

Industrial Development of Bihar

The Way Forward

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The turnaround of Bihar in the last few years is a story which miracles are made of. After decades of stagnation and decline, the State, under the leadership of Chief Minister Nitish Kumar, has shown magical progress. What is even more unique is that the Chief Minister leads a coalition government which is seen to be a role model of cooperative consultation and commitment to Bihar.

A state reputed for crime and violence has become relatively safe and secure. Women and children feel safe to move around without the earlier fear of insecurity.

A state enveloped in corruption is today spoken of as a State largely free, from that disease. This is quite unbelievable because Bihar was condemned, not too long ago, to be a State where corruption was endemic and deep- rooted.

A State where development and growth were unheard of for decades is showing both in ample measure. Step by step, the turnaround of Bihar's economy has been achieved, starting from a dismally low base to a respectable level.

So, the game has changed but the long term sustenance and prosperity will depend on high economic growth on a continuous basis so that resources are generated for employment, social development and transformation. And, there is a long agenda of action and initiative to be undertaken for both these objectives to be met.

And, economic growth depends largely on Industrial growth since agriculture has its limitations and constraints. Once upon a time, before Jharkhand was carved out of Bihar, the State was rich in industry specially the Jamshedpur industrial belt with the Tata Group at the centre of industrial activity. The creation of a new State out of Bihar has had an enormous impact on the industrial affairs of the State.

Traditionally, Industrial growth has meant manufacturing. More recently, this extends to the Services Sector and Infrastructure. So, when considering Bihar's industrial development, it is essential to look at all of these. The separation of Jamshedpur left almost no significant industrial centre. Much

else had to witness a fresh start or was “old industry” with little to show in terms of growth.

The first issue, because it is fundamental to industry, is Power and Electricity. This is clearly in short supply and the usual solutions of the past, to have coal based large Thermal stations maybe difficult to follow. In fact, the answer lies in decentralized power generation and distribution. Especially, clean, renewable energy. Bihar has considerable potential for such an approach, including mini and micro hydel power generation so that the underpinning of electricity is available to build the industrial superstructure. This is a critical and fundamental pre- requisite for Bihar to move forward on the industrial front. A detailed, micro plan for renewable, decentralized power is essential.

The strategy for Bihar’s industrial development needs to follow a similar path. To avoid allocation of large tracts of land for large industry. To focus on a different pattern of industry, essentially small and medium, using the District as a base. This may well sound unreal but the way forward for industry in Bihar is to step back, take stock and build a new model of development. It is possible. It can be done. And, it can be done with less resource and in shorter time.

Bihar has 38 Districts. Each is an administrative unit but, more than that, it is a “Development” unit. Each District has infrastructure, resources and people, all of which combined together can build industry. Each District must be seen as an Industry Growth Centre.

Whether it is infrastructure or industry, the way forward for Bihar has to be a different growth model from other States. This is the advantage of starting later than others so as to take advantage of new technology and new innovations. And, the visionary words of Prof C K Prahalad apply in more ways than one. The “ Bottom of the Pyramid” which he made famous applies in Bihar both to the consumer as well as the industry structure, both at the base.

The 38 Districts provide the key to frame 38 industry development plans and programmes, using local resources. With an integration plan on top. A common feature to the State is agriculture; hence agro- industries and food processing are “natural” providing competitive advantages to Bihar. And, the plan must go beyond the macro to the micro, focusing on specific agricultural products which can be processed within the State and District, adding value, creating jobs, generating income. This is happening to some extent, already, but the need is to work out a micro- level plan for specific agro and food industries to flourish in Bihar, in each District.

One common stream, therefore, has to be agro and food industries and it is wrong to believe that only large- scale capacities are viable and profitable. Run efficiently, with the right technology and management, small and medium scale industry will be equally sustainable without subsidies. Where the State can come is to set up Food Industry Parks in a few Districts so as to create an enabling environment. There are fairly standard facilities required in a Food Park. And, it can even be a private sector activity or a public- private partnership endeavour.

Bihar is known for its old Educational Institutions, including the historic Nalanda University which is now being re-created. The education of millions of young people is an opportunity to establish quality schools and colleges, including refurbishing existing ones, to be able to take advantage of a new opportunity. There must be courses relating to the core strengths of Bihar, such as food and agro- industry, so that local knowledge and expertise is built to provide leadership.

Another dimension of this is skills and vocational training. Again, millions of people have to be trained in different skills so as to be employable or to be self- employed. With its historically strong tradition of labour, the skills centres in Bihar, which can be private sector led and managed, would be the catalysts for world class human resources being developed in the State.

Bihar can build itself as an international centre for education and skills where not only local people come but, also, people from all over India and,

even, neighbouring countries in the Region. The State has a huge opportunity because this is a new – felt need in India and Bihar can take leadership. Countries around such as Nepal, Bhutan, Myanmar, Bangladesh, etc would be sources of students and faculty to build an outstanding education and skills infrastructure.

Human resource capacity building is an industry. An industry which has relatively low investment needs, high returns and the output-quality people- are a huge asset, even more valuable than industrial products. This, therefore, must be a strong focus and priority for the State. There is no State in India which, today, has framed, announced or implemented a strategy and plan for human resource capacity building. Bihar can be the first. It is an “industry” of the future.

Another area of clear opportunity and advantage for Bihar is the Tourism Industry- hotels and hospitality, travel, culture and heritage. Here, too, there are different aspects. First, the creation of infrastructure, such as hotels. Bihar can adopt a policy of lower cost hotels, which are clean and efficient, of midsize, requiring less land. This could be a unique feature of Bihar’s Tourism Industry. The second aspect is to have world class facilities in Bihar for young and old to be trained and re-trained in the State, an aspect covered in the previous paragraph in general terms. The hospitality and heritage sector can provide employment and livelihood to millions of people in Bihar.

An important facet of having world class Training centres and institutions in Bihar is to be able to set, follow and adhere to high standards. This is where the Government of Bihar and Industry needs to come together to set, implement and follow the most meticulous standards. It will give Bihar a reputation which others will envy. And, it is not difficult to do. International Standards organizations can come into Bihar to make this a reality. The investment is low to moderate. The results will be seen quickly. The gains are enormous.

One issue relating to Tourism and Education, or any industry development, is flight connectivity. Different cities of Bihar need to be connected with airline flights. Large international airports are costly; therefore, Bihar could focus on smaller airports which are suitable for Boeing 737s or Airbus 320 or ATR flights from different parts of India, Nepal, Myanmar, Bangladesh, Thailand, etc and low cost flights. These can be smaller, compact airports set up, and operated, by the private sector similar to Delhi, Mumbai, Hyderabad, Bangalore, Kochi etc. The traffic in terms of passengers and cargo would be substantial and enable these airports to be viable, operating without subsidy.

The State Government needs to implement this programme speedily because it will have a chain impact on the economic and industrial

development of Bihar, connecting different parts of the State to each other, as well as other parts of India, including, especially, the North- East.

An industry and infrastructure sector for which Bihar has been renowned is the Railway Sector. Jamalpur is a name in Railway folklore from where the finest railway engineers emerged. This sector must again come into its earlier pre- eminence in Bihar; with a new vision and plan in terms of production, industry segments and capabilities. Bihar is certainly placed in a key position to participate in the Railway sector as it has earlier, especially in the manufacture of components, provision of railway services, including, in particular, engineering services.

Because of the need to be cautious about the use of land, it is very important that the development of the services sector industries receives maximum priority from Bihar. Investment costs are less. Area required is less. Returns come in the short and medium term. Location can be all over the State, benefiting all Districts. This is a very special priority in the industrial development of Bihar going forward. And, the Services Sector does not only mean Information Technology. There are numerous services which are increasingly in demand and Bihar can evolve and grow in this area, given thought and initiative.

With 38 Districts, Bihar automatically has 38 District capital towns. All of these need attention in terms of planning, architecture, water, sewage, roads, traffic, housing, environment, energy, etc etc. These 38 District towns represent opportunities for a new set of industries around Urban Development. For standardization, and to save on expenditure, Bihar should enter into a partnership with Singapore, a city-state of 5 million plus people, to bring the best practices and technologies for implementation in the towns of Bihar. It will transform the urban centres in the State and, again, set standards not seen in India. It will also create massive new employment opportunities. Bihar can provide India with mid- size, model towns and cities, clean, low- cost, simple but efficient.

In fact, for Bihar, Singapore is ideally suited as a “ Partner” because of its location, strong links with India, its support for the Nalanda International University and the number of people of Bihari origin there. This partnership with Singapore can go beyond Urban Development. For example, its Vocational Training Institutes are world class and, a real model to be adapted for Bihar. If there is one country in the world which has a huge relevance to Bihar’s growth, it is Singapore.

A key factor in the development of industry in Bihar must necessarily be Entrepreneurship and Enterprise. A strategy of focusing on Small and Medium as Bihar’s way of life will ensure that the implementation aspect will become much easier because local entrepreneurs, familiar with the

State, can take the lead and be the backbone of its industrial development. This will be far easier for the State and much quicker in terms of getting results. What the SMEs may need are “Mentors” to guide and such experienced people are available in abundance. Bihar must avoid the temptation of going back to the past and trying to develop large industry. The answer lies with the SME sector.

One group of “ Mentors” “ Entrepreneurs”, Philanthropists” and “Participants” in development of its economy and industry must be the Non- Resident Biharis (NRBs) who are doing extremely well all over the world. They are, and can be even more so, a force for Bihar’s industrial development. The State has to have a quick – response team to connect and support NRBs in a very dynamic way. The returns for the State will be incredible. The NRBs are serious and sincere in their desire to “give back” to their home State. Bihar must have a properly worked out plan, drawn up in consultation with NRBs, to service and support them to participate in Bihar.

Bihar is a fast – growing State though on a low base. The need is to ensure this high growth rate even on a high base. For this, the strategy must be to focus on Services Sector Industries, SMEs, Agro- Industries and Food Processing, Tourism, Education and Skills Training, Urban Development and the Railways. Power Development must go down the decentralized, renewable energy route, including small hydel power plants. Midsize airports run by the private sector can provide a huge impetus to growth. All

of this must have one clear policy approach: Small and Medium. This is the key to rapid development of Bihar. Let this State be the capital of India for entrepreneurs building small and medium enterprises.

Since social infrastructure is very important for industry, one aspect which needs particular attention is Healthcare. Again, the focus must be different, with priority for small and midsize health care facilities, specialization and high standards of hygiene and after- care service. Costs need to be kept at a very reasonable level so that it is affordable across the State to all segments of society. The policy and planning must be for the general population, not the few who can afford high cost service. Therefore, Healthcare has to do both a “ Public” and “ Private” activity so that low cost, quality service is the focus.

One final point: Innovation. Bihar can, and must, be the centre of Innovation in India, however unlikely this may sound. What Bihar needs is a centre, not for Innovation, but for information on Innovations around the world. A clearing house. A database. To help people innovate by learning from other successors. This will be very helpful. It is not to do Innovation. It is to serve as a catalyst.

The excitement about strategizing for Bihar is that there is a clear opportunity to think and plan “out- of – the- box”. Innovate. Go for low cost

solutions. Prioritise on small and medium scale. Build local entrepreneurship. Develop 38 Districts concurrently. Modernise 38 District HQ towns, and so on.

Bihar is already a role model in several ways to the rest of India but it can be far more so as it plans for the future. It can chart a different way forward and show how to be creative and yet develop rapidly.

The State's leadership has shown extraordinary commitment to development. It has earned international respect and credibility. The need now is to enhance its reputation by evolving a very different, somewhat unique, strategy and plan for its future growth. This is not a dream. It can be a reality.