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FICCI study looks at ways to boost Bihar's industrial growth

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The Bihar Government should make efforts to provide large plots of land at reasonable rates in order to boost its sagging industrial growth, recommends a study jointly conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Konrad Adenauer Foundation.

Plots in the State are small and scattered across industrial zones, while high land prices serve to discourage entrepreneurs, according to the study, urging the Bihar Industrial Area Development Authority to maintain a modernised and computerised land records system to avoid confusion.

The State government was recently in the eye of the storm over allocation of prime government land at sub-par rates to scions of Cabinet Ministers and other bureaucrats. Opposition parties had cried foul at this "preferential allocation," causing the State government to conduct an internal investigation, which in turn had been rubbished with opposition leaders terming it as "biased."

The paper zeroes in on the State's power woes, noting that allocation from NTPC units must go up from its present share of 25 per cent to 50 per cent, while exhorting the State government to do away with the fuel surcharge of electricity for industrial units.

The report also takes up issues pertaining to the Central government's attitude towards Bihar, specifically with regards to power supply. The absence of coal linkages has proven a major impediment for developing thermal power stations in the State, it says.

While acknowledging the lack of major investment in Bihar, Deputy Chief Minister Sushil Kumar Modi said the NDA government had to struggle against overwhelming constraints, namely the indifferent attitude of Central agencies and the lack of resources after the State's division into Jharkhand.

Despite robust improvements in communication and law and order by the present regime, the State has not received a single rupee from the proposed investments amounting to Rs. 42, 941 crore for 2011 (according to data from the Department of Industrial Policy and Promotion). A power-strapped Bihar is presently forced to buy 300 MW from external sources, while the Bihar State Electricity Board is being kept afloat by massive State subsidies which amounted to Rs. 2,500 crore for the current fiscal.

Much of the industries were lost to Jharkhand following the State's bifurcation by the Lalu Prasad led-Rashtriya Janata Dal government in 2000, he noted, leading to lack of heavy industry in present-day Bihar. The move ensured the State remained a predominantly agrarian, bereft of major large-scale industries, he said. He further blamed the lacklustre efforts of previous governments that had resulted in Bihar being perpetually power-strapped till the present day.

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- ***Small plots scattered across industrial zones, high land prices discouraging entrepreneurs***
 - ***Study says allocation from NTPC units must go up from present 25% to 50% in Bihar***
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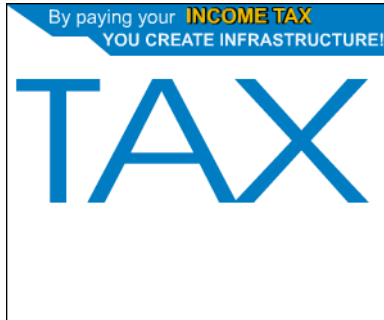
FICCI unveils Bihar development story

Abhay Singh, TNN | Dec 13, 2011, 02:43AM IST

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PATNA: Everyone seems to be talking about the Bihar turnaround story under Nitish Kumar-led NDA government, but only a few have been able to look into why it is not getting onto the next stage of its industrial revival, even as 42,941 investment proposals had been received in the state till June this year, beginning 2008.

"There has been a significant gap in terms of the proposals of investments intended towards Bihar and the amount of investments the state received in actual terms," says a 30-page report of the Federation of Indian Chambers of Commerce and Industry (FICCI), prepared in association with Konrad Adeneur Foundation (KAF) that was released here on Monday.

It, though, adds, "The state government has been keen on promoting the investment climate of the state. With a view to improve the condition of existing industries and to attract more investments into the state, the state government set up a State Investment Promotion Board, and the Industrial Policy-2011 was formulated."

According to the FICCI-KAF report, the major roadblocks in the way to an immediate leap in Bihar's industrial scenario are related to unavailability of land, relative lack of skilled labour, "poor extension of banking" or credit services to small, medium and tiny industries. Besides, the modernization of the state's existing power plants and development of new power units have been

very tardy. The actual availability of power (800-1,000MW) did not match with the state's present demand (1,753MW), and in fact, is nowhere near its future need (5,500MW), if the economy continues to grow and expand.

Moreover, the state lacks highly improved transport facility and connectivity due to absence of four-lane national highways and two-lane state highways. Finally, it has relatively less number of bridges across the Ganga, and there is also lack of air cargo handling facility at airports. The absence of "mid-level airports" at Muzaffarpur, Bhagalpur, Purnia and Dehri is another hindering factor, among others.

The FICCI-KAF report, however, has not been shy in praising the turnaround that has happened in the last one decade. Citing the Central Statistical Organisation (CSO) data, it says the "average annual growth of GSDP in Bihar has been robust" at 8.5% during 1999-2010, and "more importantly", during the second half of the decade (2005-2010) the state's income grew at an average annual rate of 10.9%, which, in a way, helped the state in partially overcoming the "Bimaru state" tag.

Moreover, the state's economy underwent "major structural changes" in the composition of its GSDP since 2000. The share of agriculture in the GSDP declined from 38.8% in 2000-01 to 20.8% in 2009-10. On the other hand, share of secondary sector (refining, processing, construction and manufacturing) increased from 10.7% to 19.9% and share of service sector (transportation, banking, insurance, hospitality, and other sectors) increased from 50.5% to 59.4%. However, the state's per capita income, measured by the per capita net state domestic product at current prices, has "remained abysmally low" at Rs13,663 compared to the national average of Rs37,490 in 2008-09.

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