that migrate from Bihar.

### **Social profile of the poor**

India's rural economy or particularly the Bihar economy is entirely dependent on land and agricultural activity. A small number of other related non-agricultural activities that are allied to agriculture like animal husbandry, fisheries, and other petty production activities to supplement the agriculture income that is not treated as an independent occupation instead of a part of agriculture. There is lack of land availability in rural and urban areas is also the cause of poverty because there is many landless and poor household that constitutes approx 70% of the landless wage earners and almost 45% of the marginal farmer households in India that live below the poverty line. And the Ratios of rural poverty than urban are much higher in Bihar amongst other states. There is a large number of landless farmer and marginal farmer households who is very poor. If we talk about landless rural households, they constitute 50.2%, and 38.6% of the total number of rural households in Bihar and India respectively, and the marginal farmer households constitute the shares are 21.8 and 15.3% respectively in Bihar & India.

### **Approaches to poverty reduction**

Every macro developmental effort that aims at increasing employment with income opportunities for the growth of social benefits like education or health that is likely to impact the poverty scenario. However, it has been a worldwide general knowledge that only a small part of the benefits of such macro development programs reach the very poor; the procedure of 'trickling down' of development that benefits the poor is enormously slow. Hence, there is a need to directly help the poor instead of the entire population, and this is only done through poverty alleviation programs. The basis for such a targeted poverty alleviation program is that their benefits or social returns are higher for the population at the lower end of the income than at the upper end. The government has launched several targeted poverty alleviation programs (PAP) in India within this broad objective. For additional efforts in this direction, there is a need to understand the rationale for different types of programs as well as analyses their impacts. Generally speaking, these programs can be grouped into three categories, each trying to remove a particular dimension of the socio-economic disadvantage suffered by the poor. In the first group, one may group all those poverty alleviation programs that aim to increase 'directly' the existing income and consumption levels of the poor households. Currently, main programs under this category can again be sub-grouped into the following four head — (i) Self-employment Programmes, (ii) Wage-employment Programmes, (iii) Public Distribution System (PDS) and Nutrition Programmes, and (iv) Social Security Programmes.

The most important programs are Swarnajayanti Grameen Swarojgar Yojana (SGSY) which is

for the promotion of self-employment. It is the National Rural Employment Guarantee Programme (NREGP) for wage-employment, which now enjoys the largest resource support.

The Public Distribution System is now restructured to target the aims to enhance the food through the Targeted Public Distribution System (TPDS) that consumption of the poor through the provision of subsidized food grains.

Lastly, there are several social security programs, like the National Old Age Pension Scheme (NOAPS), which try to ameliorate the poverty of aged and other seriously disadvantaged persons.

The 2nd category of poverty alleviation programs has a specifically different approach to the problem, taking into account the capability poverty of poor households. This incapability arises from their low literacy rates, nutrition standards, poor living standards, and poor health in terms of housing, drinking water, and sanitation facilities, and some other social constraints. Under these conditions, the poor should not only be enabled to cross the poverty line through programs listed before, but there should also be instantaneous effort to improve their human development status in terms of education, health, nutrition, skills, and assets so that they can finally stay above the poverty line, yet without the external government support for income and consumption. For various delivery systems, particularly those for education and health this demands adequate resource allocation and increased efficiency. Sarva Siksha Abhiyan (SSA) and the National Rural Health Programme (NRHP) are two important programs that serve a particular objective i.e. poverty alleviation. Furthermore, the enhancement of the capability of the poor also demands simultaneous efforts to create appropriate institutions for the empowerment of the poor so that they can participate in decisions relating to the delivery system and hold the system accountable when it fails to serve them. One attempt of Government to empower the poor through the empowerment of Panchayati Raj Institutions (PRI). To achieve this goal collective action is required therefore, the government has also consciously promoted all organizations which facilitate combined actions, such as Self-Help Groups (SHG), cooperative societies, non-governmental organizations (NGO), Forest Protection Bodies, etc.

For removing poverty the third category of government interventions had emerged in the nineties where the focus of attention is sustainable livelihoods for poor households. In this structure, a livelihood is defined as 'comprising the capabilities, assets, and activities required for a means of living.' In this common sense, the sustainable livelihood approach is wide and encompasses six core objectives— (i) superior accessibility to education, information, and training, together with better health and nutrition, (ii) a helpful social environment, (iii) safe access to and better management of natural resources, (iv) accessibility of basic and facilitating infrastructure, (v) protected access to financial resources and, finally, (vi) a policy and institutional atmosphere that supports multiple livelihood strategies and promotes equitable access to competitive markets for all. As acknowledged earlier, such livelihood-oriented government interventions for poverty alleviation in India are of comparatively recent origin. Though it is important to differentiate among the above three approaches for Poverty Alleviation Programs in India, it ought to be also noted that these approaches are not contradictory or anti-theatrical to each other. Hence, historically, the early attempts for poverty alleviation were along with the first approach of providing income opportunities and subsidizing consumption; later on, these programs were supplemented by the efforts towards the empowerment of poor which could help them overcome their competence poverty; and still, later, there have been supplementary interventions which could ensure a sustainable livelihood for the poor throughout the capacity building, institutional support and good management of natural resources. At current, all of these approaches are being followed simultaneously, preference for a particular approach depending on the local needs and the policy orientation of the resource provider.

After the 2005 elections in Bihar when Nitish Kumar and his political party Janata Dal (United), came to power together with the Bharatiya Janta Party (BJP), this period saw major transformation in policy, administrative & overall governance transformation that leads to rapid economic growth. This period gives a clear indication other than the past in both a statistical and qualitative sense.

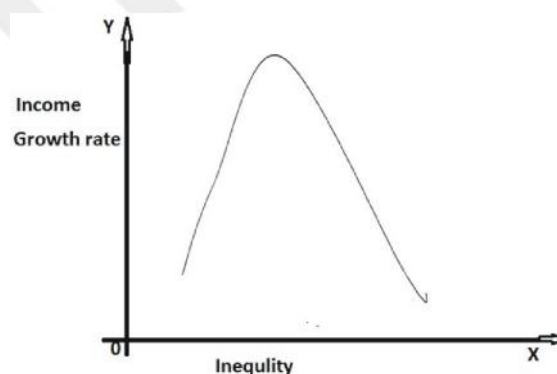
While many of the structural changes seen in the past continue, and the relative position of Bihar amongst other states remains as is, there is a distinct increase in economic growth. The social institution, economic institution and political institutions of the state have shown considerable degeneration. The educational academic institutions have more or less collapsed and the administrative machinery that was regarded as good in the country during the decade of 1950s now it is disordered. For a state which had suffered stagnation for a long and which had almost resigned to its perpetual backwardness, this has been a turning point, leading to new hopes and aspirations. The transformations have been possible due to the state government's firm dedication to an agenda of development which is both speedy and inclusive. To fulfill this agenda, the state government has not only utilized its limited resources most carefully but has also strengthened its administrative machinery & launched several institutional reforms.

### **Causes of paradox of high growth rate and high povety rate after 2005 in Bihar**

After coming new government that is Nitish Kumar Government in 2005 in Bihar the Growth rate has been increased regularly year by year but as far as expectation of everyone wants to decrease poverty compare to growth but this is just opposite of a common man expectation Poverty rate has not been decreasing even Poverty rate has increased with the rate of growth increases. This Paradox of high growth rate and the high povety rate has been compared or analyzed by the economist Simon Kuznets who is a Nobel Prize winner. He explains with the help of a Graph, called a Kuznets curve graph, the hypothesis advocate first an economy develops, with inequality and the gap between rich and poor increases then after some times the incomes flows from rich or wealthy person to poor or deprived person and it begins to declination in inequality now the income of poor also increases, this is also called a trickledown effect. This hypothesis was first advocated by economist Simon Kuznets during the period of 1950s and '60s.

In another word, the hypothesis described that firstly the gap between rich and poor people becomes more and more that means inequality increases and few people become prosper( the income increased) in the first stage and the second stage the incomes outflow from Rich People too poor people by leakages through trickledown theory. Bihar is in the first stage right now as far as income increased(for some people) the growth rate has been increased but the Povety rate has not been decreased even the growth rate has been increased. This theory is a suitable hypothesis for Bihar.

We can also represent this theory from a graph that is called Kuznets' graph which is given below:



In-plane XY, the inverted U shape represents the beginning of the income rate of growth and inequality increases as the economy and income increase, and after peak point, inequality now starts decreasing.



## Causes of Poverty in Bihar

1. **Increasing Population** : Increasing Population is the hurdles to Economic growth and reduction in poverty of Bihar, according to the 2011 census Bihar is the highest population density in India i.e. 1102 people per sq. kilometer and the total population of the state is 104099452.
2. **Low Agricultural Productivity** : Due to the traditional method of technique is still carried out by the farmer in Bihar so that a major drawback is low productivity in agriculture. This is one of the major causes of low economic growth and poverty in the state. The cause of low productivity is manifold. Mainly, it is due to fragmented and subdivided landholdings, lack of capital, low literacy, lack of awareness about new technologies in farming, the using traditional methods in cultivation, and wastage of grain and crops during the period of storage, etc.
3. **Inefficient resource utilization** : There are good alluvial soil and enough rain and irrigation resources are available but due to not proper utilizing of this opportunity the available resources are not utilized fully. There are much other many natural gifted resources are available but the government could not be properly used and people are still facing low per capita income and low economic growth with acute poverty in India.
4. **Low Rate of Economic Development** : Due to, underemployment and disguised Unemployment in Bihar, particularly in the farming sector. This has resulted in low agricultural output nature d also led to a plunge in the standard of living that also lead to a low rate of economic development.
5. **Unemployment** : There is a large number of people in Bihar who are unemployed, they do not involve in any economic activity, they just preparing for a competitive exam but the government issues very less no of vacancies in government jobs. And in the private sector, it is also very little employment.
6. **Lack of Capital and Entrepreneurship** : We know Bihar is one of the poorest states in India and here there is an acute shortage of capital, for development and economic growth. There is also a lack of entrepreneurship skills, and the people are very less interested to take a risk in a new business.
7. **Social Customs, Beliefs, and Practices** : There is some social factor like caste system, Laws of inheritance; some tradition is also responsible for the low economic growth and poverty.
8. **Colonial Exploitation** : India was approx 200 years colony under the British empire, They exploited regularly by making different rules and laws. India became de-industrialized and ruining its traditional handicrafts and textile industries. Colonial Policies transformed India into a simply raw-material producer for European industries.
9. **Climatic Factors** : The two major climate factor that is Drought and flood that affect a major part of the state. Unfavorable climate condition is also the cause of low economic growth and poverty.

## Suggestions

1. Since the contemporary Bihar is just about 3% of the total geographical area of India while 8.6% of the population among the whole India population as per Census 2011. And it is the most densely populated state of the country with 1102 persons per square kilometer as against 382 per square kilometer in the country.

So it shows that land per square km for each person is very few, so we should utilize our land area very efficiently and effectively. We should apply very modern technology in agriculture so that we could get maximum production from the land. The land which is not fertile we should use that land for Industrial purpose, so we could utilize these unfertile land optimum.

2. Since Bihar has an urban population of just 11%, the state is the least urbanized among the major states of India, having the highest percentage of people living below the Poverty line, except that of Orissa.

Therefore, It indicates that major populations live in rural areas. So that we should do developments work in a rural area by enhancing activities in small scale industries like Achar making, Agarbatti making, Animal husbandry, etc. These types of small industries will eradicate unemployment in a rural area and lead to a reduction of poverty in that particular area.

3. Since the state has the lowest per capita income among the major states.

It means that we should focus on that type of work that increases per capita income. For increasing per capita income we should create high-wage employment. But Actually, High wage employment is not very necessary; the number of employees should be increased.

4. Since at present the natural forests of Bihar account for 6.87 percent of the total geographical area. the state's most important natural resources remain fertile land and water, with a fairly high annual rainfall of around 1235 mm as against a national average of 1200 mm.

It means that our main natural resource is that land and water so we should utilize these two resources efficiently so could get maximum benefit. We should use this land in agriculture with advanced technology and water in irrigation.

5. Since the GSDP from the early 1980s onwards, the growth rate jumped from around 3% during the 1980s and 4% per annum during the 1990s to over 10% since 2004-05. During 2004-05 and 2009-10 it was 10.6%. Most of this growth has come from the phenomenal increase in the acceleration of the growth rate in construction. Transport and communication; and trade, hotels, and restaurants.

Therefore we Should focus in that sector where growth is poor like Industry, small scale industry, Agriculture, Animal Husbandry, Fishery, Primary Education as well as secondary, senior secondary, etc, Health sector, Power sector, for directly up liftman of poor Government should increase the social welfare plan, etc.

6. The share of agriculture in GSDP has declined drastically from 43% during 1980-81 to 18.3% in 2009-10. On the other hand, the shares of trade and hotel. And construction sectors have jumped to 27.3% and 14.6% from 7.1 and 5.2 percent during 1980-81 respectively.

Therefore, From the above data, we find the percentage of agriculture contribution in GSDP has declined regularly from 43% to 18.3% this is a good sign to our economy has shifted from agriculture to other sectors instead we should care about agriculture economy because the economy of Bihar is mostly based on agriculture, therefore, we should adopt the modern or advanced machines and tools in agriculture to increase the production.

7. Food grain crops cover about 87% of the gross cropped area in the state. While rice is the foremost crop of the Kharif season occupying in 44% of the cropped area together with wheat it accounts for 70% of the cropped area.

Thus, here we see our agriculture is mainly based on food grain crop wheat and rice. So it requires changing this pattern and adopting diversified agriculture in which we should include some cash crops like the production of sugarcane, potato, tobacco, jute, and spices, Vegetables, Dalian, fruits, medicinal trees, etc.

8. According to the Economic Survey of Bihar 2012-13, the booming economy had contributed to pushing the per Capita income to Rs. 25,653 as against Rs. 60,972 for all India level at current Prices in 2011-12. And at the current prices of 2018-19 per capita income of Bihar is lowest among states of India i.e. Rs. 43822 yearly while the national per capita income is Rs. 126,406.

Therefore above data show that the per capita income of Bihar has still below the national average moreover in a booming time of economy so it still needs Bihar has to grow more and more economical with consistency so that in few years the per capita income could be increased and reached to national average income. As the per capita income will be increased the poverty ratio will decrease inversely.

9. Tourism also witnessed an uptrend with every one out of six foreign visitors coming to India touching Bihar.

Therefore, This is showing that there is a very good opportunity to flourish tourism economy in Bihar the holy city Bodhgaya is one of the good destinations for Buddhist devotees beside a lot of historical and religious places to attract the tourist not only domestic tourist but also foreign tourism. Tourism also witnessed an uptrend with every one out of six foreign visitors coming to India touching Bihar. Bihar is a historical and religious place. Many places are famous for its religious and Historical value like Patna kumhrar park, Budha Smriti Park, Patna sahib gurudwara, Patna museum, etc. same like Patna, Gaya is also famous for Maha-bodhi temple, Bishnupad mandir, Pinddan in Hugli River, etc, Rajgrih for natural mountain beauty, Ruins of Nalanda, Pawapuri and many more places that are taking its historical and religious and some other important could be developed as a tourist place. So that Tourism can be flourished.

10. Rising prosperity is evident for higher teledensity with 4.60 crore people having a phone with 98% using a mobile while bank deposits have increased to Rs. 22.155 crore in 2011-12, much over 2010-11.

The above data shows that around half of the population has a phone. This is a good indication that the communication among the people has been improved. In this time communication and knowledge is the power to bust the economy and reduce the poverty. No doubt the numbers of phones have been largely used by the people but should require not only to use a simple phone that is only purposed to talk instead use a smartphone with the connectivity of the internet at a lower rate of data. This smartphone is not only used to talk but also it is the medium to enhance knowledge.

11. Since Challenge in the coming years is likely to Stabilize, with total fertility rate (TFR) having decreased from 4.2 children in 2006 to 3.7 Children in 2010, a drop of 0.5 children. The infant mortality rate has declined to 48% thousand like birth compared to 60 in 2006, an indicator of better health initiatives.

Therefore, It shows slowly the Primary health sector has been improved something but still required a lot of improvement in comparison with population and population density. My suggestion is that at least One Primary health care center should be required within every 5 km square and At least one Hospital should be required every 10 km square and One or two big super multi-specialist hospitals should be required in every district.

12. Since, Bihar's gross fiscal deficit has shown an upward trend, increasing from 3,971 crores in 2010-11 to 5,915 crore in 2011-12. It is further expected to rise to 7,569 crores in 2012-13, which is a matter of concern. Incidentally, agriculture has been the major growth sector registering a compounded growth rate of 5.9% in 2007-12 against 3% in 2002-07 (Constant prices) followed by manufacturing 0.8% (2002-07) to 6.8% (2007).

Therefore, the above data shows that Bihar is regularly increasing its fiscal deficit so it is a burden for the coming generation therefore Government should take initiative to decrease the fiscal deficit for that government should stop the excess expenditure.

13. The annual plan expenditure has arisen from 4,000 Crore to 24,000 Crore and the major component in counting is construction of roads, bridges, and government buildings. Another



factor contributing to the high growth rate in the State is the lower base. There is merely 1.63 lakh crore, The Gross State Domestic Product (GSDP) of Bihar was calculated at 2004-05 prices. On the other hand, if you compare to other states the GSDP of Maharashtra was 7 lakh crore and Gujarat has been 4 lakh crore.

Hence, The Annual plan expenditure has gone up this is an indication to our state has gone on the path of development but still; we are very low annual expenditure than other states like Maharashtra and Gujarat. So there is a need to expand more and more annual expenditure so development work could be done fast.

14. However, the manufacturing and agricultural sectors have seen little growth. "The Economic growth pattern appears to be unbalanced, mainly reflect in construction of roads and housing, and the consequent expansion in trade, service, and related activities.

Therefore, we see the manufacturing and agriculture sector have seen little growth, mainly developed in the construction of roads and housing and the consequent expansion in trade, service, and related activities so we have to focus on the development of manufacturing and agriculture units. To the development of these sectors, the government should give an incentive in the form of subsidy and tax rebates and provide loans for people.

15. Since the article stresses that the biggest problem continues to be poor infrastructure and says the state is caught in a "vicious circle of low investment caused by the lower level of economic development & widespread poverty."

Therefore, we see the problem of low investment that leads to low productivity, low economic development, low income, and widespread poverty, etc. then how we can break this vicious circle of poverty? For getting the solution it required a big investment that to break the chain. Heavy investment is required in those areas that are creating employment opportunities regularly.

16. Since the growth story reveals less and conceals more. Agriculture and allied sectors, on which about 89 percent of the state's population depends, have registered negative growth thrice in the past six years. It is a matter of concern,"

Hence, we see the most of the population is depends on Agriculture and its allied sectors, so there is required to focus on these sectors like animal husbandry, fisheries, sericulture, poultry, dairy farming, Horticulture for development.

17. Since Bihar is the third-largest producer of vegetables and 7th largest producer of fruits in the country. The gross cropped area (GCA) in Bihar is 79.57 lakh hectares.

Therefore, we can find that Bihar is a good producer of Fruits and vegetables. Fruits and vegetables are cash crops it will help to increase the per capita income of farmers but it is not a durable good so in few days it is ruined so it needs to develop cold storage and another storage system so that it can be used for a long time. Also, it needs to develop a good transportation system so that Produced goods could be sold out in the far market.

18. Since, a large group of landless labor from rural regions of the state migrates to other states like Punjab, Delhi, and Mumbai and even in some parts of Uttar Pradesh in the period of the sowing and harvesting seasons in support for employment.

Therefore, we know Bihar is a highly populated state; comparison to population employment cannot be created so people are migrated to other states of India and even other countries of the world. This helps in poverty reduction but economic growth but it is not the permanent solution to poverty. The government has created job opportunities in Bihar.

19. Since Poverty in Bihar, the highest among all states in India in terms of consumption measures is intensified by the deficiencies reflected in key human development indicators. For most dimensions of human development — education, malnutrition, and maternal mortality.

Hence Bihar needs to improve the education system, and poor education is one of the causes of unemployment and economic growth. The people have not enough food to take this lead to face the problem of malnutrition. And due to not enough health facilities, maternal mortality is also high. so it needs to improve these basic sectors like Health and education.

20. Since the weak performance of Bihar and other poor states is not a short-term problem. It shows the trend towards increasing income inequality across states over the past two decades, as measured by the Gini coefficient of interstate per capita income. Over this period, the Gini rose from 0.17 to over 0.22, indicating the unmistakable trend towards a widening income gap between states.

So it requires substantial steps to reduce these gaps.

21. Since the Fragmentation of landholdings. Landholdings in Bihar consist predominantly of small farms and holdings with a high degree of fragmentation. The landholding size has been fallen to approx 0.6 hectares, and approx four-fifth of the farmers hold less than one hectare of land. The density of the population has high that pushed the intensity of cultivation so the total cultivated area comprises approx 60% compared with 47% nationally. With the average size of land holdings reduction as a result of increasing fragmentations, several marginal farms are becoming economically non-viable and oriented towards subsistence. This has slowed the diversification into commercial crops from low value-added cereals that continue to dominate cropping.

Hence, Fragmentation of landholding is a major problem in Bihar due to this reason Agriculture cannot be achieved maximum production it is difficult to irrigate the land, plow the land, cultivate the land it takes time and the cost of production increases. So there is a need to work on this problem.

22. Because of, lack of Connectivity and market access the farmers could not sell their product directly in the market. Bihar's state road system, as well as the national high - ways that run through the state, are poorly developed and are in major need of repair and better annual maintenance. Many villages lack all-weather road access, restricting crop movement to the market, and compounding storage difficulties.

Therefore, Connectivity and market access are very-very important for economic development and reducing the poverty. In Bihar's state road system, as well as the national highways that run through the state are poorly developed and are in major need of repair and better annual maintenance. So there is a need to work on the road so can access the market easily.

23. Since, Ineffective land reform. Although Bihar was one of the first states to enact land reform legislation, its implementation has been poor and only a small share of potential surplus land has been redistributed and taken possession of, due to numerous loopholes and difficulties with enforcement.

Therefore, It requires a new land reform policy.

24. Land records and land tenancy. As in many states, the maintenance of land records is a problem. Computerization of land records is being introduced in some districts with encouraging results, but it is a slow process. The procedure of obtaining the Record of Rights is awkward and typically involves significant transaction costs. Although official records suggest that less than 4% of the cultivated land area is under the tenancy, field studies indicate a far higher rate of around 25%. The unrecorded oral tenancy is prevalent, with very weak tenant security.

From the above data, we find there is a huge problem with land records and land tenancy due to this problem many people are facing problem-related with the land. So there is a need for computerization of land records fast .so the problem could be solved soon.

## Conclusions

This article concludes that if we want economic growth and poverty reduction in Bihar, we have to focus on various areas like health, education, agriculture, Industries, Infrastructure development, etc. The combined development of all these areas that a positive effect on economic growth, per capita income, state gross domestic product, and negative effect on poverty, that would be a result we shall see in poverty reduction.

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