Comparative Analysis of Public Expenditure on Social Sectors Of Bihar and Maharashtra During 1980 to 2000.

Dissertation submitted to the Jawaharlal Nehru University in partial fulfilment of the requirements for the award of the degree of

MASTER OF PHILOSOPHY

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CERTIFICATES

Certified that the dissertation entitled "Comparative Analysis of Public Expenditure on Social Sectors of Bihar And Maharashtra During 1980 to 2000" submitted by Mukesh Kumar of School of Social Science, Centre For Economic Studies and Planning, Jawaharlal Nehru University, New Delhi in partial fulfilment of the requirements for the award of the degree of Master of Philosophy (M.Phil) is an original work and has not submitted in part or full for any other degree or diploma in any other University with best of my knowledge. This may be placed before the examinees for evaluation for the award of the degree of Master of Philosophy in Economics.

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Dedication

This Dissertation is dedicated to my parents:

Smt. Tara Devi
&
Shri Abadhesh Gupta

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I am solely responsible for any kind of shortcoming of this dissertation.

Mukesh Kumar

Contents

Introduction

The present pattern of public expenditure on social sectors in states is a matter of particular interest. It is not surprising that after economic reforms, the pattern of particular expenditure has changed. Social sectors are responsible for the human development index of any region. So, it is interesting to analyze the pattern of public expenditure on social sectors and their outcomes. Due to shifting behaviour of public expenditure, the regional disparities have tended to increase.

The objective of this dissertation is to study the comparative analysis of the public expenditure on social sectors in states during 1980s and 2000. For it, I chose relatively well off state Maharashtra and relatively poorer state Bihar. Social sectors include education, health social securities. I have tried to show the pattern of public expenditure on social sectors and outcome related with these sectors during the period 1980s to 2000.

Chapter one analyzes the regional disparities in India. The regional disparity in India is now a matter of serious concern. It is well known that in a large economy, different regions with different resource bases and endowments would have a dissimilar growth path over time. Except few states -Andhra Pradesh, Assam and Kerala - all the other major states had recorded over five percent growth during the 1980s, against the all-India growth rate of 5.6 percent per annum. Tamil Nadu, Karnataka, Haryana, Himachal Pradesh and Rajasthan have progressed rapidly during the 1980s with over six percent per annum growth rate, with Rajasthan recording the highest with above seven percent. In general, there was a comparatively balanced regional growth during the 1980s, even though the disparity widened across the states. However, the 1990s belongs to the relatively industrialized states. Highly industrialized states like, Gujarat and Maharashtra, grew at over 8 and nearly 7 percent per annum respectively. Goa, a small state, also grew at over 8 percent. Among other major states, Karnataka and West Bengal have performed very well with over 7 percent growth. One consequence of economic reforms is that

inequalities have increased over time. Apart from a rise in regional disparities, rural-urban inequalities in consumer expenditure have increased.

Chapter two includes outlays analysis on social sectors. The challenge of meeting the development goals is indeed daunting as the State governments are faced with an acute fiscal crunch in recent years. Restructuring state finances is a long pending imperative that has been harped upon by several official committees. One of the main goals of such restructuring should be to enable State governments to regain fiscal health that in turn equips them to allocate the resources required for enhancing human development attainments. Fiscal stress and weak linkages between expenditure and social outcomes are factors that undermine education and health service quality in Bihar. The new state of Bihar after the separation of Jharkhand from Bihar, Bihar faces even greater major fiscal problems. These include large fiscal deficits, a heavy and growing debt burden, imbalances in expenditure allocation, and institutional shortcomings in expenditure management and budget implementation. The percentage expenditure of NSDP (Net State Domestic Product) for both Bihar and Maharashtra state on agriculture and allied activities have shown decline after 1980s, While the percentage dependent on this sector have not declined much. The percentage expenditure on rural development has remained stagnant. The trend of percentage expenditure of NSDP on health during mid 1980s to the recent period is declining. The percentage expenditure of NSDP on education during the period 1980s to the recent period for Bihar, have increased while for Maharashtra, during the same period it has remained stagnant.

Chapter three includes outcomes analysis of the social sectors. It includes three sections. The first section analyzes poverty and employment outcomes of Bihar and Maharashtra.The pace of poverty reduction slowed down during the post-reform period despite GDP growth remaining relatively higher. This was mainly because of the deceleration in the growth rates of agriculture and rural employment over the past decade and the consequent increase in rural poverty. The engines of growth in rural economy need to be strengthened further, especially as the bulk of employment continues to be in the farm sector. A corrective required to neutralise the restriction of the capacity to

absorb the rural labour in production activities has been the much lauded employment guarantee scheme, a mechanism that ensures wage to a farm labour that finds work for any reason including droughts. Agriculture in the state is laggard. It continuous to be at the mercy of uncertain monsoon, which is either inadequate in precipitation or uneven in spread over the season, putting agriculture under tremendous stress. As a result, the rural population is subject to a high degree of instability in incomes and levels of living. As a means to counter this income instability, for instance, more women – twice in number than that of men-work as marginal workers, seeking to supplement family incomes. It also signifies low gains from agriculture as well as individual efforts to contain the impact of poverty.

The second section analyzes educational outcomes of both states. The existing education system is clearly unable to provide quality services. A combination of factors, ranging from lack of monitoring teachers' performance to the involvement of teachers in a number of miscellaneous government duties, account for their attendance. The literacy condition for both states Bihar and Maharashtra shows that there is improvement in the literacy rate but simultaneously rural urban gap has also increased particularly in higher education. The third section analyzes health outcomes of the both states. Health systems deserve the highest priority in any endeavour to improve people's health, since they provide the critical interface between life-saving interventions and the people who need them. The rate of fall of rural and urban annual birth rate for Maharashtra is higher than that of Bihar during mid 1980s and 2000, While the overall the rate of fall of annual death rate of Bihar is higher than Maharashtra during the same period.

Chapter 1

(A Snap Short Of Regional Disparities In India)

The regional disparity in India is now a matter of serious concern. It is well known that in a large economy, different regions with different resource bases and endowments would have a dissimilar growth path over time. One of the reasons why centralized planning was advocated earlier was that it could restrain the regional disparity. In spite of planning, however, the regional disparity remained a serious problem in India. A controversy in this respect is whether growth rates and standard of living in different regions would eventually converge or not. The convergence theorem postulates that when the growth rate of an economy accelerates, initially some regions with better resources would grow faster than others. But after sometime, when the law of diminishing marginal returns set in, first growth rates would converge, due to differential marginal productivity of capital (higher in poorer regions and lower in richer regions), and this in turn would bridge the gaps in the levels of income across regions. The empirical evidence on this is however very controversial. It has also been observed that when an economy is liberated, especially after controls on investment are lifted, then regions with better infrastructure would attract more investment, especially foreign capital, through market mechanism, and this in turn would lead to regional inequity, at least in the early phase of reforms. The existence of wide inter-regional variations in a vast country like India is well recognized. All the five year plans stressed the importance of balanced regional development and policies were designed to direct more investments to the relatively backward areas. Nevertheless, regional disparity continues to remain a serious problem. In the post-reform period, due to deregulation, the degree of control of the central government declined in many sectors. State governments can now take more initiatives for economic development than ever before. Also, the role of private sector is becoming more important as compared to the public sector. In the changed economic scenario, it would be interesting to examine the economic performance at state level. The reforms led to a lot of structural changes in the Indian economy, such as, deregulation of investment – both domestic and foreign – and liberalization of trade, exchange rate, interest rate, capital flows and prices. The post reform period also witnessed a sharp deceleration in public investment due to fiscal constraint. At the aggregate level, the

average share of public investment in total investment has declined from 45 percent in the early-1980s to about one-third in early-2000s.

SDP growth rates have shown a fair degree of variation. While some states have witnessed rapid and phenomenal growth, the rest lagged behind the all-India growth rate. For this analysis we have included 17 major states. Jammu & Kashmir is excluded because of political disturbance during 1990s. Pondichery and six smaller states of North-East are excluded because they are too small to reflect general economic behavior of states in India. Three newly created states, namely, Chhattishgarh, Jharkhand and Uttaranchal are also excluded because there are no time-series data on these states. Bihar, M.P. and U.P. therefore refer to undivided states. The comparative average growth rates of SDP for 17 major states at 1993-94 prices for the decades 1980s (1980-81 to1989-90) and 1990s (1990-91 to 1999-2000) as well for the overall period (1980-81 to 1999-2000) are given in table 1 below. It may be seen that except few states -Andhra Pradesh, Assam and Kerala - all the other major states had recorded over five percent growth during the 1980s, against the all-India growth rate of 5.6 percent per annum. Tamil Nadu, Karnataka, Haryana, Himachal Pradesh and Rajasthan have progressed rapidly during the 1980s with over six percent per annum growth, with Rajasthan recording the highest with above seven percent. In general, there was a comparatively balanced regional growth during the 1980s, even though the disparity widened across the states. However, the 1990s belongs to the relatively industrialized states. Highly industrialized states like, Gujarat and Maharashtra, grew at over 8 and nearly 7 percent per annum respectively. Goa, a small state, also grew at over 8 percent. Among other major states, Karnataka and West Bengal have performed very well with over 7 percent growth.

Table 1

Growth Rate of SDP at Constant Prices (percent per annum)

States	1980-90	1990-00	1980-00
Assam	3.91	3.47	3.49
Bihar	5.20	3.46	3.85
Uttar Pradesh	5.88	4.33	5.15
West Bengal	5.20	7.24	6.11
Orissa	5.85	3.60	3.90
Himachal Pradesh	6.10	6.91	6.20
Maharashtra	5.98	6.80	6.30
Goa	5.71	8.23	6.98
Gujarat	5.71	8.28	6.80
Karnataka	6.10	7.07	6.53
Punjab	5.14	4.63	4.70
Haryana	6.68	6.71	6.69
Rajasthan	7.17	6.46	6.96
Andhra Pradesh	4.81	5.12	5.05
Kerala	4.50	6.00	5.97
Tamil Nadu	6.35	6.65	6.51
Madhya Pradesh	5.18	5.45	5.89

Source: Central Statistical Organization (CSO), 1981,1991 and 2001.

It is interesting to note that West Bengal which is not considered to be a pro market state, has grown not only faster than the all-India average, but also many pro reform states, such as, Andhra Pradesh (4.8 percent) and Punjab (5.1 percent), during the reform era. These two states have in fact grown much slower than the all-India average, particularly the former. The poor performance of both Punjab and Andhra Pradesh during the reform era came as a surprise. These states have comparatively better infrastructure and known to have pro- market attitude. While Punjab's slow growth may be attributed to stagnation in agriculture and fiscal mismanagement, that of Andhra Pradesh needs a careful scrutiny. It appears that pro-reform policies in Andhra Pradesh have yet to borne fruits in terms of SDP growth. A detailed study on Andhra Pradesh (Rao and Mahendra Dev, 2003) also confirms this. Among other states, Rajasthan, Kerala, Haryana, Himachal Pradesh and Tamil Nadu have recorded above average growth rate during the reform era. Some of the high growth states during reform era, notably Gujarat, Maharashtra, Karnataka and Tamil Nadu, got the lion's shares in foreign investment in the 1990s. On the other hand, poor states like, Bihar, Orissa, Assam and U.P. have attracted less foreign capital (and also probably domestic) and performed badly, with SDP growth below 4 percent per annum. Apart from lack of investment, poor infrastructure combined with poor governance (and terrorism in the case of Assam) might have also restrained growth in these states.

For a better analysis of regional disparities, we should analyze not merely aggregate growth rate but also the growth of per capita SDP. The growth of per capita SDP for seventeen major states along with all- India average is presented in Table 2. It may be seen that the regional disparities in standard of living, as measured by per capita SDP at constant prices, have accentuated in the 1990s. In the 1980s, Assam recorded the lowest per capita SDP growth at 1.7 percent per annum and Tamil Nadu the highest at 4.8 percent. As against these, the all-India growth rate was 3.4 percent. In the 1990s, the disparity range has widened from 0.7 for Assam to as high as 6.7 for Goa and 6.4 for Gujarat. In comparison, the all- India rate has improved only marginally: 4.1 percent in the 1990s against 3.4 in the 1980s. Maharashtra, Tamil Nadu, West Bengal, Karnataka and Himachal Pradesh have also improved the standard of living by over 5 percent per annum during the post reform period. Gujarat's performance is particularly noteworthy, as the growth rate has jumped from a moderate 3.62 in the 1980s to 6.38 percent in the 1990s. West Bengal has also managed to push up its per

capita income growth tremendously, from a mere 2.93 percent in the 1980s to 5.41 percent in the 1990s. In Maharashtra and Karnataka also per capita income growth rate jumped significantly in the 1990s.

Table 2
Growth Rate of Per Capita SDP (percent per annum)

States	1980-90	1990-00	1980-00
Assam	1.74	0.65	1.38
Bihar	2.97	1.86	1.92
Uttar Pradesh	3.46	1.98	2.92
West Bengal	2.93	5.41	3.99
Orissa	3.96	2.12	2.15
Himachal Pradesh	4.36	5.11	4.29
Maharashtra	3.60	5.04	4.83
Goa	4.08	6.84	6.01
Gujarat	3.62	6.38	4.85
Karnataka	4.00	5.27	4.63
Punjab	3.19	2.71	2.73
Haryana	4.12	4.42	5.32
Rajasthan	4.41	4.09	4.20
Andhra Pradesh	2.56	3.62	3.09
Kerala	3.04	4.78	4.64
Tamil Nadu	4.79	5.40	5.10
Madhya Pradesh	2.74	3.22	3.08

Source: Central Statistical Organization (CSO), 1981,1991 and 2001.

From Tables 1 and 2 above, it may be seen that in general the Southern states have performed better than the Eastern and the Central states.. West Bengal is a major exception in this regard. The standard of living in the Southern states increased faster in the 1990s due to a combination of slackening of population growth and acceleration of SDP growth. Even in Andhra Pradesh, despite a below national average SDP growth, per capita SDP growth accelerated in the 1990s over 1980s due to a significant fall in population growth rate. In the Western states, however, per capita SDP growth accelerated mainly due to higher SDP growth. Sectoral composition and growth rates of SDP are given in Tables 4 and 5 below. It may be seen that except for a few states, the share of primary sector has dwindled drastically from about one-half in the early 1980s to one third or one- fourth in 1999-00. In industrial states, such as Gujarat, Maharashtra and Tamil Nadu, the share of primary sector in SDP has come down to around 15 percent by the end of 1990s. The drastic reduction in the contribution of primary sector in Gujarat (by 30 percentage point) during this period is partly on account of faster growth in industry and tertiary and partly on account of negative growth of primary sector in the 1980s, the only state to have registered so. In Maharashtra and Tamil Nadu, the two other leading industrial states, where the primary sector has also performed quite well, the share of primary sector in SDP declined more moderately, by about 10 percent each. Goa, a tourist state, has the lowest share of the primary sector in SDP at below 10 percent. Even in the poorer states - Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh – the share of the primary sector has declined significantly over the last two decades. In Bihar, for instance, the share of primary sector, which was nearly 60 percent in SDP in the early 1980s, has now come down to about 30 percent in the late 1990s.

Poor performance of agriculture, rather than a rapid growth of non-agriculture, has brought this change. In Punjab, an agriculturally prosperous state, the share of primary sector has declined marginally due to a slower growth of non-agriculture. This is despite a slackening of agricultural growth in Punjab in the 1990s. In general, when an economy progressed, the share of primary sector declined and that of the secondary sector increased. After industry gathered momentum, the secondary sector became the dominant sector in the economy. It is only at a later stage when the economy attained a fairly high level of development, typically when it became a middle income country - the tertiary sector overtook the secondary sector. However, in India, at the aggregate level, and also at the regional level, the tertiary sector became the largest sector even

before the secondary sector predominated the economy, Bhattacharya and Mitra(1991). The present analysis further confirms this. Gujarat is the only exception in this respect, where the secondary sector has become the largest sector with more than 40 percent share in SDP in 1999-2000. In no other state, the share of secondary sector has risen above 35 percent. In Maharashtra, a major industrial state, the share of the secondary sector has remained stable around 35 percent for the last two decades. In Tamil Nadu and West Bengal, the two other industrial states, the share has fallen marginally in the last two decades. The fastest acceleration in the secondary sector growth has taken place in Gujarat with average growth rate of 7.8 and 10.6 percent in 1980s and 1990s respectively, followed by Haryana (at 7.45 and 11.9 percent). Maharashtra, Tamil Nadu and West Bengal also performed impressively, with average growth of 7/8 percent in the he post-reform period. Surprisingly, secondary sector in Bihar and Rajasthan, two backward states, grew fairly rapidly in the 1980s and 1990s. As a result, the share of the secondary sector in Bihar increased from 22 percent in 1980-81 to about 28 percent in 1999-00. In Rajasthan it increased even more significantly during this period, from 19 percent to close to 30 percent. In Uttar Pradesh, another poor state, the share of the secondary sector has increased from less than 20 percent in 1980-81 to 26 percent in 1999-2000. The tertiary sector has recorded the fastest growth in most states, both before and after the reforms. In most states, the share of the tertiary sector now exceeds 40 percent of SDP. During the last two decades, the tertiary sector has grown on an average by 8 to 9 percent per annum in many states, notably, Gujarat, Haryana, Kerala, Maharashtra, Tamil Nadu and West Bengal. With the exception of Gujarat, the tertiary sector now accounts for almost half of SDP in all rich states. The tertiary, rather than the secondary, sector has become the engine of growth in most states. This reflects a poor pace of industrialization in India at both aggregate and regional levels.

The growing regional disparity in the post reform period is now a matter of serious concern. With deregulation of private investment, faster growth in turn would induce more investment, and this in turn would further accentuate regional disparity. The problem is compounded by the negative relationship between population growth and income growth during the 1990s. Unfortunately, backward states with higher population growth are not able to attract investment – both public and private – due to a variety of reasons, like poor income and infrastructure and probably also poor

governance. Our results support the view that there is a strong case for pro-active public policy to induce more investment in backward states either through public investment or through fiscal incentives. Simultaneously, efforts should be made to restrain population growth, especially in backward states. Finally, the quality of governance and in particular the efficiency of investment should be given more attention at the state level. The inverse relationship between population growth and income growth at the state level in the recent years can become an explosive issue not only economically but also politically. States with higher population growth and lower income growth would tend to have higher unemployment rate. Migration can only partially mitigate this thorny problem. Besides, large-scale migration in a country with wide diversities in religion, language, caste and education levels can create socio-political problems. It is already evident in some states and regions. In India, the democracy is very vibrant. If the inverse relationship between income and population growth persist longer then sooner or later there would be a serious conflict between states in terms of sharing of resources. It is already evident in the allocation of resources through the Planning Commission and the Finance Commission. The social consequences of migration could become an additional source of conflict. The solution, however, does not lie in curbing growth in fast growing and market friendly states, but in accelerating reforms in backward states to attain a balanced regional growth.

Table 3
Sectoral Composition of SDP (*Percent*)

States	Sectors	1980-81	1990-91	1999-00
Assam	Primary	50.11	41.48	35.80
	Secondary	20.17	24.49	25.02
	Tertiary	29.72	34.03	39.18
Bihar	Primary	59.93	59.46	52.29
	Secondary	21.89	24.66	28.06
	Tertiary	18.18	28.82	42.36
Uttar Pradesh	Primary	49.53	36.74	34.68
	Secondary	19.54	24.17	26.37
	Tertiary	30.93	39.09	38.95
West Bengal	Primary	33.15	31.82	28.45
	Secondary	27.46	25.58	24.50
	Tertiary	39.39	42.60	47.05
Orissa	Primary	49.79	42.43	33.78
	Secondary	17.18	22.90	23.00
	Tertiary	33.03	34.67	43.22
Himachal Pradesh	Primary	47.55	35.67	21.16
	Secondary	22.27	24.88	36.01
	Tertiary	30.17	39.45	42.83
Maharashtra	Primary	28.75	21.80	15.60
	Secondary	35.41	35.26	34.93
	Tertiary	35.84	42.94	49.47

Karnataka	Primary	46.56	33.10	27.11
	Secondary	24.54	27.59	28.40
	Tertiary	28.89	39.31	44.49
Punjab	Primary	47.87	46.31	40.68
	Secondary	18.94	21.12	24.29
	Tertiary	33.18	32.57	35.04
Haryana	Primary	58.80	42.60	34.10
	Secondary	11.00	24.60	28.60
	Tertiary	30.20	32.70	37.83
Rajasthan	Primary	51.93	42.72	28.88
	Secondary	18.77	24.65	30.19
	Tertiary	29.30	32.64	40.93
Andhra Pradesh	Primary	41.21	34.20	27.16
	Secondary	21.88	24.67	26.10
	Tertiary	36.91	41.13	46.74
Kerala	Primary	42.31	31.26	24.74
	Secondary	25.38	21.47	21.74
	Tertiary	32.32	47.27	53.53
Tamil Nadu	Primary	24.64	22.83	17.23
	Secondary	34.78	34.03	34.06
	Tertiary	40.58	43.15	48.70
Madhya Pradesh	Primary	50.71	38.43	30.79
	Secondary	29.60	28.56	30.67
	Tertiary	19.70	33.01	38.55

Table 4
Sectoral Growth Rate of SDP (Percent per annum)

States	Sectors	1980-90	1990-00	1980-00
Assam	Primary	2.41	0.86	1.84
	Secondary	4.94	2.62	2.78
	Tertiary	5.63	4.00	6.18
Bihar	Primary	2.62	-0.93	0.38
	Secondary	6.15	4.79	4.83
	Tertiary	9.84	7.09	8.27
Uttar Pradesh	Primary	2.55	3.70	3.30
	Secondary	8.34	6.13	6.55
	Tertiary	8.64	4.54	6.44
West Bengal	Primary	6.39	7.09	6.12
	Secondary	4.00	6.68	5.46
	Tertiary	5.04	9.30	7.11
Orissa	Primary	4.75	0.65	0.98
	Secondary	7.44	4.36	6.21
	Tertiary	5.67	6.14	6.07
Himachal Pradesh	Primary	2.92	1.20	2.44
	Secondary	7.35	11.86	9.49

	Tertiary	9.54	7.35	7.23
Maharashtra	Primary	2.93	3.42	3.75
	Secondary	6.27	7.00	6.69
	Tertiary	7.74	8.00	8.73
Goa	Primary	2.91	2.07	2.95
	Secondary	2.42	8.82	6.59
	Tertiary	9.91	9.24	9.72
Gujarat	Primary	-0.34	2.67	1.96
	Secondary	7.83	10.61	8.89
	Tertiary	11.34	9.62	9.55
Karnataka	Primary	2.83	4.06	3.59
	Secondary	7.58	7.72	7.62
	Tertiary	9.17	8.93	8.75
Punjab	Primary	4.75	2.60	3.77
	Secondary	6.26	6.65	6.13
	Tertiary	6.26	6.65	6.13
Haryana	Primary	3.37	4.07	5.40
	Secondary	15..37	12.08	8.58
	Tertiary	7.49	8.38	8.11
Rajasthan	Primary	3.27	3.08	4.27
	Secondary	11.00	8.15	9.96

	Tertiary	10.36	8.60	9.37
	Primary	2.37	2.41	2.78
Andhra Pradesh	Secondary	5.93	6.00	5.98
	Tertiary	6.62	6.53	6.45
	Primary	1.24	3.00	3.48
Kerala	Secondary	2.31	6.04	5.01
	Tertiary	8.88	7.71	8.39
	Primary	4.99	2.68	4.90
Tamil Nadu	Secondary	5.68	7.41	6.81
	Tertiary	7.72	7.98	7.56
	Primary	1.53	3.28	2.92
Madhya Pradesh	Secondary	4.85	7.07	6.73
	Tertiary	12.05	7.17	9.28

Source: Central Statistical Organisation (CSO), 1981,1991 and 2001.

Physical and social infrastructure is important for economic growth and higher human development. The reports of the 10th and 11th Finance Commissions provide an index of social and economic infrastructure for major Indian states. The index of social and economic infrastructure was much higher than all India in seven states viz., West Bengal, Maharashtra, Gujarat, Haryana, Tamil Nadu, Kerala and Punjab in both 1995 and 2000. In general, there is a positive relationship between infrastructure and growth. However, there are some outliers. Punjab did not record high growth in spite of high level of infrastructure while Rajasthan registered high growth despite low infrastructure. Similarly, Karnataka and Andhra Pradesh have similar levels of infrastructure but the former recorded much higher growth than the latter.

According to official estimates, poverty declined from 37.3% in 1993-94 to 27.1% in 1999-00. It declined 10.2 percentage points over the six year period indicating a 1.7 percentage point decline per annum. Studies by independent researchers,[2] however, show that rates of decline in poverty during the reform period was much lower than official estimates after adjustment for non-comparability Deaton and Dreze shows that the growth rate of average per capita consumption expenditure (APCE) during 1993-94 and 1999-00 is positively correlated with the growth in state domestic product (SDP) across states. The correlation coefficient between the two series is 0.45. They also show that the proportionate changes in poverty ratios across states are highly correlated with corresponding growth rates of APCE (correlation coefficient 0.91). The low growth states in APCE are the eastern ones (Assam, Orissa and West Bengal) and BIMARU states (Bihar, M.P., Rajasthan and U.P.). The high growth states are from the South (except Andhra Pradesh), the West (Gujarat and Maharashtra) and North-west (Punjab, Haryana and Himachal Pradesh). In fact, there is a divergence in poverty ratios and growth in APCE in the post-reform period – the poorer states showing lower reduction in poverty. Poverty is concentrated in a few states. The share of six states (Bihar, U.P., M.P., West Bengal, Orissa and Assam) in all India rural poor increased from 68.8% in 1993-94 to 74.4% in 1999-00 as shown in Table 6 below.

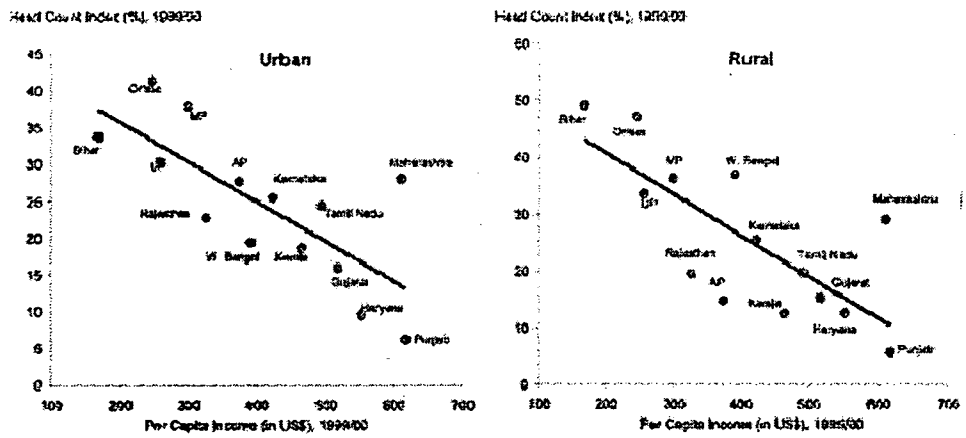
TABLE 5

Percentage Share of States in All India Rural Poor: 1993-94 and 1999-00

States	Share in all India rural Poor	
	1993-94	1999-00
Assam	3.4	4.5
Bihar	20.4	20.6
Uttar Pradesh	21.3	21.9
Orissa	6.2	7.2
West Bengal	8.8	8.9
Maharashtra	7.5	6.5
Gujarat	2.3	1.9
Karnataka	3.4	3.2
Punjab	0.6	0.6
Haryana	1.4	0.6
Rajasthan	3.4	2.9
Tamil Nadu	4.9	3.9
Andhra Pradesh	3.0	2.9
Madhya Pradesh	8.5	11.3

Source: Central Statistical Organisation (CSO)

Figure 1.6: Poverty Rate versus Per-capita Income: 14 Major Indian States (1999-00)



One consequence of economic reforms is that inequalities have increased over time. Apart from a rise in regional disparities, rural-urban inequalities in consumer expenditure have increased. The salaries of public sector employees have grown at 5% per annum while agricultural wages grew at the rate of 2.5% per annum in the 1990s. Intra-rural inequalities have not risen while intra-urban inequalities have increased.

On the basis of above analysis, it can be said that regional disparities particularly after economic reforms have tended to increase. The below section describes about the socio-economic profile of relatively well off state Maharashtra and relatively poorer state Bihar.

Section: Socio-Economic Profile of Bihar and Maharashtra

Bihar faces challenges that are more severe than those in many other states due to its history, geography, weak infrastructure, politics and institutional limitations. The resultant costs of such constraints have been low growth performance and a high incidence of poverty. Annual flood control and interstate infrastructure are needed to improve connectivity to national markets. The most critical feature the state needs to strengthen in order to improve growth is the delivery of core public services. Chief among these is basic infrastructure in rural areas, and the provision of basic law and order. The key infrastructure services in which the private sector cannot substitute public delivery include road and water management, especially for boosting investment and output in agriculture, agro-industry, and related services such as transport, storage, marketing, e.t.c. The new state of Bihar inherited fiscal difficulties, such as persistent deficits, weak revenue mobilization, and a heavy debt burden. It lost several significant assets (e.g. minerals and mines with their associated royalties, large industry establishment with associated tax revenues, and most of the state's electricity-generating capacity. Fiscal stress and weak linkages between expenditure and social outcomes are factors undermining the quality of education and health services. Just as expenditures needs to be realigned to support a strategic vision of social service delivery, a fiscal strategy is needed to address Bihar's fiscal and budgetary problems. A fiscal reform strategy should address: 1. development of multi-year framework of for fiscal reform. 2. Improvement of budget management practices and 3.Up-gradation of project implementation and the use of central resources. Poor budgeting and cash flow constraints can lead to: 1. reliance on high cost, short term borrowing 2.Unplanned expenditure cuts that damage high priority social and economic programs 3.Major delays in public investments which undermine project returns and capital efficiency and 4.Mis-allocation of resources with no corrective action.

Despite some reduction in consumption poverty in recent years, poverty remains endemic in Bihar- especially in rural areas, and among disadvantaged social groups, the landless and marginal farmers. While some areas for policy intervention and mechanisms through which service delivery to the poor can be improved have been explored, a critical component of poverty reduction strategy- programs that directly seek to improve the income and consumption of the poor – remains to be examined. In Bihar, as in other states that are lagging behind, centrally sponsored schemes and

the public distribution system form a substantial part of an anti-poverty strategy, and identifying the constraints in the operation of these schemes would point the way towards more effective poverty reduction.

Maharashtra is among the richest states in India in terms of per capita income, yet incidence of poverty in the state remains close to the national average. The state's economy grew at a faster rate than the all-India average during 1980-1 to1992-93, but it slowed down a bit during 1993-4 to 2003-4 due to poorer performance of agriculture and industry. Agriculture's contribution to GSDP has come down to 12 per cent in 2002-3, but more than 50 per cent of total workers are still engaged in this. The much talked about Maharashtra Employment Guarantee Scheme (MEGS) has had limited success and its coverage across districts/divisions is not proportionate to the share of poor. Despite these developments, rural poverty has reduced from 38 per cent in 1993-4 to around 24 per cent in 1999-2000. Given current investment flows, the overall growth potential of Maharashtra does look bright for the medium run. But, distributional implications of the emerging growth pattern across sectors suggest that the poor might not benefit proportionately from the growth process. The lessons that Maharashtra provides is that growth has to be more broad-based and inclusive, and that intervention through social welfare programs like MEGS should be designed to suit the local resource base of poorer regions for faster poverty reduction.

The pattern of public expenditure in both Bihar and Maharashtra on social sectors have changed during 1980s to 2000 as shown in the below table.

Table 6

Trend of public expenditure of Bihar (Percentage of NSDP at const. price)

Year / Sectors	1982-83	1984-85	1987-88	1991-92	1994-95	1997-98	2001-02	2002-03	2003-04	2004-05
Social services	9.8	9.12	9.23	10.35	11.93	12.18	10.01	9.68	10.03	9.97
Education art & culture	5.36	5.32	5.64	6.87	7.63	8.32	6.70	6.34	6.63	6.69
Medical & public health	1.61	1.70	1.82	1.21	1.23	1.34	1.17	1.10	1.14	1.19
Urban dev.	0.09	0.21	0.28	0.23	0.19	0.17	0.12	0.16	0.16	0.17
Agricultural & allied activities	4.30	5.01	5.08	2.32	0.89	0.96	0.76	0.74	0.71	0.73
Rural Development	2.11	2.90	2.94	2.69	2.63	2.15	2.59	2.33	2.53	2.58

Table 7

Trend of public expenditure of Maharashtra (percentage of NSDP at const. price)

Year / Sectors	1982-83	1984-85	1987-88	1991-92	1994-95	1997-98	2001-02	2002-03	2003-04	2004-05
Social services	6.01	7.68	7.91	6.38	6.29	5.17	6.16	6.04	6.01	6.14
Education art & culture	2.99	3.87	3.91	2.73	2.58	2.84	3.85	3.44	3.11	3.07
Medical & public health	1.52	1.93	2.1	0.81	0.71	0.57	0.68	0.64	0.67	0·68
Urban div	0.19	0.21	0.37	0.61	0.48	0.16	0.11	0.22	0.21	0.25
Agricultural & allied activities	2.83	5.03	5.01	1.81	1.19	1.39	1.22	1.02	1.11	1.14
Rural Development	1.22	1.05	1.17	0.43	0.67	0.73	0.22	0.37	0.64	0.79

Source: State Finances, RBI & Combined Finances and Revenue Accounts

Bihar is constrained in its poverty alleviation efforts in two ways: first, due to institutional constraints, it finds difficult to draw money allocated to the poverty alleviation goals and second, the spending on poverty alleviation programs that does take place doesn't achieve its intended impact due to mis-targeting and possible mis-allocation of programs across villages. A critical element of the development strategy is to strengthen Bihar's investment climate to attract productive resources and strengthen growth performance. Bihar faces many constraints to growth – the devastating monsoon floods, low human development indicators, weak infrastructure, and inadequate mineral resources. A great deal more is needed to boost economic growth performance, particularly in agricultural sector which remains central to Bihar's growth and poverty reduction agenda. The primary reason for low investment levels in Bihar appears to be state's very poor investment climate. For improving Bihar's investment climate, the government should prioritise two strategic changes focusing on : first, public provision of basic infrastructure services in the states and second, road infrastructure and water control. As nearly four-fifths of state of population is engaged in agriculture and rural economy, agriculture and related activities will remain the backbone of Bihar's economy in the near term. The first priority-improving rural infrastructure, and strengthening agricultural extension with targeted research and development can help boost the performance of agriculture, agro-industry, and related services (transport, storage, marketing, e.t.c.), thereby helping reverse Bihar's weak agricultural growth performance and reduce volatility in rural incomes. This strategic shift towards core public infrastructure requires re-examing the basic role of the government, exploring alternative delivery mechanisms, and identifying areas where public presence may be low in priority or even counter productive. The other priority for strengthening the investment climate is improving law and order, and in so doing reversing the perception of persistent law and order problem.

Improving service delivery in education and health in Bihar, requires a comprehensive vision for reforms. This would form the framework for two critical components. First is the policy environment- the link between policy makers and providers for effective service delivery critically rests upon a coherent policy framework. The process of policy formulation in the social sector in Bihar in

weakened on account of policies, rules and regulations often being ambiguous, contradictory or fragmented. Second is the strategic planning- this is the key to the objective of improving the link between policy makers and policy providers. Strategic planning helps identify constraints to service delivery and also the specific mechanism for addressing them. A key aspect of strategic planning is the review of programs and expenditure to reduce wastage and duplication in services. One way of re-aligning expenditures to spport a strategic vision would be for centrally sponsored schemes to be incorporated in to state-level panning for that particular sub-sector. Integration of these schemes into the state's planning for education would clearly benefit the implementation of District Primary Education Program (DPEP). The strategic plan must incorporate measures to strengthen the link between clients and service providers. This is possible by developing the capacity of local government to plan, govern and monitor school within their jurisdiction. The present scenario in the health sector creates challenges specific sector to this sector alone.

Maharashtra has a reputation for progress and development in economic terms. However, in the matter of human development the State has performed miserably, according to the recently released Human Development Report (HDR) for the State. Essentially, the high per capita incomes that Maharashtra is known for has not resulted in corresponding levels of human development. The report concludes that widespread inequalities in the distribution of resources have led to glaring regional disparities, acute poverty and a high level of unemployment. The HDR team, headed by Ratnakar Mahajan, Executive Chairman of the State Planning Board, published the report after a study that lasted one and a half years. The report comprehensively and, in some ways candidly, captures the state of socio-economic development in Maharashtra. Severe disparities exist among the districts and the regions of the State in the areas of health, education, population and economic development. Policy-makers, in fact, say they have been aware that the northern regions of Marathwada and Vidarbha lag behind in development. The study, which was conducted for each district, showed that Gadchiroli (Vidarbha) and Nandurbar (North Maharashtra) have the lowest HDI and Mumbai has the highest. The growth in urbanisation has led to migration, which, the report says, has had an impact on the State's population. Migration is a fallout of development with the focus on non-agricultural sectors. And fallout of urbanisation is the proliferation of slums, it points out. Almost 49 per cent

of Mumbai's population lives in slums. The report says: "Growth has been urban-centric, creating pockets of affluence in the midst of acute poverty." The uneven contribution to the State Domestic Product (SDP) from the districts is further indicative of the role that unequal resource distribution plays. Parts of the State other than Mumbai and the western districts do not have a reliable infrastructure. Mumbai, with a population share of 12 per cent, accounts for 25 per cent of the State's income. Nashik, Kolhapur, Pune, Nagpur, Raigad and Thane, which together account for 23 per cent of the population, contribute about 35 per cent of the SDP. The remaining districts make up 65 per cent of the population but contribute only 40 per cent of the SDP. Dhule is the poorest district and Greater Mumbai the richest.

Chapter 2

(Outlays Analysis)

Human development is broadly defined as a process of enlarging people's choices, as well as raising the level of well being. Theoretically, these choices can be infinite and vary over time and space. From among these, the choice to lead a long and healthy life; the choice to acquire knowledge and be educated; and to have access to resources needed for a decent level of living are identified as three most critical and socially valuable1. A range of social outcomes can reflect these choices in the well being of people, most important being the life expectancy, literacy and the per capita income. Life expectancy and educational attainments are valued ends in themselves; and per capita income is to incorporate other aspects of well being not captured by indicators on the social attainments on education, health and longevity of people.

Theoretically, there are six reasons why public policy stance should promote human development. First and above all, human development is an end itself, which needs no further justification. Second, it is a means to higher productivity. Third, it reduces human reproductively, by lowering the desired family size. Fourth, human development is good for the physical environment; that the impact of population growth and population density is detrimental for environment due to deforestation, desertification and soil erosion. Fifth, reduced poverty contributes to a healthy civil society, democracy and greater social stability. Sixth, it has political appeal, for it may reduce civil disturbances and increase political stability.

The case of public expenditure proceeds from market failures of one kind or another. Markets fail to secure appropriate signals, responses and mobility because: (i) not all goods and services are traded. Markets cannot determine the prices of public goods; (ii) goods exhibiting externalities in consumption and production force a wedge between market prices and social valuation and the market will not ensure a socially desired supply; (iii) some goods are characterized by increasing returns to scale. In case of such natural monopolies, society can gain from lower prices and higher output when the public sector is the producer or a subsidy is paid to the private sector to cover the losses of producing optimal output; (iv) information asymmetry between the

providers and consumers of services such as social insurance can give rise to the problems of moral hazard and adverse selection; and (v) state intervention is necessary also for securing income redistribution. Public expenditure is the value of goods and services bought by the State and its articulations. It plays four main roles:

- It contributes to current effective demand;
- It expresses a coordinated impulse on the economy, which can be used for stabilization, business cycle inversion, and growth purposes;
- It increases the public endowment of goods for everybody;
- It gives rise to positive externalities to economy and society, the more so through its capital component.

With its prioritized structure and its peculiar decision-making processes, it substantiates the prevailing kind of State. In democracy, public expenditure is an expression of people's will, managed through political parties and institutions. At the same time, public expenditure is characterized by a high degree of inertia and law-dependency, which tempers the will of the current majority. Public expenditure is determined by political will of the leading forces in the state: their priorities, their desired state model, and their interpretation of current economic and political phase. Past choices have relevant impact on public expenditure because of inertia and incrementalism. Bureaucracy may play an important decision role for the actual expenditure. Sometimes considered as a completely exogenous variable, the public expenditure would thus be fully in the hand of political decision-makers without dependency from the economic context. Yet, policy makers may turn out to follow an anti-cyclical broad control of public expenditure. Automatic stabilizers may be at work, as with the case of support schemes for unemployment: in this case, higher unemployment and disappointing GDP growth would lead to higher public expenditure through unemployment benefits and financial support to firms.

The case that government intervention ought to be considered in two instances, i) when market failures occur because of externalities, public good properties, incomplete information, and lack of competition, or ii) when market activities worsen distribution of income. After establishing at least one of these, the government chooses among a range of instruments to redress the resultant allocative as well as productive inefficiency. The instruments include regulation, tax or subsidy redressal,

and public-funded private provisioning. That governments step in to correct market failures does not mean, however, that they themselves don't fail. Their typical constraints are:

Information constraints: the distance between the state apparatus and poor people can distort both the content and speed of the flow of information required for effective anti-poverty planning and intervention.

Capacity constraints: Even if it was known what ought to be done, states in developing countries may lack the financial and human resources to undertake desired development actions.

Incentive constraints: Unlike the private sector that is primarily guided by pursuit of profits, bureaucratic and political incentives are not as clearly defined, and may be misaligned with development objectives, making anti-poverty interventions less effective.

Past experience has shown that these are inadequate, civic engagement - *a* process that organizes citizens or their entrusted representatives to influence, share, and control public affairs and development initiatives, implementation and resources - has emerged as an effective complementary development instrument. It is both a means and an end to better development. It is an end because in open societies democracy ideally encompasses more than the ritual of competitive elections; and it is a means because, subject to conditions, it contributes to redressing some government failures by bridging the information divide, alleviating capacity constraints by making available alternative channels of service delivery, and checking growth of perverse incentive regimes through demands on accountability. The process of civic engagement is additionally potent when it becomes a constructive contributor to an alliance of three most important agents in public policy and management: bureaucratic action, political action, and citizen action.

The challenge of meeting the development goals is indeed daunting as the State governments are faced with an acute fiscal crunch in recent years. Restructuring state finances is a long pending imperative that has been harped upon by several official committees. One of the main goals of such restructuring should be to enable State governments to regain fiscal health that in turn equips them to allocate the resources required for enhancing human development attainments. Our focus is on human

development for two reasons. The first is that the status of human development needs substantial improvement if the goals of Education for all , and the goal of Health for All which were to be achieved by 1990, continue to be elusive. The increasing emphasis on human development and human development reporting across states also implies that State governments are required to take up more seriously the responsibility of ensuring equitable access and provision of social services to the disadvantaged sections of the population.

The second reason for focusing on social sectors is that the process of economic reforms adopted by several State Governments in the recent past could release resources as the government withdraws from sectors in which it is no longer is required to be present and begin to focus on social sectors which are now accepted to be a high priority for State intervention. This provides an opportunity to adopt innovative strategies for financing of social sectors now than in the past.

As the State Human Development Reports (SHDRs) have shown, the achievement of ambitious targets pertaining to social indicators requires a two-pronged strategy of improving the functioning of delivery systems so that the intended benefits of government spending do reach the people for whom they are meant, as well as considerably enhancing the levels of spending for social sectors. For example, the Maharashtra HDR (Government of Maharashtra, 2002) highlighted the fact that there was a decline in the utilisation of public health services in rural areas characterized by high levels of poverty- a symptom of the deterioration in the public health system. The Report reiterated the need for improving rural health infrastructure and enhancing capacity to deal with curative health care in addition to preventive health care services currently being provided. This task cannot be accomplished without sufficient resources. There has been a consensus that public spending on education needs to be 6 per cent of GDP as echoed by various official committees on Education. As against this target, the levels of spending across Indian states between 1990-91 and 1998-99 ranged between 2.5 to a little over3 per cent with only some smaller North-Eastern States touching levels of 8 to 10 percent. The successful achievement of various development goals is dependent on the availability of human and financial resources as well as improved efficiency of existing resource use. The other factors that affect implementation and outcome of programs are population changes, community

awareness and community involvement in development programs, the pattern of economic development, the efficiency of the administrative infrastructure, the status of women and other social and cultural factors, which differ from State to State. State governments are basically responsible for developing the social sectors. Health care, urban development, housing and water supply are under the exclusive jurisdiction of the State governments, while education, family welfare, social security and labour welfare are under the concurrent jurisdiction of the Centre and States. The Central government through its central sector schemes provides grants to the States to cover programs like those for poverty alleviation, women and child development, income generating schemes, and programs for developing tribal population. This also helps the government to provide leadership in terms of focusing on critical issues in the development process. Overall, expenditure on education forms the largest component of the social sector, followed by public health and water supply. Labour, social security and welfare is another important crucial expenditure head. Financing of the social sector has primarily occurred on the basis of domestic resources.

Fiscal stress and weak linkages between expenditure and social outcomes are factors that undermine education and health service quality in Bihar. The new state of Bihar inherited major fiscal problems which persist. These include large fiscal deficits, a heavy and growing debt burden, imbalances in expenditure allocation, and institutional shortcomings in expenditure management and budget implementation. These were compounded by the separation of Jharkhand from Bihar, creating a division of staff, assets and liabilities, adjustment to state's changed resource base. Though the government has responded to the fiscal crisis with measures and steps to reduce losses from defunct public enterprises, the fiscal challenges facing Bihar remain dauting.

Bihar's Gross State Domestic Product(GSDP) data indicates that growth performance has been quite weak, averaging barely 5% during the 1980s , which was below the national trend rate of 5.6, and then turning flate in the first half of 1990s when the national growth remained above 5%. Post bifurcation, Bihar continues to lag seriously behind other states in India. Over the period, 1994 to-95 to 2001-02, when data for the new state of Bihar is available, the growth rate averaged 3.8% or less than two-thirds

the national growth rate of 6.1% per annum. This has widened the GSDP gap at an accelerating rate over the past decade.

Since 1980s the revenue balance has been consistently negative. Both fiscal and revenue deficits have grown over time to roughly twice their level in 1990s, increasing Bihar's dependence on borrowed funds. There has been a discrete jump in fiscal deficits since bifurcation, indicating that structural changes have hurt Bihar's fiscal health. Relative to GSDP, post-bifurcation expenditures surged from about 20% to 28%, while revenue rose by half of the share, from 16% to 20% of GSDP. Bihar's deficit is unsustainable at this level, particularly if growth remains below 5% per annum. The main consequence has been a steady accumulation of debt, and a large debt service burden on public finances. Between 1985 and the year of bifurcation (1999-2000), debt rose from approximately 30% to 42% of GSDO, and has since jumped to 61%. The debt inherited from the pre-bifurcation period was divided largely on the basis of share in that debt, and the new state of Bihar ended up being burdened with roughly 755 of the debt while accounting for only 60% of total production, and a much lower per capita income than Jharkhand. Interest on debt increased from 11% of revenue expenditure in the late 1980s to 26% in 2003-04(before declining to 215 in 2004-05), going up as a share of GSDP to nearly 6%, and accounting for nearly 40% of the total increase in public expenditure.

Bihar's revenue mobilisation is very low, not dissimilar to other states over the 1990 matches other states. Bihar's own revenues averaged 7% of GSDP in the late 1980s, but have registered a downward trend over the 1990s to an average of about 6%. This is low when compared with most other states, but not surprising given Bihar's income levels and the predominance of the agricultural sector. Behind this trend has been the rising in tax revenues relative to GSDP, and the decrease in non-tax revenues due to the declining contribution of mining royalties. The large transfers of funds by the finance commission from the centre to Bihar have helped offset the state's weak revenue performance. The state has been a major beneficiary of Eleventh Finance Commission's efforts to strengthen equity considerations across states while allocating shared revenues.

The Maharashtra has also been known for its large pool of literate and skilled labor force, good investment climate, infrastructure facilities, and well developed financial

system compared to other Indian States. With only 9% of India's population, Maharashtra today, contributes more than 18% of India's industrial output, 15% of total service sector output, and as much as 14% of India's GDP. As a result of the high growth rate, the income of an average Maharashtra citizen is nearly one and half times the income of an average Indian citizen.

The remarkable performance of the aggregate economy, however, masks significant heterogeneity in the performance of various sectors. The fastest growing sector in Maharashtra has been the finance and banking sector, which has grown at an average pace of 12.8% per annum during the last 15 years. This is not surprising given that Mumbai, the commercial and financial capital of India, is located in Maharashtra. In contrast, the real estate sector, which includes private and commercial dwellings, has been the slowest growing sector in Maharashtra with an average annual growth rate of only 3.7%. The construction sector has also experienced slow growth at an average annual rate of only 4.1%. Such low growth rate in the real estate service and construction sectors, while the rest of the economy is booming, is not only a matter of great surprise but also of grave concern. Recent studies have pointed out that, excessive regulation of real estate activities, including: rent control act; urban land ceiling law; high stamp duty; distorted property tax rates; and lack of clear land ownership records, is likely to have contributed to the large and growing underground market for real estate transactions. This has stifled the performance of this sector as well as the overall economy.11 On the other hand, relatively less regulated sectors, such as the unregistered manufacturing, transport, storage and communication, and trade and hospitality sectors, have experienced rapid growth in past years.

After experiencing a rapid and sustained growth rate for nearly a decade, the State economy appears to have noticeably slowed in recent years. The growth slowdown has been the sharpest in Maharashtra, with the average annual growth rate falling from 7.8% between 1985-86 and 1994-95 to 5.3% between 1995-96 and 1999-00. The current growth slowdown does not appear to be a cyclical downturn, but result of many structural constraints afflicting the State economy. The "trend" GSDP growth rate of Maharashtra has been on a steady decline since the mid-1980s It has fallen from a high of 7.3% during the last 15 years to 6.8, 6.2 and 5.3% during the last 12, 8,

and 4 years respectively. The GSDP grew by only 2.7% during 2000-01, one of the lowest in the history of the State.

During the last several years, Maharashtra has been borrowing primarily to finance its current consumption, i.e., to pay for the growing salaries, pensions, and increasing interest payments. While it is difficult to prove the direction of causality due to limited data, there appears to be a negative correlation between economic growth and revenue deficit in Maharashtra. The economic growth rate of the State is on a declining trend and revenue deficit to GSDP ratio has been rising since the early 1990s. The average annual economic growth in Maharashtra during the last 12 years was 6.8% and corresponding level of revenue deficit, as a ratio to GSDP, was 2.7%. As the trend rate of revenue deficit to GSDP ratio rose overtime, the trend GSDP growth rate continued to fall, indicating that even the short-term stimulus impact of fiscal deficit has eluded the State. Thus, despite growing revenue and fiscal deficits to GSDP during the latter half of the 1990s, Maharashtra's economy is mired in a growth slowdown, and this indicates that growth cannot be sustained by indiscriminate increases in government spending.

However, Maharashtra's growth has been driven mostly by the industrial and service sectors, while agriculture growth has remained low and its productivity below the national average. Limited agricultural growth is partly due to unfavorable agro climatic conditions, with a large proportion of agricultural land being in the semi-arid and drought prone regions. Despite significant public investment on canal irrigation, only 16% of the net sown area in Maharashtra is currently irrigated. Moreover, a large part of the irrigation water (nearly 60%) is consumed by relatively rich farmers growing sugarcane. On the other hand, the majority of the small, marginal, and dry land farmers do not have access to irrigation. Therefore, while the agriculture sector has performed poorly compared to other sectors, three out of four citizens of Maharashtra continue to depend on this sector for their livelihood, giving rise to such large inequality in income among its citizens.

Table 8

Development and Non-development expenditure Of Bihar and Maharashtra

(Rs. at const. price)

State	Develop. Exp. Per Capita	Non-Develop. Exp. Per Capita	Dev. Exp. As a Multiple of Non-Dev. Exp.	Develop. Exp. Per Capita	Non-Develop. Exp. Per Capita	Dev. Exp. As a Multiple of Non-Dev. Exp.
	1980-81			**1999-00**		
Bihar	128.0	43.5	2.9	160.5	100.1	1.6
Maharashtra	259.8	104.8	2.5	491.2	178.9	2.7

Source: Tenth five year plan, Planning commission, Gov. of India

An important public policy instrument for economic and social development of a state is the level of government expenditure. The expenditure of the state government could be developmental or non-developmental in character. Expenditure on items like maintenance of the organ of state, administrative services, pensions, interest payment, e.t.c are non-developmental in nature. Expenditure on education, health, various other social service s and economic services are categorised as developmental in nature.

As shown in the above Table 8, the per capita developmental expenditure in 1980-81 for Bihar was Rs.128 while during same period for Maharashtra it was Rs. 259 which was more than double. The per capita non developmental expenditure in 1980-81 for Bihar was Rs.43.5 while for Maharashtra it was Rs.104.8 which was more than double. The ratio of development expenditure to non-development expenditure in 1980-81 for Bihar was 2.9 while during the same period for Maharashtra it was 2.5.The data reflects that during this period Maharashtra's expenditure towards non-development was more biased than Bihar. During period 1995-96 the per capita development expenditure for Bihar was Rs.160.5 while for Maharashtra it was Rs.491.2. the per capita non-development expenditure in 1995-96 for Bihar was

Rs.100.1 while during this period for Maharashtra it was Rs.178.9. the ratio of development expenditure to non-development expenditure during this period for Bihar was 1.6 while for Maharashtra it was 2.7. The data for 1995-96 reflects that Bihar's expenditure towards non-development expenditure was more biased than Maharashtra. While both development and non-development expenditure have gone up in real terms between the periods for both states but the growth in latter for Bihar was faster than Maharashtra.

As shown in the above Table 6 & 7 (chapter1), the percentage expenditure of NSDP for both Bihar and Maharashtra state on agriculture and allied activities during mid 1980s to recent period have declined sharply.While the percentage dependent on this sector have not declined much. The percentage expenditure on rural development has remained stagnant.Education and health sector was two crucial segments of the social sector that attract significant public expenditure with strong element of subsidy. The role of public policy is supported on the promise that expansion of health care, education and social security can directly improve the quality of life, increase productivity of workforce, lead to higher growth and reduce poverty. public provision of social services, particularly education is also considered as an effective instrument to promote equity by way of providing equality of opportunity to the masses. Apart from welfare and social concerns, the justification. for state action in provision of education and health services is based on public good character of these services. Theoretically, both education and health have large externalities leading to differences between social and private returns. It is well established that the dependence on market mechanism may not provide an optimal solution in such situations. The role of public sector in information provision in health sector itself is considered important due to asymmetry of information between users and providers of health services.

The above Table 7 & 8 shows that the trend of percentage expenditure of NSDP on health during mid 1980s to the recent period is declining. It has never been more than 2 percent. While for Maharashtra, during the same period the expenditure has declined sharply from more than 1 percent from mid 1980s to less than 1 percent after 1990.The percentage expenditure of NSDP on education during the period 1980s to the recent period for Bihar, have increased while for Maharashtra, during the same period it has remained stagnant.

Table 9

Sectoral composition of Expenditure on Education of Bihar and Maharashtra

(in percent)

States	Primary	Secondary	Others	Primary	Secondary	Others
	1985-86			2000-01		
Bihar	61.37	20.19	18.45	68.67	18.41	12.92
Maharashtra	44.82	38.29	16.89	43.68	35.88	20.44

Source: Budgeted Expenditure on Education, Department of education, Ministry of Human Resource Development

As shown in the above table 9 the percentage share of total educational expenditure on primary education and secondary education was 61.37% and 20.19% in 1985-86 for Bihar respectively while for Maharashtra it was 44.82% and 38.29% respectively. During 2000-01 while for Bihar, the percentage expenditure on primary education has increased but in case of Maharashtra, it has declined.

Chapter 3 (Outcomes Analysis)

Section 1:

Poverty and Employment outcomes:

Despite over half a century of battle against poverty, the problem is still formidable, having acquired new dimensions with the growing rural-urban divide. There is, thus, the need to adopt innovative approaches to tackle the extreme poverty that persists in some sections. Empowering the poor with institutional interventions has not succeeded to the extent desired. Poverty reduction — and its eventual elimination — has been one of the major goals of development policy since Independence. This was to be brought about by attaining higher economic growth, raising livelihood opportunities of the poor through endowment of land and non-land assets, generating employment opportunities, and through large-scale food-for-work programs.

There have been several initiatives to tackle the problem of poverty since the early 1950s. The first was the launch of the Community Development programme in 1952, which aimed at integrated development at the local level through co-operation of people. While some programs achieved partial success, others have had only a marginal impact. We can see two distinct periods with regard to the trends in poverty. The first, spanning the years from the beginning of planning to the mid-1970s, did not see any significant decline in poverty ratios. But there was a substantial reduction in poverty during the second phase, spanning the closing quarter of the twentieth century. Persons living below the poverty line declined from a half to roughly one-quarter of the country's population during the second phase. Economists have attributed this to the acceleration in the growth rate of the economy to 5.6 per cent from 3.5 per cent per annum during the first period.

However, the pace of poverty reduction slowed down during the post-reform period despite GDP growth remaining relatively higher. This was mainly because of the deceleration in the growth rates of agriculture and rural employment over the past

decade and the consequent increase in rural poverty. Of the 260 million people below the poverty line in 1999-2000, 193 million were in the rural areas as Thus, it is seen that despite over half a century of battle against poverty, the problem not only remains formidable, but has now acquired new dimensions with the growing rural-urban divide and its concentration in the backward States of Bihar, Orissa, Madhya Pradesh and Uttar Pradesh. The share of these four States in India's rural poor rose from 53 per cent in 1993-94 to 61 per cent in 1999-2000 against 67 million in the urban.

Based on the findings of the National Sample Surveys (NSS), Planning Commission estimates and showcasing the work of some of the foremost scholars in development economics, this handbook reveals that poverty in India is not merely an economic phenomenon but also a social one; it is disproportionately high among scheduled castes (SCs) and scheduled tribes (STs). Over 80 per cent of the poor in the country now belong to socially-disadvantaged groups such as SCs, STs and other backward castes. Indices of human development, such as levels of literacy, gender disparities, provision of basic needs such as drinking water and health-care show, in general, poor performance in less developed States and among the socially disadvantaged groups. Nutritional poverty persists at a high level with nearly 50 per cent of the children still being malnourished. Macro-level data substantiates the fact that tribals constitute the poorest category not merely in economic terms but in all aspects of human development. They are deprived of access to quality education and health-care; they are resource-poor and their traditional sources of livelihood are dwindling. This not only impedes their engagement with mainstream development, it also keeps their entitlements and capabilities low.

Bihar is among those states where poverty is most widespread and acute. With 42.6 percent of the population below the poverty line in 1999-00- 44.31 percent in rural and 32.9 percent in urban areas- the state has the highest incidence of poverty, except Orissa. Although the incidence of poverty has declined over the years, the rate of decline has been generally lower than in other states. Consequently, the share of state's poor in total number of poor in India has increased over time. The state accounted for about one sixth of total poor and one fifth of total rural poor in1999-00. Poverty is more widespread in the northern part of the state and as expected, among agricultural labour and other labouring classes. Although overall food availability in

rural areas has increased over years, about one fourth of all the households face an acute food crisis and are deprived of sufficient food round the year. The situation in respect of food availability for the landless and agricultural labour households, although it has considerably improved over the years, is still grim. Further there is significant seasonal and regional variation. Both public distribution system (PDS) allocation and off-take there has been extensive leakage out of public distribution system thus further reducing the quantity reaching the real poor. In Bihar less than 2 percent of the total cereal purchase is covered through PDS. Apart from widespread poverty, the rural areas of state have lowest access to almost al the major social and physical infrastructural facilities- education, health, power supply, e.t.c, compared to other states of India. However it is quite encouraging to find that there has been substantial progress in the state in availability of drinking water. An important factor behind the high incidence of poverty and its relatively slow decline in the state is the very low level of per capita expenditure on rural development in general and poverty alleviation in particular. Overall the impact of these programmes, except a few like Indira Aawas Yojna has been very limited. The rural rich and vested interests have cornered a major chunk of benefits of these programmes.

The grim scenario points to the need for devising a suitable energy towards alleviation of poverty and improving the levels of living in Bihar, While in the long run agricultural development and rural diversification should undoubtedly the most important elements of this strategy, in the short run the poverty alleviation and employment generating programmes do have important roles to play in this regard. With the setting up of new panchayats in the state after a gap of more than twp decades, there is some hope of better and more effective execution of these programmes. Given the widespread migration of labour, these programmes need to be targeted effectively to meet the needs of the vulnerable migrant group. Further, promoting and strengthening of self-help group could have a far reaching impact on rural economy, if the procedure of loan sanctioning to the self-help group is streamlined and simplified. One of the major problems of rural Bihar is structural in nature. The surplus labour in rural areas is too large to be absorbed by agriculture even though employment potential of agriculture is not fully realised. Certain structural changes can improve the asset base of the poor, reduce the proportion of landlessness and improve agricultural labour absorption along with its diversification.

There is need to reverse the growing trend in population of landless rural households. Land reforms have to be approached with a broader perspective of not merely fixing ceiling but identifying all forms of public and private land that could be utilised for distribution among poor. There is still room for land distribution as a means of asset based poverty alleviation in rural Bihar.

Agriculture in Bihar is already a diversified activity. With its natural advantages as a leading producer of fruits and vegetables, Bihar holds great potential for agricultural sector. These areas of agriculture not only add high value, but also increase employment both in agriculture and related storage and processing activities. This trend needs to be strengthened and sustained by augmenting public and private investment in agriculture. This type of diversification holds immense potential to check out-migration, increasing employment absorption in agriculture and agro-processing and eradicating rural poverty substantially. Similarly dairy products hold great prospects for increasing income and employment, especially of rural women. Rural infrastructure, both social as well as physical, continues to be underdeveloped and grossly inadequate. Rural electrification is suffered one of the worst retrogression of Bihar. As a result there has been a shift to diesel engines for water lifting at very high and unsustainable cost to the farmers. The crisis in rural power supply is the crux crisis or rural development and it has to be reversed if the potential of farm and rural non-farm sectors in generating income and employment is to be realised. What is needed not only increase in public investment rural infrastructure but also revival of rural institutions to promote public participation and to rebuild the rural community spirit, without which much of the infrastructure would become dysfunctional.

A positive dimension of the migration witnessed from rural Bihar could be seen in its external linkages which have changed rapidly. One major link is seasonal migration from the remote villages to distant cities and towns in many parts of north India. The developments in these distant regions not only draw labour from poor Bihar but also have changed the social and economic conditions in many parts of rural Bihar. The millions of migrants provide remittances part which goes to acquire assets including land. But the bulk of remittances flow directly in to consumption which hold the potential for increasing the demand for not only cereals but also fruits, vegetables, poultry and dairying products for which rural Bihar has ideal natural resource base.

'The potential for sustained growth is clearly present. But the existing institutions, both social institutions in village, and framework of state supports, are clearly inadequate.' There is need for traditional non-farm activities which still have strong demand like the products of village industries, handlooms and handicrafts through appropriate assistance of information, marketing, skill training, brand building and institutional arrangements like self help groups. The most important, public support system for building a well-designed and sustainable network of rural non-farm activities is an essential condition for rural development in Bihar. An important factor behind the high incidence of poverty and its relatively slow decline in the state is the very low level of per capita expenditure on rural development in general and poverty alleviation in particular.

The challenge of development in Bihar is enormous due to persistent poverty, complex rural stratification, and unsatisfactory infrastructure. Bihar is India's third most populated state and accounts for one-seventh of India's population below the poverty line. Hence the extent to which the country as a whole can achieve significantly better poverty and human outcomes is linked to the level of development in Bihar. The challenge of development in rural areas is even more acute since the aggregate figures subsume large rural-urban gaps for most indicators. Poverty remains an enormous challenge for policy makers in Bihar especially in rural areas where almost 87 percent of the population and 90 percent of the poor live. Poverty in Bihar is a complex phenomenon arising out of a range of economic, social, cultural and political factors. Rural poverty in terms of low consumption or income in particular is closely associated with limited access to land, education and high paid occupations reflective of an underprivileged social group.

Bihar faces challenges that are more severe than those in many other states due to its history, weak infrastructure, politics and institutional limitations. The resultant cost of such constraints has been low growth performance and a high incidence of poverty. Improving growth performance is a long term challenge that will require support from the central government particularly in areas where Bihar's owns capacity is severely limited. The most critical feature the state needs to strengthen in order to improve growth in the delivery of core public services. The key infrastructure services in which private sector can't substitute public delivery include road and water

management especially for boosting investment and output in agriculture, agro-industry and related services such as transport, storage and marketing e.t.c.

The absolute level of per capita income for Maharashtra has been considerably higher than that at the all-India level whereas the proportion of poor has continued to be near the all-India average. Possible reductions in share of the poor have not been neutralized by growth in income. Official estimates of people below the poverty line at 25 per cent for the state in 1999-2000 is just a little lower than the all-India average of 26 per cent. There are areas like Gadchiroli where the Net District Domestic Product (NDDP) in 2003-04 at Rs.13,186 was 45 per cent of the state's per capita NSDP and only 21 per cent of Mumbai's NDDP. There are large tracts under cotton, but production is so un-remunerative that a large number of farmers' suicides have been reported in recent years in this area.

Maharashtra is among the richest states in India in terms of per capita income, yet incidence of poverty in the state remains close to the national average. The state's economy grew at a faster rate than the all-India average during 1980-1 to 1992-3, but it slowed down a bit during 1993-4 to 2003-4 due to poorer performance of agriculture and industry. Contribution to GSDP has come down to 12 per cent in 2002-3, but more than 50 per cent of total workers are still engaged in this. Cropping pattern has been shifting to greater value addition non-cereal crops like fruits, vegetables, oilseeds and sugarcane. Composition of manufacturing has shifted towards more capital-intensive sectors. Communication, transport and public administration have accounted for large part of service growth. The benefits of this growth process have, however, not spread equally across social groups or regions, which partly explains prevalence of high poverty compared to other states at similar mean income. The much talked about Maharashtra Employment Guarantee Scheme (MEGS) has had limited success and its coverage across districts/divisions is not proportionate to the share of poor. Despite these developments, rural poverty has reduced from 38 per cent in 1993-4 to around 24 per cent in 1999-2000. Given current investment flows, the overall growth potential of Maharashtra does look bright for the medium run. But, distributional implications of the emerging growth pattern across sectors suggest that the poor might not benefit proportionately from the growth process. The lessons that Maharashtra provides is that growth has to be more broad-based and inclusive, and that intervention through social welfare programs like

Maharashtra employment guarantee scheme (MEGS) should be designed to suit the local resource base of poorer regions for faster poverty reduction.

Table 10

Number of percentage of population below poverty line

State	Rural	Urban	Combined
	Percentage of person	Percentage of person	Percentage of person
Year 1983-84			
Bihar	64.37	47.53	62.22
Maharashtra	45.23	40.26	43.44
India	45.65	40.79	44.48
Year 1987-88			
Bihar	52.63	48.73	52.13
Maharashtra	40.78	39.78	40.41
India	39.09	38.20	38.86
Year 1993-94			
Bihar	58.21	34.50	54.96
Maharashtra	37.93	35.15	36.86
India	37.27	32.36	35.97
Year 1999-2000			
Bihar	44.30	32.91	42.60
Maharashtra	23.72	26.81	25.02
India	27.09	23.62	26.10

Source: NSSO rounds.

As shown in the above table10 the percentage of population below poverty line in Bihar state has fallen from 62.22% in 1980s to 42.60% in 1990s. During this period, in rural Bihar, the fall has been from 64.37% to 44.30% i.e. almost 20% reduction has taken place. In urban Bihar, during this period the fall has been from 47.33% to 32.93% i.e. almost 15% reduction has taken place. The percentage of population below poverty line in case of Maharashtra state has fallen from 43.44% in 1980s to 25.02% in 1990s. In rural Maharashtra, during this period, the fall has been from 45.23% to 23.72% i.e. almost 22% reduction has taken place. While during this period, in urban Maharashtra, the fall has been from 40.26% to 26.81% i.e. almost 14% reduction has taken place. But overall, the pace of fall of poverty, during 1980s to 1990s, is higher for Bihar than Maharashtra because the fall has been almost 20% in Bihar while it has been 18% in Maharashtra during this period.

The backwardness in Bihar still persists despite decades of planned development in the country. Agriculture productivity in Bihar is lagging behind. The performance in regard to area under irrigation, fertilizer consumption and cooperative credit is unsatisfactory. The economy of Bihar (after bifurcation) is in shambles- with an estimated GDP growth rate of around 1 percent against the national average of 5.5 percent. The incidence of poverty is alarming at roughly 43 percent against the national average of 27 percent. The average NSDP growth rate has been roughly 4.5 percent in the early years-with primary sector contributing 1.9 percent per annum, secondary sector contributing 7.4 percent, and the tertiary sector contributing 8.2 percent. In recent years, average GDP growth rate has turned out negative due to complete stagnancy on all aspects of economic development. With almost economic growth and ballooning population growth of 2.2 percent against national average of 2.1 percent, the level of per capita income has considerably gone down in recent years. Even in terms of urbanization, Bihar's level is at 10.4 percent as against the all India average of 25.7 percent. This again reflect the poor performance in industrialization of Bihar. The trend of urbanization in the state has slowed down, during the decade 1991-2001 as compared to the previous decade of 1981-1991. The noticeable feature about Bihar's economy is its slow pace of effecting its structural

pace. Despite decades of planned development, the contribution of manufacturing sector to the gross domestic product of Bihar has remained small and its ability to absorb the backlog of unemployment has been rather limited. Bihar's engagement in primary sector is estimated at 43 percent in comparison to 29 percent for India as a whole. The source of income from secondary sector is roughly 11 percent against the national average of 25 percent. The gap in tertiary sector is not much wider. This structural scenario reflects that bulk of Bihar's labour force continues to remain in the primary sector (78 Percent) Whereas all India reflect it at 65 percent. The secondary sector absorbs roughly 7 percent in Bihar and 14 percent for all India.

Agriculture which is the backbone of Bihar's economy remains under performed due to lack of capital formation, inadequate research and extension facilities and non performance of the entire service delivery system including credit, input, storage and marketing facilities. The key to Bihar's growth performance in agriculture is extensive irrigation development and availability of package of technological inputs complemented by support service and facilities. Wherever in Bihar irrigation along with new input technologies have been provided, farmer's productivity performance has been at par with the national performance. The Bihar's farmers have the entrepreneurship to modernize agriculture, if proper incentives services and facilities are provided to them. But continuing poor public and private investment in agriculture has contributed to lower yield realization and crop intensity in Bihar as compared to other states of India. The per-capita income of Bihar at constant prices (1980-81) was Rs.917 in 1980-81. It rose to 983 in 1998-96 i.e., a rise by 7.6 percent in 15 years. The per-capita income at current price of Bihar in 1999-2000 is Rs. 6328. Presently 30 percent of the total resources available for plan assistance to states are earmarked for these special Category States which account for only 5.36 percent of the population of the country. About one-third of the total central assistance to the states given in any year is not subject to the basic tenets of Gadgil Formula for assistance viz., population, low levels of per capita income etc. Indeed, the earmarking of the one-third of the assistance for the special category states in effect operate contrary to these tenets and create iniquitous sharing of fruits of developments and has thus affected states like Bihar. This does not require heavy monetary investment. It requires only political will and public support, because the infrastructure to achieve these targets already exist but are miss-utilised and have been made nonfunctional in

Bihar. There is already a noticeable widening gap between Bihar and rest of India. This does not auger well for India's overall sustainable economic development. If Bihar suffers, India does suffer.

Such abysmal pace of development in the state could not escape the notice of its people who of late have been realizing and experiencing the ill effects of its economic backwardness coupled with all pervasive mismanagement of available resources and large scale horizontal and vertical corruption in the delivery system of government development schemes. The economic situation has generated resentment and social strife in rural areas. Absentee landlordism has grown. Cultivable lands have been deliberately left fallow. Because of prevailing social tension, private traditional investment in agriculture results in profit deprivation of the cultivator investor. Poverty has therefore come to stay in Bihar, because of absence of private investment. In agriculture and forced localized cut in outlay of public investment. This has given birth to challenge of existing system by organized groups who not only use force to seek their cut from the financing of development schemes but who like parasites exploit the village people also. Private investors who risk investment in agriculture are made to share their harvest with unsocial elements on the threat of physical elimination. Situation has shied away both public and private investment in rural areas.

This study intends to develop a strategy, which may lead to evolution of systems both for productive exploitation of available rural resources and
for suggesting complementary steps to enhance the effective implementation of public investment. In this study attempts to locate the development interventions made so far to enhance the economic well being of people of this state have been made. Colin Clark affirms that the aim of economic activity is not wealth but well being of people. Clark has suggested measurement of well being by making comparisons between the performances of different countries by various indicators. An important element in development is that the people of the country must be major participant in the process that brings about changes in structures. Participation in the process of development implies participation in the enjoyment of the benefits of development as well as in the production of those benefits. People's participation in development implies, people's contribution to development efforts, collective decision making and sharing of the

fruits of development. In this context, Amartya Sen explains, "millions of people living in rich and poor countries are still unfree; they are denied elementary freedom and remain imprisoned in one way or another by economic poverty, social deprivation, political tyranny or cultural authoritarianism". The main purpose of development is to "remove the sources of unfreedom and to expand the real freedom that people enjoy". Development presupposes a concern for human values. The Ninth Plan has therefore, attempted to introduce corrective ness in the development strategy and identify areas of special importance for state interventions.

Poverty can not be removed by only increasing wealth. This Amaratyan formula holds good for Bihar too. In this State, wealth is concentrated in the hands of a few politicians, bureaucrats, contractors, suppliers and middle men who have amassed it by virtue of economic exploitation, political and administrative corruption.The Planning Commission has recently observed " Bihar is not making desired development because of prevalent corruption among bureaucracy and lower echelons of the government in connivance with the public representatives right from Panchayat level to the top." This has resulted into a dismal growth of 2.9 percent in he State compared to 6.1 per cent at the national level, relegating Bihar to the lowest level in the country in terms of growth rate. Important poverty alleviaton programmes like Jawahar Rojgar Yojana, Indira awas, Trysem etc are not being properly implemented in rural areas. Central funds for increasing food production are not being utilized even though the land is most fertile. A major part of the funds are gobbled up by the officialdom and the schemes shown completed on paper. In many cases, huge funds remain unutilized as utilisation certificates for the amount spent on many centrally sponsored schemes are not sent, leading to non-disbursement of more funds. Further, the Central govt fund to the tune of Rs 500 crore per annum for executing schemes through Panchayats are not being availed as the Central Govt stopped release of funds because the State has not cnducted elections to the Panchayats and local bodies for long. As a result, the percentage of people below poverty line has gone up to 58% in Bihar posing problem in achieving the target of poverty reduction at the national level by 2000-2001.

Employment in Maharashtra has increased in absolute terms from 8.42 million to 9.47 million, between the years 1990 and 1998. During this period, the share of informal

sector employment has increased from 52 to 59 per cent indicating the growing predominance of this sector in Maharashtra. The composition of employment generation in the informal sector has been shifting away from establishments towards own account enterprises (OAEs). An examination of the sectoral distribution of employment in OAEs revealed a growing proportion of employment in retail trade from 41 per cent to 18 per cent, while the share of the manufacturing sector declined from 24 per cent to 18 per cent. At the regional level, over 70 per cent of nonagricultural employment in the State is being generated in urban areas over the past two decades. Further *five out of thirty* districts, viz., Mumbai, Thane, Pune, Nashik and Nagpur accounted for 55 per cent of total employment in the non-agricultural sector. During the period 1990–98, there has been a distinct trend of growing informalisation of employment. A substantial proportion of employment, both in agricultural and non-agricultural activities, has been generated in own account enterprises. There has been greater dependence on unorganised employment and a tendency of resorting to home-based employment opportunities, both in rural and urban areas and across districts. Lack of adequate employment opportunities in nonagricultural establishments, which is confined mainly to urban areas, has caused a trend of growing employment in home-based enterprises. As a result, the more industrialised districts of Mumbai, Thane and Pune continue to be the principal source of employment in the State. While employment opportunities have increased at an annual rate of 1.56 per cent, substantial rise has been in the informal sector. This sector is typically characterised by underemployment and chronic income deprivation, accentuating the problem of poverty among the employed.

Rural economy is not diversified. Some 83 per cent of the operational holdings are devoted to crop production and 13 per cent to livestock. The average size of the landholding has decreased, from 4.28 per hectares in 1970–71 to 3.11 hectares in 1980 81, 2.64 hectares in 1985–86 and 2.21 hectares in 1990–91, impacting adversely on productivity though smaller holdings mean more people have some, though small, landholding now than they did in the past. The pressure of population on land is intense and increasing, as is evident from the fall in the average size of holdings. But this has been further compounded by an increase in the inequality in distribution of operational holdings. The Gini coefficient being 0.526, 0.571 and 0.598 in 1970– 71 1981–82 and 1991–92 respectively.There is, thus, a limitation to the potential for

agricultural growth in Maharashtra. So is the case with the scope for rural labour absorption and productive employment, rendering the State's economy a hostage to this lag. The unemployment rates in rural and urban Maharashtra for instance is high, and about two-thirds of the workforce is dependent on agriculture as a source of livelihood resulting in low levels of per capita income in rural areas. This constraint drove Maharashtra towards a path that led to pursuing growth options largely on the nonagricultural front. The record has been one where secondary and tertiary sectors have been the instruments of the growth process but not so with regard to absorption of a growing workforce. To make a difference, Maharashtra has to alleviate unemployment and poverty in the rural sector.

Maharashtra is also regarded as a pioneering state for generating employment in public works on a large scale. The Employment Guarantee Scheme (EGS) of Maharashtra was conceived as a major poverty alleviation measure in 1972 to provide manual employment to all those who registered for it. This was later turned into a kind of statutory entitlement with the enactment of Maharashtra Employment Guarantee Act that came into force in 1979 and has been in force since then. An important feature observed in the Maharashtra EGS is that the supply of employment seems to adjust to fluctuations in the demand over seasons and over years, especially drought years. Thus, one can conclude that EGS works more as a relief programme during years/seasons of crisis with benefits being limited to certain pockets rather than as a programme for poverty alleviation. The latter is also borne out by the fact that rural poverty in Maharashtra has not declined substantially, and is close to the national average. The Employment Guarantee Scheme (EGS) introduced in Maharashtra in the early 1970s is an innovative anti-poverty intervention. The EGS provides a guarantee of employment to all adults above 18 years of age who are willing to do unskilled manual work on a piece rate basis. The scheme is self-targeting in nature. It is totally financed by the state government. The main objectives of the EGS are to improve household welfare in the short run (through provision of employment) and to contribute to the development of the rural economy in the long run through strengthening rural infrastructure[1]. Here we examine the costs and benefits due to EGS.

The expenditures and employment generated under EGS for the period 1972-73 to 2000-01 are given in Table 1. From a modest beginning of only 1.9 crores in 1972-73, the scheme expanded to an expenditure of Rs.578 crores in 2000-01. In 2001-02, the expenditure seems to have increased significantly to around Rs.900 crores due to drought conditions. During the 1970s and 80s, the EGS has consistently claimed from 10 to 14 per cent of the total plan expenditure of the Maharashtra state. During the Eighth Plan period, however, the EGS share in the plan expenditure declined to around 8 per cent. The table shows that the employment created under EGS reached peak in 1985-86 (18.95 crore person days). Since 1987-88, it started declining due to various reasons. Introduction of JRY could be one of the reasons for decline in the number of person days under EGS. However, still EGS created more than 11 crores of person days in 2000-01. One criticism of the EGS is that, despite the scheme's existence, poverty in Maharashtra has not declined more rapidly than average. The performance of Maharashtra was better than all India in the 1990s. It may be noted that the EGS alone can not lead to poverty alleviation. As some calculations can show, even if workers work full time on EGS, they can not earn enough to cross the poverty line. The problem of poverty is much wider than the coverage of EGS. The importance of EGS lies in both direct and indirect benefits. The anti-poverty record of EGS is better understood by looking at district or region level data. The macro-level poverty ratios do not fully capture the impact of EGS on the poor because EGS is concentrated in a few districts. Almost two-thirds of all EGS employment is concentrated in one-third of the districts.

There are two major issues involved in computing poverty indices for 1999-00, price adjustment and non-comprability between the two rounds. The price indices traditionally used to update the poverty line have serious drawbacks in that they are based on fixed and frequently outdated commodity weights. Deaton and Dreze update the poverty line using price indices computed with NSSO survey which are known to accurately reflect the current consumption pattern. They use the fact that a subset of components in the 55th round e.g. Intermediate consumption goods, such as fuel and all household characteristics) were collected in the same way as those in 50th round. According to the estimates by Deaton and Dreze, the percentage of population declined by 6.9 percentage point between 1993-94 and 1999-2000 and for particularly rural Bihar it was 5.5 percentage point while according to NSSO 50th and

55th round, percentage of population declined in Bihar by 12 percent and for rural Bihar it was 14 percent. This acute poverty and backwardness can be traced to the backwardness of both its agricultural and industrial sectors. Among the major states of India it has the lowest per capita (rural) income (net value added from agriculture)- Rs. 948 (average of 1987-88 to 1989-90) as against Rs.1522 for India as a whole and Rs. 3,929 for Punjab. The reasons for the extreme backwardness of agriculture are both institutional and technological. Where as structural and institutional factors have been operating as a powerful barrier to the agrarian transformation, the technological factors such as poor development of infrastructure like irrigation and power, non-availability of modern inputs, low value of credit and poor extension services, etc. have also contributed much to the dismal performance of the state's agricultural sector[1]. Though some big industries mostly in the public sector, are located in Bihar, the sluggish rate of growth in agriculture did not produced the spread effects of these industries, and hence industrially also the state continues to be backward, even though it possesses about one-fourth of the mineral resources of the country. Per capita net value added in the manufacturing factory sector in Bihar was only Rs.305 in 1989-9 0 (at current prices) as against Rs. 514 for India as a whole and as high as Rs.1,266 for Maharashtra. The major explanation of the state's backwardness and poverty, however, has to be traced to the rural sector. With about 87 percent of the population in rural areas (as against 74.3 percent for India as a whole), it is the most rural state in the country, next only to Assam.

Further, about 46 percent of the state income (average of 1986-87 to 1988-89) is derived from agriculture (and allied activities), as against about 34 percent for India as a whole and about 23 percent of Maharashtra and Tamil Nadu. One of the obvious reasons for the economic backwardness and poverty of Bihar economic backwardness and poverty of Bihar is its high density of population (497 persons per sq. km in 1991), the third highest in the country after West Bengal and Kerala. The average per capita operational holding in the state is 0.87 hectare (in 1985-86) as against 1.7 hectare for India as a whole and about 2.8 hectares for Punjab. About three-fourths of the operational holdings are marginal (less than one hectare) in which the average size is merely 0.31 hectare. But the population pressure on land in the region is not as acute as the population density would indicate. In contrast to some other poverty stricken and backward regions of the country, such as part of central India where the

natural productivity of agricultural land is very low, Bihar has a large alluvial river valley area; moreover, the plateau region in the southern part of the state is extremely rich in minerals. In view of such generous natural resource endowment, it seems that the state's backwardness is probably more related to its socio-economic-political structures, unresponsive political leadership, and the nature of development strategies that the state has pursued so far. Apart from the exploitative social and agrarian structure, Bihar is also experiencing an acute crisis of political leadership, bureaucratic inefficiency, and rampant corruption at all levels, and social disorder. The almost total collapse of the administrative machinery-once hailed by the British cabinet secretary in the Apple by report even after independence as the best-organised in India-is matched by the calamitous condition of the educational institutions. There have been no Panchayat Elections for more than two decades. The division of society into caste has penetrated not only into politics but also in to the bureaucracy, academics and other professions, seriously affecting the efficiency and functioning of the entire system of governance, development machinery and other sector. Castes tension, and in some parts of the state even caste riots, have seriously eroded social harmony. The serious breakdown of the law and order machinery and the scenario of crimes, kidnapping, tensions and violence have prompted people to sarcastically remark that the state has withered away' in Bihar.

These conditions have created to an extent a socio-economic milieu of non-development. The era of planned economic development in the state has hardly cared for the masses, but only for organised sector workers, particularly the government/semi-government employees, while the elites, including professionals, contractors, politicians and power brokers, have fattened themselves in the 'development' process. The prevailing socio-economic situation is so alarming that it is being described as the 'state without hope' and the 'graveyard of development projects that achieve success elsewhere'. In the wake of widespread poverty, a substantial number of poor people go outside the state in search livelihood. In several parts of the state, the poor have become restive-in central Bihar poor peasant and agricultural labourers have launched a powerful movement against their oppression. Thus, Bihar is not only poor and economically backward but is also a state where institutional barrier of all types-socio-economic, political, cultural, etc-are quite

strong. A sympathiser of the cause of Bihar even goes to the extent of saying "the state is not only suffering from culture of poverty, but also from poverty of culture

According to official estimates the state had the highest incidence of poverty in 1983-84, with half of its population below the poverty line. In 1987-88 about two-fifths of the state's population was below poverty line, which, except for Orissa, was the highest in the country. Some unofficial estimates, however, point to an even higher incidence of poverty in the state. In one such estimate by Minhas, Jain and Tendulkar (1991), it was reported to be as high as 65 percent in 1987-88. In this estimate, the state had not only the highest proportion of population below the poverty line till 1983-84. Even after 1983-94 the decline was higher elsewhere in India than in Bihar. As revealed in Table 1, during the period 1957-58 to 1973-74 the percentage of rural population below the poverty line in India declined from 53.4 to 47.6 but in Bihar the decline was almost negligible-from 59.7 to 58.4. During the century's worst drought in Bihar in 1966-67, the calorie consumption of about three-fourths of the rural population was below the normative minimum. During 1977-84, while the rural population in poverty decreased by 10.8 percentage points in India, the corresponding decrease was only 6.4 percentage points in Bihar. However, during the period 1983-84 and 1987-88 the decline in poverty in Bihar, as per official estimate, was comparable to the all India estiamtes-8.7 percent to 7.0, respectively. This relatively better performance of Bihar has put the state in second place (after Orissa) now with regard to the incidence of poverty. There are several factors behind the recent decrease in poverty level in the state. First, the growth of agricultural output has been relatively better since the mid-1980s, largely due to better weather conditions and to some extent to an increase in the use of modern inputs. Second, remittances from migrants working outside the state, which have become quite significant, have contributed to increased consumption expenditure as well as investment in cultivation. Third, various poverty alleviation programs, notably IRDP, NREP and RLEGP, have had their albeit small-share in this development.

Contrary to the high incidence of poverty, the unemployment rate as per time criteria is quite low in the state. According to the 43rd NSS round of 1987-88, the unemployment rate is per usual status in rural areas of Bihar was 2.6 percent for males and 0.8 for females: the corresponding all India rates being 2.8 and 3.5 percent

respectively. Several states 9i.e. Assam Haryana, Kerala, Tamil Nadu, West Bengal, and a few others) had higher unemployment rates than Bihar. However, the underemployment rates among both males and females of 14.6 and 12.3 percent respectively in 1987-88 were the second highest in the country after. Tamil Nadu-much higher than the all India rates of 9.8 and 6.0 for males and females respectively [Ministry of Labour 1991:47]. Thus, though people in rural areas are not openly unemployed, due to their poverty they do not find regular productivity employment over the year, which promotes large number to migrate to other regions in search of livelihood. The state reports high year-to-year fluctuations in the availability of employment opportunities, thanks to floods and droughts. Thus Bihar suffers from a low productivity employment problem in the key agricultural sector rather than unemployment as usually measured in terms of person days. The incidence of poverty among a large section of self-employed cultivators belonging to marginal and small and categories is so high[2] that they will join the category of paid workers, leaving their farms work, if suitable work opportunities are offered to them

Maharashtra has consistently done well for itself in terms of economic growth. Its state domestic product is the second highest among all states despite the poor quality of its arable land, scanty rainfall in the interior and a skewed spatial distribution of its resources and endowment. During the 1990s Maharashtra performance was next only to neighbouring Gujarat. In industrialization too it ranks high and is constantly in race for further industrial investment with Gujarat. In terms of per capita income , it is only marginally lower than Punjab however economic growth is necessarily to be judged in terms of its sectoral composition and regional distribution as well as its impact in terms of generating income and employment for poor. This growth, a significant development experience in the country, has been rich and prismatic, achieved against odds. It has come largely from non-agricultural sectors, essentially in regions like Mumbai and thane, leading to both sectoral and regional imbalances in development. This growth, led by an urban-centric, non-agricultural focus has had its visible consequences: pockets of urban affluence with shades of poverty and continuing draw for migrants.

Employment in Maharashtra has increased in absolute terms from 8.42 million to 9.47 million, between the years 990 and 1998. During this period, share of informal sector

employment has increased from 52 to 59 percent indicating the growing predominance of this sector in Maharashtra. At the regional level, over 70 percent of non-agricultural employment in the state is being generated in urban areas over past two decades. Further, five out o thirty districts, like Mumbai, thane, Pune, Nasik and Nagpur accounted for 55 percent of total employment on the non-agricultural sector. There has been grater dependence on unorganised employment and a tendency of restoring to home-based employment opportunities, both in rural and urban areas and across districts. Lack of adequate employment opportunities in non-agricultural establishments, which is confined mainly to urban areas, has caused a trend of growing employment in home-based enterprises. As a result, the more industrialised districts of Mumbai, Thane and Pune continue to be principal source of employment in the state. While employment opportunities have increased at an annual rate of 1.56 percent, substantial rise has been in the informal sector. This sector is typically characterised by underemployment and chronic income deprivation, accentuating the problem of poverty among the employed.

The engines of growth in rural economy need to be strengthened further, especially as the bulk of employment continues to be in the farm sector. A corrective required to neutralise the restriction of the capacity to absorb the rural labour in production activities has been the much lauded employment guarantee scheme, a mechanism that ensures wage to a farm labour that finds work on farm for any reason, including droughts. Agriculture in the state is laggard.It continuous to be at the mercy of uncertain monsoon, which is either inadequate in precipitation or uneven in spread over the season, putting agriculture under tremendous stress. As a result, the rural population is subject to a high degree of instability in incomes and levels of living.As a means to counter this income instability, for instance, more women – twice in number than that of men-work as marginal workers, seeking to supplement family incomes. It also signifies low gains from agriculture as well as individual efforts to contain the impact of poverty.

Income levels indicate and determine partly the extent of human development. Its nuances, however, are better profiled not just by the levels but the periodic changes in their levels, aggregate as well as its composition. A major part of Maharashtra is poor in terms of income. There is a substantial incidence of poverty; statistical estimates

for the State as the whole showing a decline in poverty over time but these are not corroborated by estimates of real consumption. Measured by quantities of cereal consumption and calorie intake, the population does not show any marked improvement. A large proportion of the rural and urban population is undernourished. In terms of income measure- which is one but not the sole determinant of human development- Maharashtra emerges as one of the richer States in the country. An important feature of this pattern of economic development is that the secondary and tertiary sectors together dominate the output generating activities in terms of both origin of income and employment of workforce.

The draft of the Ninth Five-Year plan in its section on 'Employment Perspective for 1997-2002' describes as 'one of the most daunting challenges' the need to provide employment for additions to the labour force, rate of which (2.54 per cent) will far outstrip the growth rate of population (1.59 per cent) during the Ninth plan. This document also expresses concern over the nationwide regional variations in the gap between growth of employment potential and the growth of the labour force. Thus, while the Employment Assurance Scheme is designed as a proxy unemployment insurance, and to provide 100 days of employment on demand, it will still not be able to address the regional variations of the employment requirement. Furthermore, the document observes that 'the experience of 1983-94 on changes in employment and poverty, reinforces the perception that a strategy for reduction in poverty in low-income states, based on employment generation, has to be accompanied by measures which contribute to sharp improvement in the productivity of agricultural workers in these states.'

Employment guarantee scheme is based on the genius of using public works to play the role of a safety net by providing stabilisation benefit to the poor who lack skills of any kind except perhaps possess physical stamina. It has enabled the deployment of labour of the poor to build infrastructure for development. Its preponderant and immediate benefit every year, especially during times of distress due to droughts, is the effect of enabling the poor to handle the risk of decrease in consumption. The EGS tries to ensure that social security is a right. This programme was introduced in the rural areas as well as very small municipal towns when the unemployment situation worsened during drought of 1971-74. This programme assures employment

on demand to even the unskilled. Maharashtra is relatively a highly urbanised state, with almost 40 per cent of its 79 million population living in urban areas. EGS is primarily aimed at bringing about a redistribution of resources from urban to rural areas and not so much from the rural rich to rural poor. As per the 1981 census there were 3.4 million families below the poverty line. As a percentage of the rural population, poverty declined from 45.2 per cent in 14983 to 40.8 per cent in 1987-88 and to 37.9 per cent in 1993-94 and further decline to 25.02 per cent in 1999-2000, as reported in the National Sample Survey rounds.

Poverty estimates are in terms of proportion of rural and urban population having a consumption level less than the normative consumption to ensue sufficient energy measured in calories for an active and healthy life. The minimum is called the poverty line. These are summary measures based on statistical estimates of consumption in value terms; and poverty lines adjusted for price changes with price indices defined for a fixed basket of goods for the base year. But such estimates may throw up a misleading picture during a period of structural transformation of economy involving changes in consumption and production patterns, technology and relative prices. This is all the more so because of methodological changes in the NSS during 1999-2000, which render these estimates not comparable with those for the earlier periods in a strict sense. One option is to verify them with reference to quantitative estimates of cereal consumption, a major source of calories, and actual intake of calories, protein and fat available for some years up to 1993-94 (Maharashtra human development report, 2002).The percentage point reduction in incidence of rural poverty between 1973-74 and 1993-94 was at a higher level in Maharashtra (35.49) than at the all-India level (28.52). The number of poor has also declined between these two years. The decrease was more pronounced in rural Maharashtra at 42.53 per cent than in rural India as a whole: 24.47 per cent. As a result, incidence of rural poverty in Maharashtra, which was always above the national average, fell below it in 1999-2000 (Maharashtra human development report, 2002).Urban poverty declined since 1973-74 in both Maharashtra and countrywide with the difference that there was a marginal increase in Maharashtra between 1983 and 1987-88. Further, the reduction in urban poverty between 1973-74 and 1999-2000 was less in Maharashtra- 16.32 percentage point-than in all-India – 23.16 percentage point. However, the decrease in poverty ratios was not sufficient to neutralise the growth in urban population; the

number of the poor increased in urban Maharashtra. The increase in the number of urban poor was more in Maharashtra at 38.04 per cent than in all-India 17.42 per cent (Maharashtra human development report, 2002) With this pronounced decline in rural poverty and the predominant size of the rural sector, poverty in Maharashtra as whole declined since the mid-70's. between 1973-74 and 1999-00 the proportion of poor population in Maharashtra declined by 28.90 percentage point as compared with 27.63 percentage point at the all-India level.

Table 11

Sectoral Share of Rural Employment

State	Agricultural labour	Cultivators	Selfemployed in non-agri. Sector	Regular+Casual non-farm	Others
1987-88					
Bihar	43.1	39.8	9.8	6.1	0.2
Maharashtra	44	38	8.9	8.8	0.3
1993-94					
Bihar	41.9	39.9	11.4	6.8	0.2
Maharashtra	45.1	35.8	9.1	9.8	0.2
1999-2000					
Bihar	40.4	38.5	12.7	8.1	0.3
Maharashtra	46.2	33.2	9.4	10.6	0.4
Jan-June 04					
Bihar	39.8	38.3	13.4	8.2	0.3
Maharashtra	46.8	31.4	9.8	11.9	0.2

Source: NSSO rounds.

Table 12

Sectoral share of Urban Employment

State	Self-employment	Regular employment	Casual wage-labour	Others
1987-88				
Bihar	41.1	38.6	12.3	7.7
Maharashtra	30	54.8	11.1	3.9
1993-94				
Bihar	39.8	38.8	11.6	9.8
Maharashtra	31.9	51.7	10.9	5.5
1999-2000				
Bihar	43.6	31.3	12.6	12.6
Maharashtra	33.6	49.2	9.8	7.3
Jan-June 04				
Bihar	44.3	30.4	6.5	18.9
Maharashtra	34.7	48.5	8.5	8.3

Source: NSSO rounds.

One of the long standing problem in Bihar's economy has been lack of economic diversification: more than 80% of rural population is engaged in the agricultural sector. The above table 11 and 12, shows that wage employment in agricultural labour accounted for nearly 40% of the rural workforce in Bihar in 2004 compared to 43% in 1987-88, but still constituted the dominant occupation in rural areas of the state. Agricultural labour and cultivation together account for around 80% of occupation in 2004. The wage employment in agriculture labour accounted for more than 46% of the rural workforce in Maharashtra in 2004 compared to 44% in 1987-88 and still constituted the dominant occupation in rural areas of the state. There is sharp contrast in occupational distribution between the poor and non-poor in rural areas. The poor are more likely to be agricultural wage workers or casual non farm labourers, rather than cultivators or employed in a regular non-farm job. Over time the share of casual non-farm labour and self employed non-farm occupations have increased for both states. Such an occupational shift does not necessarily mean an improvement in occupational status of the rural poor. Casual non-farm labour is a 'last resort' that household chooses only when other options have been exhausted. Self employment activities include a wide variety of occupations that could be as vulnerable as casual labour, especially for the poor. Casual labour offers one of the lowest wages among all occupations and the terms of employment are usually short and unstable. The recent occupational shift from agricultural labour to non-agricultural labour represents a move to higher daily nominal wages, irrespective of location and gender. However, this is not beneficial for poor households since occupational shifts might improve poor households' wages and income levels, but worsen their vulnerability to adverse economic shocks.

In urban areas of Bihar, more than 44% of the household heads are self employed and more than 30% have regular employment in 2004 compared to 41% and more than 38% in respective employment in 1987-88. While in the urban areas of Maharashtra around 35% of the households head are self employed and more than 48% have regular employment in 2004 compared to 30% and around 55% in respective employment in 1987-88. Casual wage labour represents around 7 % in Bihar while it represents more than 8% in Maharashtra state. Casual wage labour is more associated

with urban poor, indicating that the majority of urban poor has no choice but to work in this vulnerable sector. The estimate of poverty in Bihar discussed earlier is based on NSSO data. However, there are many other dimensions of poverty line calorie intake, housing, health education, household possessions, assets, etc. which can provide a more comprehensive understanding of the problem. A survey conducted by the ANS, Institute of Social Studies in collaboration with the ILO enables us to examine the issue in some details. This survey was conducted during 1981-82 in a stratified random sample of 12 villages in the plans of Bihar.

The analysis of survey data on food and nutrition indicators of poverty shows that calorie intake exhibits distinct variations across socio-economic groups, but appears to be less reliable than other measures of nutritional intake and anthropometric status. Nearly 50 to 70 per cent of landless wage labourers fall below recommended intake levels. Food quality indicators were more strongly associated with class, but only the richest groups have frequent intake of eggs, meat, fish and fruit. These food intake differences show up clearly in differences in anthropometric status. In particular, stunting is much more frequent among agricultural labourers than among other groups, Girls tended to be stunted more than boys. The distribution of housing and domestic facilities was highly unequal among different social classes. Pucca houses are almost entirely absent among wage labourers, and the difference in house value between top and bottom groups is by a factor of 30. Electricity for lighting is rage (2 percent of households). Treating kerosene lamps as an acceptable minimum, it was found that only around 10 per cent of agricultural labour households obtain this level, while for more other groups the figure reaches 40 percent, only approaching 100 percent for the top groups in the class and land hierarchies. The ownership of domestic assets is extremely low over a quarter report on assets at all (other than cooking utensils, etc.). Only 15 percent of the households own a mosquito net, 25 per cent a torch, 15 percent a bicycle, and 10 percent a radio.

Table 13

Sectoral Share of Employment (Bihar)

Sector	1971	1981	1991	2001
Primary	84.70	81.51	82.36	75.31
Secondary	5.63	7.18	4.64	8.27
Tertiary	9.67	11.31	13.08	16.42

Source: Census of India, 1971, 1981, 1991 and 2001

Table 14

Sectoral Share of Employment(Maharashtra)

Sector	1971	1981	1991	2001
Primary	66.73	64.03	61.51	56.28
Secondary	14.52	16.07	15.80	18.32
Tertitiary	18.75	19.90	22.69	25.40

Source: Census of India, 1971, 1981, 1991 and 2001

As shown in the above table 13 the share of the primary sector has gone up from 81.51 percent in 1981 to 82.36 percent in 1991 and then decreased to 75.31% in 2001. The share of the secondary sector declined sharply from 5.63 percent to 4.64 percent in 1991. In fact, as shown in Table 14, even the absolute numbers employed in this sector decreased from 15.72 lakhs in 1991. Bihar has a low percentage of workers engaged in rural non-farm activities-20 percent in 1987-88 compared to 46 percent for states like Kerala. Further, in India as a whole rural non-farm employment has significantly expanded during the 1970s and 1980s. However, Bihar is one of the few states where the expansion has been extremely low-between 1983 and 1987-88, there has been hardly any growth in non-farm employment. Thus, more and more rural workers have had fewer days of work per year. Such a situation implies severe distress because of very low rates of growth of the agricultural sector leading to substantial out-migration of labour to seek employment in other areas both within the outside of the state.

Bihar has a substantial proportion of labour households in rural areas-one of the highest in the country and substantially higher than the national average. In 1987-88, 44.2 percent of the workforce in rural areas was engaged in wage labour. There has been a steady growth in the incidence of wage labour since the early 1970s- from 39.5 percent of the work force in 1972-73 it increased to 40.9 percent in 1977-78, to 42.8 per cent in 1983 and 44.2 percent in 1987-88. As in other states, three has been a phenomenal increase in casualisation of rural labour. In 1972-73 the proportion of casual wage labour to total wages labour was 60 percent, which increased to 80 percent in 1987-88. Agricultural labourers constitute about 93 percent of all the rural labour households- the state has the second highest incidence of agricultural labourers in India after Andhra Pradesh. The wage rates of agricultural laboureres are low in Bihar. In 1987-88 the daily wage rate of unskilled male agricultural labourer was Rs. 13.39, which was lower than in most other states. The long-team growth rate in wage rates in Bihar for male agricultural labour over a 30 years period (between 1958-59 and 1987-88) was 8.68 percent this growth rate in lower than only two states-Kerala and Rajasthan. However, Bihar had a much lower base (Rs.1.30) level wage rate compared to states like, Punjab. Not only money wage, but real wages in the state.

Both for male and female agricultural labourers have risen since the early 1970s. The rise in real wages has been really phenomenal and between. 1970-71 and 1988-89, a 56.1 percent increase took place in the case of male labourers, 7.8 in the case of female labourers [Jose 1988], which are quite impressive in comparison to other states -both high wage and low wage states. The rise in real wages has been particularly pronounced during the 1980s. There are a number of factors behind this rise. Apart from the relatively better performance of the agricultural sector. Changes in rural labour market conditions due to out-migration of workers as well as state intervention through wage employment programs have been the major factors behind it. Besides, in large parts of the state radical movement of the agricultural labourers have been a very important factor behind the rise in wages.

Since its formation in 1960, Maharashtra's economy, in terms of net SDP grew at 4.73 per cent per annum till 1999-2000 and the per capita SDP at 2.43 per cent per annum. In comparison to the all-India performance over successive Plan periods, Maharashtra's performance shows the non-agricultural sectors playing a major role, neutralising the adverse implications of the poor performance of the primary sector. What is more important is that the growth rate has accelerated in successive decades. Maharashtra's economy was virtually stagnant during the 1960s (statistical hand book, Maharashtra). Per capita SDP stagnated largely due to stagnation in the agricultural domestic product. The dominance of agriculture in the primary sector had considerable adverse implications for the rural economy, worsening the unemployment and poverty situation in rural Maharashtra. The decline in primary sector domestic product, however, was more than neutralised by positive growth rates in the secondary sector at 4.42 per cent per annum and tertiary sector at 4.31 per cent. As a result, the domestic product in Maharashtra's economy as a whole increased at a modest rate of 2.52 per cent per annum. The total SDP growth just managed to keep pace with the population growth rate

Total expenditure in Bihar is less unequally distributed. Clothing and medicine dominate expenditure by the poorest groups, who obtain credit on the worst terms, interest rates averaging 50 percent. Landless agricultural labourers own less than 1.5 saris on average, i.e., the majority of women in landless labour households own only one. Another index, which catches attention, is the ownership of a blanket or quilt.

Winters and cold is essential. In the bottom expenditure groups 60 percent of households have no blanket at all, few households have better than a cotton quilt in lower expenditure groups, and only a quarter in the top groups. The composition of the poor has been changing and rural poverty is now increasingly concentrated in the agricultural labour and artisan households while urban poverty is found more in the casual labour households. The share of agricultural labour households, which accounted for 41 per cent of rural poor in 1993-94, rose to 47 per cent in 1999-2000. Casual labour households accounted for 32 per cent of urban population living in poverty in 1999-2000, increasing from 25 per cent in 1993-94. Empowerment' of the poor is now being regarded in policy-making circles as a goal of critical importance for achieving poverty reduction in the fullest sense of that term. Empowerment, in a real sense, would need acquisition by the poor of capacity for upward mobility. Empowerment as a means of poverty removal gained currency from the Sixth Plan period and it was from the Seventh Plan onwards that special efforts were made towards empowering rural women. Institutional interventions to empower the poor include providing access to basic amenities, food security and employment security. Land reform measures have been identified and partially implemented in some States to empower the poor, but they have not succeeded to the desired extent. Efforts have also been made to establish panchayati raj institutions (PRIs) with reservations for weaker groups in these institutions. It is an ongoing process that needs to be strengthened.

The link between economic growth and poverty seems to be getting weaker though there is no denying the positive correlation between GDP growth and poverty reduction. Hence, it may be necessary to pay more attention to non-growth interventions with improvement in governance. The differential performance of rural and urban sectors during the recent period warrants that agricultural development should receive greater attention. Also, non-agricultural employment generation and social development in rural areas should get priority focus to avoid exodus of the rural poor to urban areas. Poverty in India cannot be tackled without improving the quality of governance with pro-poor concerns. There is a need to create mechanisms for participation of marginalised groups in the development process and eventually empowering them.

Section 2:

Educational outcomes:

Literacy rates for the population above seven years of age as a whole are more a reflection of past educational achievements, and those for the younger age groups more an indication of current achievements. The faster progress in basic education and literacy is consistent with an increase in demand for education. The Public Report on Basic Education (PROBE) reported a broadbased surge in educational aspirations in the 1990s. Demand for education can increase with a fall in poverty, which makes it possible for the poor to realize their educational aspirations for their children; it can also increase if fertility levels fall and there is a trade-off between the number of children and the education of each child within the family; demand for education can also increase if the perceived benefits of education—its private economic rates of return—increase.

Just as a public good like a highway confers positive externalities on other agents, literacy too, is something like a public good in that a literate agent confers a positive externality on illiterate agents in the households by sharing the benefits of his or her literacy. This could happen for reasons of conscious altruism, unwitting munificence, osmosis or socio-cultural dispositions arising from group affiliation. Literate members of the same region, community, caste, or family could be expected to positively affect the literacy status of their respective cohorts. The unit of aggregation within which such external effects of literacy might be expected to be most salient is that of the household. Equally significant today is the problem of large armies of working children who are creating the wealth assets of the state and the private sector. Voluntary efforts have tried to impart education to these children without attempting to withdraw them from labour and ensure that they are in school during the day. Most unfortunate in this discourse has been the proliferation of literature that justify what we term "accommodative" strategies, which are accommodative when it comes to the poor's inability to access and sustain their use of a public and compulsory good such as education.

Strengthening the State's public finances and education expenditures will be a key aspect of restructuring the education system. We conclude by defining school education as a fundamental right that holds the possibilities for economic and social empowerment. We underscore that inthe changing political economy of the country, getting all children into school and ensuring their retention in an environment which nurtures their passage to 'an adulthood of equal opportunities and equality in education' cannot be but the central vision at both the level of the community and that of the State. Despite a strong policy framework and significant commitments from central and state governments to provide compulsory elementary/non-formal/adult education, unequal access among social groups and the exclusion of vulnerable groups from the gains of education is still a reality. This discouraging state of affairs calls attention to concerns that go beyond the provision of facilities and the passing of sanctions at the policy level. It brings into reckoning the low political motivation to make school education to all a minimum social agenda, the utilization of educational facilities and the question of motivation and values, which play a significant part in education decisions in developing countries. The valuation of education plays a crucial role in determining the motivation, attitudes and norms that govern education-related decisions.19 For instance, when parents must decide whether to send a daughter to school or keep her at home, the relevant values are not always of individual actors alone, such as that of the mother, father, or teacher. The decision will be the outcome of a social value: the priority given to female education by a particular caste, community, occupational group, etc. This perception and valuation also determines the crucial issue of public commitment to the promotion of education. Hence, the inability to make elementary education a lively political and public issue has come in the way of the success of universal education. Elementary education has never featured as a major election issue in the democratic political process. As a result, those who are in the greatest need of elementary education have been unable to translate their needs into coherent and effective political demands. Conversely, the privileged classes have had a strong influence on educational planning. Enormous resources are earmarked to develop world class institutions of higher learning, while thousands of primary schools go without drinking water and blackboards.

The same lack of concerted political action towards removing development and cultural biases, as well as social apathy is reflected in the growth path followed by India since the Second Plan. Rapid industrialisation associated with capital intensive

goods, high technology, nuclear power, etc., was perceived essential for national prestige, economic growth and self-reliance. Resources were channelled in this direction, with the neglect of agro-industries and simple manufacturing. India's poor were perceived as 'fodder for the industrial canon'. They were commonly perceived as cheap labour and the recipients of poverty alleviation programs. The poor have never been valued as dormant resources of energy, capacities and enterprise that could strengthen the country's progress. This underlying high technology bias did not change with liberalisation in the decade of the 90s that increased the role of the market in allocating resources. But what is new in this era is the electorate's expectations of better provisioning of welfare including elementary education. Making school education a key political issue that the State cannot ignore, is the advocacy goal of many NGOs.

The quality of rural schooling is much to blame for the low levels of learning achievement and high dropout rates in rural areas. Indian primary school teachers have more education than their counterparts in many other developing nations, practically all primary school children having and about half of primary students receive them at no cost, and most schools having some basic school buildings. Despite these strengths, the quality of 'teaching' calls for substantial improvement. The teachers lack the training required to teach young children, multiple grades, or to teach in small rural schools. The two important reasons for the poor performance is the de-motivating environment in which teachers work and the lack of accountability in the school system. Inadequacy of schooling facilities is a major deterrent to achieving universal education up to the age of fourteen. To attain this goal, not only primary schools, but also 'middle' schools with classes up to grade eight must be available. Rural schools are often absent. When present, they are inadequate and in a deplorable state. When a primary school is available within 1 km, it is often overcrowded, has a single teacher and lacks the basic facilities. Social constraints on girls going to school and staying in school need to be negotiated and overcome urgently. Disadvantaged communities need social will from below and political will from above to enter the realm of education and ensure retention in nearby schools. The quality of education is crucial for genuine learning to occur in the classroom. In the current climate of privatisation, there is a very real fear that progress achieved

may be rolled back because of the State's shift in priorities and that NGOs will not be able to fill the gap in either resources or manpower with private funds.

To ensure greater equity in a liberalised economy, priority has to be assigned to strengthen human capital of people at lower socio-economic levels. There are many advantages to improving the distribution of education and human capital, in the new economy. In the wake of changed economic policies, the speed of technological change has altered the set of skills that yield economic payoffs and increased the advantages of training. Earning differentials by level of education have widened during the decade of the 90s. The unequal distribution of human capital is the main source of inequality in India. Therefore, it is important to avoid outcomes that promote either earning differentials by level of human capital or the distribution of that capital from becoming even more unequal. Prompt solutions are required to avoid the concentration of capital. The need of the hour is to ensure that as few people as possible are stuck with low levels of education or poor quality of education. Hence, the State's public finances and education expenditures will deeply influence the restructuring of the education system to fight poverty, where the underlying cause of low income is the lack of human capital.

Although there has been an upsurge of funding, particularly external funding, to meet the goals of universal elementary education, the responsibility of making it happen through administrative decentralisation and community participation lies firmly with the states. The benefits of perceiving education as a common concern are evident in the phenomenal success of the state-led schooling revolution in Himachal Pradesh. This is not the situation in many other states where expectations of different communities and social groups vary. In this state, universalisation of elementary education was possible because of the positive involvement of teachers, parents and other members of society and a coming together of active state intervention and decent teaching standards. Here, state public policy meant an explicit commitment to developing rural infrastructure, with roads and schools receiving high priority. A higher per capita expenditure on education was designated in this state, which is almost twice the all- India average. This has naturally improved the teacher-student

ratio as well. Another important initiative taken by the state was the reduction of interregional disparities in education levels. This encouraged higher investments in remote tribal districts, which have now caught up with the developed part of the state. The state's involvement in levelling the socio-economic disparities with regard to access to education has been a remarkable achievement. Change is possible, and it is usually reflective of political commitment to the emergence of consensual social norms of education as a public good: for instance, a common perception of the 'local school' as 'everyone's school'. The next section discusses some extraordinary gains that have accrued wherever investments in primary and elementary education have been made. Education has both 'intrinsic' worth, for its value in itself, and 'instrumental' worth for what it can do. Dreze and Sen (1995), provide this useful classification of the benefits of education. Education opens a vast world of opportunities and ideas for those who are privileged to receive it. In terms of instrumental value, it fuels the processes of economic growth, human development and advancement. It is also true that a skilled and educated workforce contributes to higher economic growth. Education promotes and plays a crucial role in demographic transition; female education in particular is perceived as a tool of empowerment in lowering fertility, mortality and promoting better health. There is a strong correlation between life expectancy and literacy. In political and social terms too, schooling creates an educated population and a more constructive citizenry. Above all, education empowers and through empowerment affects larger social processes. Gains from schooling not only benefit the child, but also benefit his or her future spouse, children, and society at large. In the present climate of patriarchy, sons are seen as the ones who will support their parents in the future and are therefore considered worth educating. Girls, in much of Indian society, however, are seen as the responsibility of their future husbands and if at all, investment in their education is considered the responsibility of their husbands' families. Daughters are rarely educated for the reason that it is a fundamental right for them to be educated and have an equal future for themselves. For these reasons parental investment in schooling children of both sexes, particularly in the case of girls, will be below the socially optimal level if investment decisions are based only on perceptions of private costs and benefits.

To assess the economic outcomes of education, it has to be treated as an investment. International research and studies indicate that (a) education is one of the best

investments for a developing country (b) economic returns to education are highest for primary schooling and declines with rising levels of education, and (c) significantly, female education has higher economic gains than male education. The effects of advancement in agricultural production can be fully realised in areas where schooling among the rural population has reached a certain optimal level. Private and social market returns are the highest with primary and middle schooling.

In terms of efficiency, there are two principle market failures associated with higher education and subsidies to students is a very inefficient way of addressing them. Whether the benefits from higher education are associated with externalities is debatable but in any case are not likely to justify anywhere near a subsidy of 100% of the cost of education. In principal, then, students should be paying a substantial fraction of the marginal cost of their education. The problem is that the credit market will not lend without collateral. The "asset" created is reflected in the increase in future earnings and this cannot be secured by the lender. The appropriate policy is a loan program structured in away that private banks have an incentive to pursue repayment. The difficulties, however, of administering a loan program should not be underestimated. Repayment rates will probably always be lower than commercial banks would require without some subsidy. First steps in this direction could include gradual increases in fees, full scholarship support for students from poor families (if identifiable) and steady experimentation with loan programs. The second market failure is the externality associated with basic research. Again, the appropriate instrument in this case is not free tuition. Instead, the government may want to pay for research outputs directly on a competitive basis. Faculty needing research assistance may pass on some of this money to students, yielding student aid but in a more focused, output oriented way. Policies which address both of these issues will yield savings only in the medium term. Instituting a loan program, even if it would ultimately save a large fraction of total government costs as loans are repaid, will not yield any money until the first set of recipients of loans finish their education. If fees are introduced gradually, fiscal returns may only show up in the long run. Of course, establishing the means of increasing research output would useadded funds, not save them.

The below table shows the change in school attendance between 1993-2000 of rural and urban Bihar and Maharashtra.

Table 15

Change in rural and urban school attendance for male and female

States	Rural						Urban					
	Age 6-10			Age 11-14			Age 6-10			Age 11-14		
	1993	2000	Increase	1993	2000	increase	1993	2000	Increase	1993	2000	increase
	Male											
Bihar	57.0	68.0	11.0	64.9	71.6	6.7	83.0	81.0	-2.0	86.2	78.6	-7.6
Maharashtra	84.9	90.7	5.8	80.8	86.0	5.2	91.9	96.2	4.3	89.2	88.5	-0.7
	Female											
Bihar	34.0	53.0	19.0	33.0	48.7	15.7	69.3	72.1	2.8	65.6	78.2	12.6
Maharashtra	77.5	88.5	11.0	56.2	78.3	22.1	89.8	93.3	3.5	85.1	89.9	4.8

Source:NFHS-1 and NFHS-2 state and all India reports

Between 1993-94 and 1999-00, primary enrolments of urban Bihar have fallen and this down was 2% (down 4% foe boys and 1% for girls). Since enrolments are the base for the future stock of human capital- a key input to growth and poverty reduction- stagnant for falling enrolment threatens long term growth, and Bihar's competitive position vis-à-vis other Indian states. Low completion rates result from a combination of low rates of entry, late entry in to school, and dropout rates. This is supported by the evidence that 'transition' through the education system is weak: in 2000-01, 24% of primary school students transited to upper primary level; 12% from upper primary level to the secondary level and 10% from secondary level to the higher secondary level. Transition rates are even lower for girls and SC/STs.

The existing education system is clearly unable to provide quality services.A combination of factors, ranging from lack of monitoring teachers' performance to the involvement of teachers in a number of miscellaneous government duties, account for their attendance. Enrolments are also lower for SC/STs than for the rest of the population. The differences become larger for higher age categories' suggesting that as with the gender gap, the initial gap in school entry is exacerbated by lower school retention rates among SC/STs. Similar differences are observed across economic groups. In rural and urban areas alike, enrolments are higher for all age groups in the

case of the higher consumption quintiles. While better enrolments are clearly associated with wealthier households, enrolments are far from universal for even the most well off in the rural areas. This is explained by a combination of factors, such as relatively late entry in to schools, lack of schooling opportunities and lower returns for education in rural areas. Therefore the overall picture that emerges is one of large differences in educational outcomes across social and economic groups. Across social groups, enrolments are lower for SC/STs, indicating disadvantages along caste lines that are likely to perpetuate their poverty. While better outcomes on the whole are associated with higher economic status of the household, the correlation is stronger in urban areas.

The overall trends in literacy in Maharashtra reflect large increases in every decade. Both male and female literacy levels have increased substantially in 40 years since Maharashtra was formed. Resource allocations to adult literacy or adult education programs have remained minimal in the State despite literacy campaigns in various districts. Therefore, the rising levels of literacy can be attributed to other factors such as the expansion of school enrolment, widespread provision of basic education as well as to general improvements in the economic condition of the masses. However, historically disadvantaged groups such as scheduled castes and tribes lag behind. Districts with large tribal populations also indicate a lower literacy level as in several districts of Vidarbha and Marathwada. Between 1961–2001, during the forty year span since Maharashtra was formed, the literacy rate more than doubled from 35.08 per cent to 77.27 per cent, the increase being particularly rapid in the decade 1991 to 2001 when the literacy rate increased by 12 percentage points. It must be noted however, that the literacy rates for 1961 relate to population aged five years and above. The rates for 2001 relate to the population aged seven years and above. In 1991, the literacy rate among the Scheduled Castes (SC) was 56.5 per cent (70.5 per cent for males and 41.6 per cent for females). The literacy rate in 1991 among the Scheduled Tribes (ST) was 36.8 per cent (49.1 per cent for males and 24 per cent for females). In terms of district-level data from the 2001 Census, the highest literacy rates of about 87 per cent prevailed in Mumbai and Mumbai Suburban. Several other districts also had above 80 per cent literacy rates These include Nagpur, Amaravati, Akola and Wardha in Vidarbha region, Thane and Sindhudurg in Konkan and Pune in Western Maharashtra. The lowest literacy rate of 56 per cent was in Nandurbar, also

in Western Maharashtra. On the lower side of attainment were several districts of Marathwada including Jalna, Parbhani, Hingoli, Beed and Nanded; and Gadchiroli in Vidarbha.

As per the 1991 census outside Mumbai region, the highest literacy rate (7+) of 75.81 per cent was recorded in Sindhudurg district of Konkan while the lowest rate of 42.89 per cent was recorded by Gadchiroli district in Vidarbha. In 2001, Gadchiroli continued to remain at the lower end of the scale of attainment in literacy while Sindhudurg seemed to have been taken over by several other districts. In 1991, while all districts of Konkan and most districts of Western Maharashtra and Vidarbha had achieved above 60 per cent literacy, not a single district belonging to the Marathwada region had achieved 60 per cent literacy. By 2001, all Marathwada districts crossed 65 per cent literacy levels with Aurangabad, Osmanabad and Latur touching 74 per cent, 70 per cent and 72 per cent respectively but when attainments are measured by literacy rates, Marathwada lags behind rest of Maharashtra. Disparate levels of literacy are a historical legacy of the State. Literacy rates were higher in the Bombay region than in Hyderabad and Madhya Pradesh regions even during colonial times. The percentage of literates to total population in the erstwhile Bombay region was 6.98 per cent in 1911, whereas in Central Provinces and Berar region, parts of which were included in Maharashtra subsequently, the literate constituted only 3.57 per cent of total population. The situation with respect to female literacy was even more deplorable with Bombay and Central Provinces recording literacy rates of 1.45 and 0.32 per cent respectively. Inter-regional disparities in literacy rates seems to be declining as evident from the decline in the value of the coefficient of variation from 32.61 percent in 1961 to 9.21 per cent in 2001.

The 55th Round of NSSO (1999–2000) indicate that the percentage of not-literate in the 6–14 age group in rural areas was 5.39 for self-employed in non-agriculture, 5.17 for agricultural labour, 9.32 for other labour and lower at 4.41 for self-employed in agriculture. In urban areas the percentage of non literate was lower at 3.94 for self-employed and 3.03 for regular wage/salaried persons. However, the percentage of not-literate is higher for casual labour in urban areas at 4.80. Across social groups, not-literate are higher in the age group 6–14 in rural areas than in urban areas. 7.33 per cent of Scheduled Castes and 7.38 per cent of Scheduled Tribes in the 6–14 age group

in rural areas are not-literate while the corresponding figures for urban areas were 3.41 and 4.96 per cent.

Urban literacy rates are higher than rural literacy rates for all districts. Inter district variation in literacy rate is higher for rural areas than urban areas as reflected in the higher co-efficient of variation (9.12 and 4.64 respectively in 2001). According to the 1991 census, rural urban disparity was the lowest in Sindhudurg district of Konkan and in Akola. According to the 2001 census, low spatial disparity is observed for the districts of Sindhudurg in Konkan; Satara, Sangli and Solapur in Western Maharashtra; Buldhana, Akola and Amaravati in Vidarbha. Rural urban disparities are the highest in the districts of Nandurbar, Gadchiroli and Thane. These districts are also characterized by a high proportion of tribal population. Low levels of literacy amongst the Scheduled Tribes probably explain the high rural urban disparity among these districts.

Among male agricultural labourers, the dramatic increase in literacy is visible when the older and younger age groups are compared. Among the younger group, a much higher proportion of men have completed elementary schooling. Almost 15 per cent of the younger men have completed either secondary, higher secondary or graduation as compared to less than 5 per cent of older men who had attained these levels. The percentage decline in illiteracy among the male self-employed is almost the same as that among the agricultural labourers, however the illiteracy level was much lower for this group of older men. Self-employment in agriculture automatically implies land ownership or land taken on lease. Among farm owning households especially younger men, illiteracy levels are extremely low (well under 10 per cent). A noteworthy aspect of the education of agricultural labourers and self-employed men in agriculture is the pattern of distribution of educational attainments among the younger male agricultural labour is somewhat similar to the distribution among the older self-employed men. Some 63 per cent of the younger agricultural labourer and 44 per cent of the older self-employed men have completed elementary schooling i.e. primary and middle. But in the secondary schooling category, the percentage of older selfemployed men (at 28.5 per cent) is significantly much higher than the percentage of younger agricultural labourers i.e., 3.6 per cent. These numbers suggest that the ability of the male agricultural labourer today to access and complete secondary schooling in

Maharashtra is still extremely low. Even 25 years ago, over a third of rural self-employed men could obtain these higher levels of education.

Taking secondary and higher secondary categories together, and comparing the younger men from both occupational categories, the differences in secondary and higher secondary attainments are stark. In the 15–29 age group, about 11 per cent of agricultural labourers have completed secondary or higher secondary levels. For the same age group of self-employed, the percentage attaining the secondary or a higher secondary level is 45 per cent. There possibly could be a big gap in secondary school attainment among men of the same age between these two rural occupational groups for without more detailed empirical evidence and better contextual data, there can be no definitive answers. Widespread provision of primary education through *zila parishad* schools has fuelled the rise in primary school attainment across the board. But secondary schooling may be too expensive for agricultural labourers.

Keeping within the framework outlined by National Education Policy of the Government of India formulated in 1986, Maharashtra set up a task force to develop its programme of action, in a bid to meet its own needs based on the prevailing status of education. This was the first exercise by a State government to prepare a policy paper on education, subsequent to the National Education Policy of 1986. The task force consisted of government officers, education experts and representatives of the main educational institutions in the State. In 1994, the Programme of Action, outlining the framework and approach as well as programmatic details of how to make primary education universal was announced. Literacy programs were also detailed. Written in simple language that could be understood by a cross-section of people, this document was widely circulated. It communicated a strong, conviction that primary education is a critical investment that will lead to sustained development over time and without which participation in the emerging global economy and benefiting from technology will not be possible. The goals set out in the action plan are:

- Every child beyond the age of six to be in school.
- Every child to attend school regularly at least till the age of fourteen.
- Every child to master the content laid down for each standard.

For meeting such objectives, following steps have taken place:

First, Access to schools especially in unserved habitations or where schools are at a distance; expansion of existing school facilities, *balwadi* or *anganwadis* close to the primary school were planned. Non-formal centers were designed to cater to children who had dropped out or for some reason could not go to school. Second, predominantly tribal blocks and districts in Marathwada region of Maharashtra would receive special focus as compared to the State average, these areas have a higher number of single teacher schools and lower than average number of upper primary schools. The performance of these areas on key outcome measures such as completion rates is also relatively low. Ashram shalas run by the tribal welfare department do not receive adequate educational guidance and therefore the level of education remains less than satisfactory. A variety of schemes targeted at overcoming the problems faced by disadvantaged children and educationally backward areas were conceptualised: book bank, scholarships, uniforms and writing materials, midday meals, support for travel costs. These programmes were designed to encourage and raise participation in education. Third, a particularly noteworthy feature of the action plan document has been a stress on education in the mother tongue. Even though Maharashtra is a predominantly Marathi speaking State, the State Government believes that children should be taught in their mother tongue. In fact Mumbai's primary schools are conducted in eight different languages; textbooks are developed in several languages other than Marathi and made available despite the relatively higher research and development costs. Grants are provided to institutions running secondary schools in other languages. Fourth, to improve the teaching-learning environment, a comprehensive set of measures was planned. This included in-service training and textbooks based on competency standards laid down for each standard and more child-centered methods of teaching. In the years since 1995, Maharashtra conducted widespread training for all its primary school teachers. Fifth, the action plan documents weaknesses in the current systems of monitoring the education system. Monitoring systems are not effective because officers have to spend much of their time in administration and do not have enough time to focus on quality improvements in education. Data that is generated is old and not useful for local planning. A self-evaluation grading tool for schools is available but not in use widely. Better

organisation and more effective delivery was planned in the succeeding years to improve overall monitoring and reporting. As far as education is concerned, today's Maharashtra presents a mixed picture of plenty and poverty, of widespread development accompanied by pockets of deprivation. While the quantitative expansion of schooling opportunities have been impressive, quality remains a question.

Modern Maharashtra's education system is built on a strong progressive legacy of the past. It is visible in patterns of participation in education of girls and women as well as rising educational attainment among the historically disadvantaged groups. Education was a core arena of activity for Maharashtra's social reformers and political leaders in pre-independence India. But with the increasing dependence on State provision and support since 1960, the role of progressive and voluntary activism in education has declined substantially. At the same time, there is rising involvement of private and commercial interests buttressed by political leadership's local initiatives to consolidate their hold on the socioeconomic underpinnings of the community to be served, in secondary and post-secondary education.

On the quantitative side, there is no doubt about the impressive increases with respect to access to basic education. The numbers of primary schools and secondary schools per capita population have increased substantially. Despite increasing enrolments at all levels, the government has managed to keep teacher-pupil ratios remarkably stable. There are exceedingly few habitations anywhere in the State without schools. Practically all teachers of government schools have received intensive in-service training in the last five years. Whether primary or secondary, the distribution of schooling opportunities has been relatively even across the State. Thus, the broad picture that emerges is that provision has increased and the distribution of educational opportunities has widened. Over time, in each age group, a larger proportion of the population is participating in education. The differences between boys and girls in Maharashtra are much smaller than in most States. In fact, the participation of boys and girls is quite similar till higher levels of the education syste.

Although enrolments are rising among scheduled castes and tribes, their performance lags behind that of the rest of the population. Although access to schooling is high in

the State, dropout levels are also high. Rapidly rising higher secondary and college enrolment is accompanied by poor rates of success in school board exams. Very little information is publicly available about how many children in school know or have learned as compared to what they are expected to know. However, from learner achievement studies conducted by DPEP and from learning achievement estimates available in urban municipal primary schools, it is apparent that quality of basic education still remains to be improved. Widespread State provision of primary schooling is found side by side with high levels of private activity in the secondary stage. Whether the private (aided and unaided) provision of schooling at the secondary stage implies that post-primary education remains out of reach of the lower income groups needs to be studied carefully.

Table 16

Percentage of persons aged 5 years and above by level of rural education separately by sex.

State	Gender	Not Literate	Literate	Literate up to				
				Below Primary	Primary	Middle	Secondary	Higher Secondary and above
1987-88								
Bihar	Male	61.2	38.8	16.6	6.6	8.5	5.9	1.2
	Female	85.7	14.3	8.5	3.5	2.1	1.0	0.1
	Person	73.5	26.5	12.8	4.3	5.3	3.4	0.6
Maharashtra	Male	42.5	57.5	18.1	19.4	11.4	7.0	1.2
	Female	67.3	32.7	10.9	14.3	5.2	1.9	0.3
	Person	54.9	45.1	13.9	17.4	8.3	1.3	0.8
1993-94								
Bihar	Male	48.6	51.4	19.5	8.4	11.3	6.9	4.1
	Female	76.4	23.6	13.1	5.2	4.2	2.3	0.3
	Person	60.6	39.4	16.8	7.1	8.2	4.9	1.1
Maharashtra	Male	26.4	73.6	20.4	18.2	18.9	11.3	7.7
	Female	43.8	56.2	15.6	16.7	14.1	5.8	2.0
	Person	38.6	61.4	17.3	17.9	16.2	8.1	4.6
1999-00								
Bihar	Male	44.6	55.4	20.6	9.5	12.5	7.8	5.4
	Female	72.9	27.1	13.7	5.4	4.6	2.4	1.0
	Person	58.2	41.8	17.3	7.5	8.5	5.2	3.3
Maharashtra	Male	22.2	77.8	17.6	19.6	20.5	11.8	8.3
	Female	45	55	14.8	17.2	14.5	6.0	2.5
	Person	33.5	66.5	16.2	18.4	17.5	8.9	5.4
2001-02								
Bihar	Male	38.4	61.6	22.8	10.7	14.4	9.3	4.4
	Female	65.2	34.8	14.2	8.3	6.9	4.6	0.7
	Person	50.8	49.2	18.8	9.6	10.9	7.1	2.6
Maharashtra	Male	23.8	76.2	16.4	19.5	22.7	9.2	8.4
	Female	41.7	58.3	14.7	17.6	18.2	4.8	2.9
	Person	32.6	67.3	15.6	18.6	20.5	7.0	5.8
Jan-June- 2004								
Bihar	Male	40.9	59.1	19.4	10.3	13.2	9.5	6.4
	Female	66.3	33.7	14.9	7.5	6.2	3.7	0.9
	Person	53.0	47.0	17.3	9.0	9.9	6.7	3.8
Maharashtra	Male	21.0	79.0	14.7	21.8	23	10.2	9.2
	Female	42.1	57.9	11.8	17.6	18.6	5.6	4.3
	Person	31.4	68.6	13.3	19.7	20.8	7.9	6.8

Source: NSSO rounds

Table 17

Percentage of persons aged 5 years and above by level of urban education separately by sex.

State	Gender	Not Literate	Literate	Literate up to				
				Below Primary	Primary	Middle	Secondary	Higher Secondary and above
1987-88								
Bihar	Male	35.5	64.5	18.8	11.7	13.3	14.5	6.0
	Female	59.4	40.6	15.8	9.1	8.0	5.5	2.2
	Person	47.5	52.5	17.2	10.3	11.2	10.2	4.1
Maharashtra	Male	21.9	78.1	18.6	18.8	11.7	21.5	7.3
	Female	37.3	62.7	18.2	17.8	9.1	13.5	3.7
	Person	30.1	69.9	18.4	17.9	10.6	17.5	5.5
1993-94								
Bihar	Male	27.8	72.2	18.1	11.5	13.9	14.1	13.2
	Female	48.6	51.4	15.3	9.3	9.1	7.2	6.4
	Person	39.4	60.6	16.9	10.1	11.6	10.8	8.3
Maharashtra	Male	13.8	86.2	16.4	17.9	16.8	20.7	14.1
	Female	29.2	70.8	16.1	17.3	13.4	13.8	8.7
	Person	21.3	78.7	16.3	17.4	15.2	17.1	11.3
1999-00								
Bihar	Male	21.9	78.1	17.7	11.4	14.1	12.5	22.4
	Female	40.5	59.5	16.2	9.9	11.6	9.6	12.2
	Person	30.4	69.6	17	10.7	12.9	11.2	17.7
Maharashtra	Male	8.2	91.8	14.2	16.5	21.6	18.3	21.1
	Female	20.8	79.2	13.8	16.2	20.9	13.1	15.2
	Person	14.0	86.0	14.0	16.4	21.3	15.9	18.4
2001-02								
Bihar	Male	17.7	82.3	17.2	11.3	20.0	11.0	23.7
	Female	39.5	60.5	18.0	7.5	15.2	9.4	10.7
	Person	27.7	72.3	17.5	9.6	17.8	10.3	17.1
Maharashtra	Male	7.8	92.2	10.4	14.9	23.7	18.6	24.7
	Female	17.7	82.3	10.7	15.1	22.8	14.1	19.5
	Person	12.4	87.6	10.5	15.0	23.3	16.5	22.3
Jan-June- 2004								
Bihar	Male	15.5	84.5	15.8	12.3	14.8	17.8	23.9
	Female	28.4	71.6	16.7	13.9	15.5	13.5	11.9
	Person	21.6	78.4	16.2	13.1	15.1	15.8	18.2
Maharashtra	Male	6.0	94.0	10.1	17.6	22.5	18.0	25.8
	Female	16.6	83.4	10.9	16.8	23.0	13.0	19.7
	Person	10.9	89.1	10.4	17.3	22.7	15.7	23.0

Source: NSSO rounds.

The literacy condition in the above table 19 and 20, for both states Bihar and Maharashtra shows that there is improvement in the literacy rate but at simultaneously rural urban gap has also increased particularly in higher education. In rural Bihar, overall literacy rate has increased from 26.5% (38.3% for male and 14.3% for female) in 1987-88 to 47% (59.1% for male and 33.7% for female) in 2004. During this period, percentage of persons with literate up to primary level has increased from 17.1% (23.2% for male and 11% for female) to 26.3% (29.7% for male and 22.4% for female).The percentage of persons with higher secondary and above education has increased slightly from 0.6% (1.2% for male and 0.1% for female) to 3.8% (6.4% for male and 0.9% for female). In urban Bihar, overall literacy rate has increased from 52.5% (64.5% for male and 40.6% for female) in 1987-88 to 78.4% (84.6% for male and 71.6% for female) in 2004. During this period, percentage of persons with literate up to primary level has slightly increased from 27.5% (30.5% for male and 24.9% for female) to 29.3% (28.1% for male and 30.6% for female).The percentage of persons with higher secondary above education has increased from 4.1% (6% for male and 2.2% for female) to 18.2% (23.9% for male and 11.9% for female) during this period.

In rural Maharashtra, overall literacy rate has increased from 45.1% (57.5% for male and 32.7% for female) in 1987-88 to 68.6% (79% for male and 57.9% for female) in 2004. During this period, percentage of persons with literate up to primary level has slightly increased from 31.3% (37.5% for male and 25.2% for female) to 33% (36.5% for male and 29.4% for female). The percentage of persons with higher secondary and above education has increased from0.8% (1.2% for male and 0.3% for female) to 6.8% (9.2% for male and 4.3% for female). In urban Maharashtra, overall literacy rate has increased from 69.9% (78.1% for male and 62.7% for female) in 1987-88 to 89.1% (94% for male and % for female) in 2004. During this period, percentage of persons with literate up to primary level has slightly decreased from 36.3% (37.4% for male and 36% for female) to 27.7% (27.7% for male and 27.7% for female), both male and female literacy up to this level has declined. The percentage of persons with higher secondary above education has increased from 5.5% (7.3% for male and 3.7% for female) to 23% (25.8% for male and 19.7% for female) during this period. .

The Government of Maharashtra has specific programs and schemes to target particularly vulnerable populations. Free passes to travel by State-owned transport

system was incorporated as a special motivation and facilitating element to encourage girls to attend schools, if the schools were away from their villages. For example, in 1996, schools were created for children of sugarcane workers to provide continuity in education despite seasonal migration. The new *Vasti Shala* scheme's design provides schooling opportunities in inaccessible locations or if there is no primary school within half a kilometre of a habitation. Special facilities, such as free textbooks, free uniforms and writing material are available for primary school students (Standard I to IV) in educationally backward areas of 103 blocks. To encourage scheduled caste and scheduled tribe children to attend school, uniforms and writing material is provided—the expenditure on this account is fixed at Rs 70 per pupil for clothes and Rs 10 per pupil for writing materials. There are other supplementary schemes like the Book Bank scheme for supplying textbooks to poor children especially SC and ST. Attendance allowance is paid to encourage enrolment and attendance of girls in primary school at the rate of rupee one per day for all girls in areas and for girls whose parents are below the poverty line. Tribal students in Standard V to X are paid a stipend (Rs 40 per month to boys and Rs 50 to girls in Standard V to VII and for Standard VIII to X Rs 50 per month for boys and Rs 60 per month for girls) if they attend school at least 75 per cent of the working days. The bottom line for any school improvement plan is whether there are enough funds sanctioned *and* spent to achieve the goals. For Maharashtra, as in the case of several other States, additional external sources of funds from Government of India and from donor agencies or governments was made available through a number of different projects such as DPEP. The schemes did become operative in the latter half of the 1990s with the commitment of Government of Maharashtra being approximately Rs 2,000 million. The implementation of these schemes, however, varies considerably by programme/ project and across districts. For example, 60 per cent of those targeted in the Book Bank scheme for Standard I to IV receive the books, and only 40 per cent of the targeted in Standard V to VII group actually benefit. Even in effectiveness, there is variation across districts: for the Standard I to IV Book Bank Scheme, 100 per cent of targeted children in Osmanabad, Bhandara and Amaravati receive books, but only 23 per cent of the eligible children in Buldhana and 31 per cent in Akola get them. The scheme of providing stipend to tribal students reaches almost 80 per cent of all targeted children. Based on national policy guidelines (National Policy on Education 1986), a new curriculum was approved in 1995. New textbooks were prepared by the

year 1997. From 1997–98, the implementation of the new curriculum started in Standard I and II. It was extended to Standard III and IV in 1998–99 and for Standard V in 1999–2000. In the current year, focus has been on the introduction of English in primary classes. An intensive teacher training was put in place to support the new curriculum. Termed as SMARTPT (State-wide Massive and Rigorous Training for Primary Teachers) it has covered almost all primary school teachers in Maharashtra. In 1997–98, 1,68,290 teachers of Standard I and II were trained. During 1998–99, 1,70,353 teachers of Standard III and IV were trained and in 1999–2000, 98,104 teachers of Standard V were trained. The large-scale teacher training effort undertaken by the State Government in the late 1990s has been remarkable, the other significant element in this being the appointments of Central Primary School Co-ordinators and decentralised monitoring and academic guidance.

Literacy level is a commonly used indicator in social science research and analysis. In the Indian context, it is important to raise questions about how it is measured and therefore what this measure stands for. Although literacy rates have gone up considerably over time, the methods and tools for measurement of literacy have remained relatively crude. According to categorisation in the Census, a literate is one who can write his or her own name. This ability does not automatically translate into even being able to read or write simple sentences for a vast majority of uneducated people.. Although it is obvious that literacy is a convenient and easily available indicator for most countries and states, the actual content of the parameter and the method of measurement should be kept in mind when interpreting trends.Finally, while human capabilities can be defined quite broadly, the basic foundations on which other human capabilities can be built, is the learning that is expected to take place in primary and secondary school. In terms of analysing if human capabilities are increasing or not, it is imperative that we understand what children are able to learn at each level (or grade) in the educational system.

Section 3:
Health Outcomes:

Health systems deserve the highest priority in any endeavour to improve people's health, since they provide the critical interface between life-saving interventions and the people who need them. The World Health Organisation (2000) has rightly emphasized that the primary goal of a health system should be to provide better health in a responsive manner and with a fair financial distribution. However, how well a health system accomplishes this goal is reflected in actual health outcomes (attainments) in relation to potential, given the endowments/health investments (performance). Until very recently, the analysis of health systems centered on the indicators that reflect health attainments, such as infant mortality rates (IMR) and life expectancy at birth (LEB), or a combined human development index (HDI) using education and incomes along with health indicators. This approach failed to take account of differences in health care endowments and their efficient use. The fact that much of the variation in the health outcomes of different health systems was attributable to the differences in their performance.

Development in a society has come to mean how well a society is doing in raising per capita incomes, education and health levels. While, it is not necessary that there be a straightforward relationship between these different aspects of well being, in general we would expect them to be correlated. We need to investigate not only how changes in the macro-economy affect growth, poverty and inequality, but also whether and how these pervasive changes have affected health and attainments. Health is an important aspect of human development. One of the most important predictors of health status is income. However, health is a dimension of human capital and healthier people are more productive. The relationship between health and income is bi-directional: the health status of a person influences his or her income status as well. Given the prevalence of mass poverty in India, the question is not only how to raise the incomes of the poor that will be instrumental in improving their health status but also to identify policy interventions that can improve people's health status at existing income levels. India's performance in improving the health of its population has been much inferior compared to educational development. Infant, child and maternal mortality rates remain at very high levels. In Bihar and Maharashtra more than 70% children are anemic. Another proximate reason for childhood mortality is

the extent of protection from infections and diseases of childhood. Adequate and timely immunization goes a long way in providing protection from polio, measles and diphtheria. The prevalence of complete immunization among children is heterogeneous across states and districts of India. In 1999, West Champaran in Bihar registered the abysmally low figure of 14% for children with complete immunization, which was a quarter of the mean of 60% for all districts. The percentage of anemic women range from more than 63% in Bihar and Orissa to 22% in Kerala with the other states clustering around 50%. Apart from lack of nourishment, many women lose their lives in childbirth due to poor availability of medical infrastructure and personnel. For the 188 districts in the 14 major states for which data are available in 1999, the percentage of pregnant mothers who delivered infants in hospitals or under the supervision of trained medical personnel at home was as low as 7.9% in Samastipur in Bihar, Large disparities exist between literate and illiterate mothers in the production of child and infant health. These disparities are further exacerbated by membership of scheduled and low castes and tribes. However, rural or urban residence cut across education, caste and class groups with greater differentials in health outcomes between rural and urban populations than across other socio-economic groupings. In order to improve the health of its population, India will have to redress existing inequalities that exist between rural and urban areas and across different socio-economic groups. One of the most important reasons for high levels of mortality and morbidity in India is under-nutrition. Food security continues to elude many. One of the contradictory aspects of Indian development is the continuing lack of access to food by large sections of the population in a period when national availability of food stocks per capita is at historic high levels. There is a great need for developing the health infrastructure and for providing better infrastructure in general. The backward states, especially Bihar still lag behind the rest of India in human development.

Additionally, from a budgetary point of view, government resources need to be shifted towards investments in human development, leaving the private sector with the major responsibilities for increased economic growth. The government at both center and state levels should commit much greater resources to public health and education. The major budgetary challenge, therefore, is to shift government spending away from low-priority areas (such as untargeted subsidies, excessive bureaucracy,

and investments that can better be left to the private sector) towards high-priority areas such as health and education that can only be met by public spending. The shortfalls in health, education, and population control are of course mutually interactive. Illiterate mothers are much more likely than literate mothers to suffer the deaths of young children due to disease, since literate mothers are more effective at care giving and at seeking out medical help in emergencies. High infant mortality rates promote high fertility rates, since households have many children to compensate for the risks of childhood deaths. High fertility rates, in turn, promote a social bias against educating young girls, since parents lack the resources to provide a quality education for all of their children, and therefore invest scarce resources in boys, for whom the market returns to investment are higher.

The 2001 Human Development Report (HDR) (Government of India, 2001), assessing the health status of people across different Indian States using a Human Development Index (HDI), has already indicated the intra-regional difference in health attainment levels in India. It also points out that the foremost problem in Indian health systems is the persistent gaps in manpower and infrastructure, with wide inter-State disparities, especially at the primary health-care level, and their detrimental impact on less developed, backward and rural areas. An efficient health service is one that achieves its objectives with the least cost. The idea of an 'efficient' health facility is derived from the neoclassical production model in which agents choose inputs to minimise costs. However, in health care, outcomes are the most important aspect and efficiency would essentially mean improving the health of people, either by utilising the current level of inputs to the maximum or, if that is achieved, increasing the inputs to reach a higher level of outcomes. One way to achieve this is to identify those systems that are performing better than others and to look into the factors that have induced these systems to perform better.

Taking into account the level of investments (in health infrastructure), the process of attaining the outcomes (the efficiency of the system) and the actual outcomes, such an analysis should assist the States in devising an appropriate health investment strategy (i) to achieve a higher level of overall goal attainment without increasing its resource inputs; (ii) to address the question of the adequacy of the health infrastructure; and (iii) to address the exogenous determinants of its efficiency. It is widely felt that a

better understanding of the factors underlying the variations in performance at State level is needed for reform strategies and better management of the health sector. It is also acknowledged that the differences in efficiency are related to the differences in the way the health infrastructure and facilities are provided and managed. This may require identifying factors outside the health sector that explain differences in efficiency.

Bihar is the poorest state in India and has some of the worst health indicators. Health outcomes in Bihar, with some exceptions, are below the national average. At current rate of progress, Bihar will be able to achieve the MDG targets for infant mortality, child malnutrition and access to safe drinking water. In the case of two key indicators, namely proportion of births attended to by skilled personnel and access to sanitation, the progress remains far below the levels that are necessary. There are some indicators that show positive trends. For example, infant mortality and child mortality rates are not only lower than those in Orissa and Uttar Pradesh, but have also shown substantial improvement during 1990s. Other important indicators however continue to lag behind the national averages. Maternal mortality rate(MMR) in Bihar is 707 per 100,000 women of reproductive age, compared to national average of 404. High MMR is the result of several factors, such as lack of antenatal care(ANC) and postnatal care (PNC) and high incidence of unsafe deliveries. These indicators are deficient in Bihar, even compared to other laggard states like Uttar Pradesh and Orissa.

Only 18.2 percent of households have access to electricity, less than 17 percent have access to adequate sanitation and more than one quarter of households do not have access to clean water. Such desperate living conditions, accompanied by a breakdown in governance and high levels of violence and banditry have forced most International Financial Institutions and bi-lateral donors out of the state which has in turn compounded Bihar's problems. Despite its problems and the continued failure of governance, Bihar remains home to approximately 1 in 12 Indians. After the bifurcation of the state, Bihar has gone from being the most populous state to number three following Uttar Pradesh and Maharashtra. Given the huge population and the extent of poverty and disease, improvement in health outcomes in the state are vital to achieving the MDGs. Publicly provided primary and secondary level care in Bihar as

in other Indian states relies on a network of primary health centers (PHCs) and community health centers (CHCs). Bihar has 396 PHCs and 101 CHCs which means that each PHC caters for more than 200,000 patients while each CHC caters for more than 800,000. These figures should be compared to national targets to have one PHC cater for a population of 30,000 and one CHC to cater for a population of 100,000. It is reported that there are 15,426 beds in Bihar in both the public and private sectors less than one bed per 5,000 population. There are 2,992 registered doctors in Bihar or about 1 per 28,000 of the population compared to the national average of one per 2,100. These disparities are repeated for all other types of health worker. In theory each PHC in Bihar is staffed with between two and four doctors. In practice, doctors rarely show up, especially in the rural areas. The government salary, although described as "reasonable" by government officials is only a third of what they could earn in the private sector. It is clear that the PHC could be managed with a single dedicated doctor rather than four absentee doctors. It would also make it easier to hold them accountable.

Bihar's dismal health indicators reflect the meager utilization of public health facilities by the majority of the population for both preventive and curative care. It also highlights the need for the government to seriously consider alternative means of delivering primary health care goods and services to satisfy demand, such as the estimated 40% unmet needs for family planning commodities and services. The private sector is the dominant force in health care provision both for outpatient and in-patient services As in other states informal providers both registered and unregistered and both qualified and unqualified are the predominant source of health care for those in both urban and rural areas. In many rural areas, these "quacks" represent the only source of health care. As one stakeholder puts it,"Where health is not provided by doctors, villagers themselves must take control. the gap between demand and supply has been filled by various private providers, who are seen to be either better or in many cases the only alternative to the public health facilities. They include a range of providers such as informal unqualified providers, Traditional Birth Attendents (TBAs), faith healers, pharmacists or pharmacy assistants in medicine shops (for self-medication), qualified physicians[8], NGO clinics and for-profit nursing homes and hospitals. It is important to understand that the private sector does not represent a homogenous group. The health-seeking behavior of the people of Bihar is largely

determined by many interconnecting factors, such as gender, traditional beliefs, customs and norms, level of education, socio-economic standing, and physical factors like distance and lack of transportation. These in turn have a great influence on where care is sought.

Although Bihar BPL population of 42.6 percent, the poor depend on private providers for their medical needs. When the poor are hospitalized, three-quarters of them go to private hospitals. The reasons cited by the respondents to the NFHS II for this choice were as follows:

- Non-availability of doctors or no staff in time of need;
- Indifferent and bad behavior of staff;
- Inaccessibility due to distance;
- Belief that drugs provided were substandard and ineffective;
- Experienced charging of illegal fees for services that were supposed to be for free;
- Not aware of the range of services provided by the PHC.

High private health costs can push the poor into poverty. As a result of inadequate public health facilities, Bihar leads the nation in terms of private health care delivery for both inpatient and outpatient services. This is despite the fact that most of these patients do not have the means to make out-of-pocket payments for private health services except at the cost of other essential expenditure for items such as basic nutrition. Studies at the national level have illustrated that hospitalizations often result in patients and their families dropping below the poverty line. Bihar's health infrastructure is inadequate to meet current health care challenges. However, simply building more facilities will not improve outcomes unless management reforms are also introduced (see Bow 2.2). In a state in which more than 90 percent of outpatient care takes place in the private sector, government can not expect to improve outcomes without improving stewardship over the whole sector i.e. including the public and private spheres. Although untrained, the "quacks" are trusted by many not for necessarily for their healing skills but because they are there when needed and offer an affordable and courteous service. A "quack" who lives at his place of practice, as many do, is available 24 hours a day, seven days a week. They accept cash or in kind payment

for services rendered and often offers credit for those who cannot afford to pay on delivery of service. It is not common for villagers to choose to continue going to the "quacks" even if an ANM is around. Government can consider methods to co-opt these informal providers, primarily for the trust that they have with villagers. They could be utilized for health promotion and even the provision of simple services. The Janani model has shown that this can be achieved relatively quickly and with impressive results. What remains more challenging is how to stop such informal providers from practicing "quackery". The most promising method is probably a combination of carrot and stick, providing those that are willing and able with additional training and skills (similar to barefoot doctors) and shutting down those that continue to ply their harmful trades. In India 83 percent of out-of-pocket expenditures are spent on private services. In Bihar this ratio is over 90 percent, indicating Bihar's heavy dependence on the private sector. Out of pocket expenditures (OOP) pay for almost all privately provided health care as private insurance has yet to take off throughout India and especially in Bihar.

For the rural poor, this financing method automatically limits their choices for care. With hard-to-come by cash and limited goods that could be bartered in exchange for care, the only available option to them is the informal provider, whose credentials may be suspect and who engages in the most part in dubious curative care. In the absence of a regularly functioning sub-center, and a PHC with very limited services, many cannot take advantage of primary health care. Thus, the rural poor have the double burden of paying for their own care that they can hardly afford and lacking access to life saving and more cost-effective preventive health services that could help avert the need for curative care. There are two major costs of health care, direct and indirect. The direct costs of health care include; the fee charged by the provider for consultations, the cost of medication and consumables, the charges for investigation and diagnostics, and the price of room and board for a hospital stay. The indirect costs include transportation, the costs associated with a traveling companion, lost income, and costs of childcare or care for the aged. Both the direct and the indirect costs that can often influence the decision on whether, from whom and when to seek health care. It is important to note that government secondary and tertiary facilities charge fees for services and hospitalization, although at a lower rate than private

providers. Although PHCs are supposed to offer free services including; consultation, minor surgeries, deliveries, minor lab work, and medication, anecdotal reports suggest that patients are forced either to make informal payments for access or that more often than not, consumables and medicines, even basic laboratory agents are not available, thus, patients end up purchasing them using their own funds or going to a private provider.

There are several types of health insurance institutions operating in the state. The two largest are the Employee State Insurance or ESI, the mandatory insurance for employees and workers in the business sector with at least 10 employees and earning less that Rs 6,500 a month and government employees, and the Central Government Health System (CGHS), which covers only central government employees assigned to the state. There is also a number of private insurance schemes offered by government and private insurance companies and, the recently launched government Universal Health Insurance Scheme. Bihar is the poorest state in India and spends only US$2 per capita annually on health care. Low levels of spending in a system which is not focused on results have resulted in poor health outcomes especially for women and children. More than half the state's children suffer from malnutrition; only 11 percent are fully immunized, while more than half receive no immunizations at all. Within such a context the first priority for government must be to improve primary health care outcomes with a specific focus on reproductive and child health Given the poor situation of the primary health system. Although the state's health budget is small in relation to the magnitude of the challenges it faces, the real reason behind poor health outcomes in Bihar is poor management of public sector services and poor stewardship of the whole health sector. Spending more money within the current system, without introducing any reforms, is likely to be counterproductive. What is needed, in such an environment, is improved management and oversight of the whole system, the introduction of a performance culture and the measurement and accountability for inputs, outputs and outcomes. Bihar faces a number of difficulties in introducing reforms to improve the performance of the public sector. Firstly, government capacity in Bihar is extremely weak and will take a long time to improve. It is not possible to improve the health system without increased government capacity. Secondly, donor organizations are unwilling to

provide support to the system through the Bihar government as there is a widespread lack of confidence in the state's governance.

Income levels alone do not determine the well being of a people but it is a criterion that cannot be circumvented. But more importantly, a true reflection of an individual or a society is to be found be circumvented. But more importantly, a true reflection of an individual or a society is to be found in the nutritional and health status attained which can be measured by life expectancy at birth, infant mortality rate and nutritional attainments. In Maharashtra, where average per capita income is higher than national levels but is unevenly distributed, the other test would be on attainments in the area of improvement in life expectancy at birth and whether infant mortality is declining and how well nourished are the people.

Much depends, naturally, on the access to healthcare, the quality and the spread of its facilities. The issue of health infrastructure is therefore a major one. On two counts, Maharashtra has done fairly well, though there is room for improvement—raising life expectancy at birth and reducing infant mortality rate (IMR). Life expectancy levels are higher for women and the differential in IMR between males and females is only marginal. The nutritional status, however, does not correspond to other attainments, including economic measures. More than half the households in the State fall below the prescribed standard norm for nutrition and these households receive less than 90 per cent of the required level of 2,700 calories per day per consumer. From 105 in 1971, the infant mortality rate (IMR) declined to 48 per 1,000 live births in 1999, with the differential across males and females being only marginal to the extent that it barely exists In the case of life expectancy at birth it is favourable to females. From 54.5 years during 1970–75, it improved to 63.8 years for males in 1993–97; whereas in the case of females it increased over the same period from 53.3 years to 66.2 years, which is remarkable. What stands out, however, is the urban-rural differential; men have a relatively lower life expectancy in the villages compared to women but the life expectancy is higher for both sexes in towns and cities. The rural-urban differentials in mortality are also quite marked, reflecting its influence on life expectancy at birth. Latest estimates indicate that life expectancy at birth is 67.7 years and 61.7 years for urban and rural males respectively. It is 71.2 years and 63.9 years for urban and rural females respectively. This differential is marked between the two

areas in the case of IMR as well, which in 1999 was 58 for the rural population and 31 for the urban population. Though the overall accessibility to health services, which is better in the urban areas. IMR has gradually declined, the gap in the accomplishment between the urban and rural regions in this segment has been slowly declining, causing concern. Infant and child mortality data, when seen in detail also reflect a declining trend but the urban-rural gap persists here as well. In the rural areas, the number of deaths per 1,000 live births within a month of life is twice of what prevails in towns and cities. In these critical areas, as in the case of life expectancy, the future focus would have to lie in bridging this differential which is obviously closely associated with the availability of and accessibility to health services, which is better in the urban areas.

The status of nutrition in Maharashtra is not encouraging. As much as 57.4 per cent of households in rural areas and 54.8 per cent in the urban consume less than the standard 2,700 calories per day. Only about a quarter of all households in the rural and 28 per cent in the urban areas belong to what is actually an average calorie intake ranging between 90 per cent to 110 per cent. If there is any improvement, it is in the urban areas. Per capita production of food grains also reflects a decline from 172 kg per capita in 1986 to 140 kg per capita in 1999. There are two measures of deprivation—severe deprivation and mild malnutrition. Maharashtra does have a high percentage of undernourished children. By the weight-for-age norm, the percentage of undernourished children below two years of age is high, i.e., at about 20 per cent and more in Ratnagiri in Konkan, Ahmednagar and Pune in Western Maharashtra, Beed in Marathwada, and districts of Vidarbha including Amaravati, Bhandara, Chandrapur and Gadchiroli. Use of the Integrated Child Development Services (ICDS) to improve the nutritional status of women and children has met with some success with the State Government providing for supplementary nutrition to children under six years of age, pregnant women and nursing mothers belonging to poor families enrolled at Anganwadis. But even here, a somewhat disturbing picture emerges in that the number of beneficiaries is always lower than those eligible and though over the years, more individuals are being brought into the net, their percentage fluctuates without showing any substantial increase.

Compared to other developed States, the overall health sector in Maharashtra is weaker, not having kept pace with its general economic attainments Its intra-state differences are a cause for greater concern. The urban areas, especially in and around Mumbai and in south-western Maharashtra are well provided for but the rest lags behind in health infrastructure. Its rural infrastructure of PHCs is as per the defined norms but they are not adequately supported by inputs needed to run a proper healthcare system. Public investment and health expenditures are not only inadequate but have declined in the 1990s. Maharashtra's position relative to other States has also worsened

The NSSO surveys reveal that use of public hospitals for in-patient care has declined from 45 per cent of the cases in 1987 to 31 per cent in 1996 and for ambulatory care, the use of public facilities has dropped from 26 to 18 per cent during the same period. The urban areas have marginally higher utilisation rates in the public sector as compared to rural areas. The declining use of public health facilities in the context of high levels of poverty is a symptom of the deterioration of the public health system. Given the large size of the private healthcare sector, there are two major concerns, which need to be addressed. First is the issue of quality and minimum standards for the services provided. While studies of public institutions have shown complacency, long waiting time, non-availability of doctors and medicine etc., as its ills, the study of private institutions and providers have shown absence of any minimum standards, both clinical and physical as well as irrational drug use, etc. Secondly, the private health sector operates in an unregulated environment. The professional medical bodies have not shown any concern towards setting up basic rules while the government, despite some regulations, does not implement them. Both these issues require some concern today, both at the level of policy making as well as in the profession. In Mumbai, there is an initiative called Forum for Healthcare Standards to help set up an accreditation system which would help set up basic norms and monitor its practice towards quality care. The State Government has undertaken an initiative for drastic changes in the Medical and Clinical Establishment Act to regulate quality and minimum standards in healthcare provision

It is the desire for a better quality of social amenities that creates a demand for private sector facilities. The private healthcare sector in Maharashtra is both the largest in the

country as well as better developed, with some of the largest and well-known private hospitals being located here, especially in Mumbai. These large hospitals, expensive and sophisticated though private, are registered as non-profit institutions, which is a peculiar feature not found to the same extent elsewhere in the country. Though only the well heeled find its facilities easily accessible, legally in lieu of tax benefits the hospitals are supposed to provide free services to 20 per cent to 30 per cent of their total clients. But in reality, not all such free services accrue to the poor, which is their entitlement. The share of health expenditure in the government budget has decelerated over the years, which may have an adverse impact on long-term growth and may lead to further human deprivation.

Health expenditure reckoned here includes expenditure borne by Ministries of Health and Family Welfare and therefore, excludes water supply and sanitation. It thus includes curative care i.e., hospitals and dispensaries, preventive and promotional programs such as control of diseases, family planning, immunisation, medical education, Employee State Insurance Scheme (ESIS), Food and Drug Administration, etc. Health expenditure as a percentage of NSDP at current prices declined from the levels of 0.8 per cent in the 80s to 0.6 per cent in 1998–99. As a proportion to total government spending from over 6.5 per cent in the 1980s, it dropped to 4.6 per cent in 1998–99. Revenue expenditure on health as a share of total government expenditure too has shown a decline despite increasing healthcare demands of the population Curative care in urban areas receives disproportionate attention when compared to the healthcare needs of rural population while public expenditure should actually, as per World Health Organisation norms, should ideally be five per cent of the State's Public Expenditure.

A stakeholder based, 'Healthcare Accreditation Council' has been recently formed in Mumbai. Uniquely, the Council includes a range of stakeholders—representatives of hospital owners, professional bodies, consumer organisations and NGOs. The council has been an outcome of a research study undertaken by CEHAT, Mumbai in 1997–98, to assess the need, views and willingness of various stakeholders to evolve a framework for an accreditation system. Presently, the council is in the process of developing standards for small private hospitals with a focus on certain key aspects which include structural design, equipment, wards, labour rooms, operating theatres,

essential drugs, reception rooms, consulting rooms, medical records and waste management among other aspects. It is examining systems and process related issues, including grading, method and periodicity of assessment and financing of the body as well as other areas (e.g. Indicators). Subsequently the forum plans to develop standards and indicators for specialities and super specialities. The Council would be a non-profit body and the founding members have contributed the initial funds for establishing the body. This initiative is an attempt to create a more positive environment within the established private health sector by involving them more meaningfully with other stakeholders in a quality assurance mechanism. This should help begin a process of ending a number of ills prevailing in the private health sector and lead towards some form of accountability towards the users of such services.

Table 18

Estimated annual birth rate (per 1000 persons

State / Year	Bihar			Maharashtra		
	Combined	Rural	Urban	Combined	Rural	Urban
1986	36.5	37.2	29.8	30.1	31.7	27.4
1987	36.6	37.3	30.1	28.9	30.2	26.6
1988	37.3	38.1	30.4	29.4	31.4	25.8
1989	34.3	35.1	27.6	28.5	30.6	24.6
1990	32.9	33.8	24.6	27.5	29.5	23.8
1992	32.3	33.1	25.0	25.3	27.4	21.5
1993	32.0	33.0	25.4	25.2	27.1	22.8
1994	32.5	33.5	24.3	25.1	26.9	23.0
1995	32.1	33.1	23.8	24.5	26.0	22.4
1996	32.1	33.1	23.6	23.4	24.9	21.0
1997	31.7	32.7	23.6	23.1	24.4	21.0
1998	31.1	32.1	23.1	22.5	23.6	20.8
1999	31.5	32.4	25.2	21.1	21.6	20.3
2000	31.9	32.8	25.6	21.0	21.4	20.4
2001	31.2	32.3	23.4	20.7	21.1	20.2
2004	30.9	31.8	23.5	20.2	20.5	19.8

Source: Health Information of India, Govt. of India.

Table19

Estimated annual death rate (per 1000 persons)

State / Year	Bihar			Maharashtra		
	Combined	Rural	Urban	Combined	Rural	Urban
1986	13.8	14.4	8.8	8.4	9.7	6.1
1987	13.1	13.6	8.0	8.3	9.5	6.1
1988	12.6	13.0	8.1	8.9	10.1	6.7
1989	12.1	12.5	7.9	8.0	8.9	6.3
1990	10.6	11.0	6.2	7.4	8.5	5.4
1992	10.9	11.4	6.9	7.9	9.1	5.6
1993	10.6	11.4	5.0	7.3	9.3	4.8
1994	10.4	10.8	7.5	7.5	8.2	5.6
1995	10.5	10.9	6.9	7.5	8.9	5.4
1996	10.2	10.6	6.9	7.4	8.7	5.4
1997	10.0	10.4	6.8	7.3	8.6	5.4
1998	9.4	9.7	6.5	7.7	8.9	5.6
1999	8.9	9.2	7.1	7.5	8.7	5.6
2000	8.8	9.1	7.1	7.5	8.6	5.8
2001	8.2	8.5	6.3	7.5	8.5	5.9
2004	8.2	6.1	8.7	7.3	8.3	5.6

Source: Health Information of India, Govt. of India

Table 20

Estimated Infant Mortality Rate

State / Year	Bihar			Maharashtra		
	Combined	Rural	Urban	Combined	Rural	Urban
1989	91	93	63	59	66	44
1990	75	77	46	58	64	44
1998	67	68	51	49	58	32
1999	63	64	55	48	58	31
2000	62	63	53	48	56	33
2001	62	63	52	45	55	28
2004	61	62	50	45	52	34

Source: Health Information of India, Govt. of India

Government expenditure on the revenue account and capital account represent political commitment towards the development of social sectors. Expenditures on the revenue account indicate allocations towards recurrent costs while those on the capital account represent allocations towards the development and maintenance of infrastructure facilities. A notable feature of the education and health system is that the private sector coexists with the government sector, the latter expected to foster an egalitarian arrangement. A sizeable proportion of the population was found to be depending on public sector for reproduction related services, and for inpatient care services issues. The private health sector in contrast has expanded rapidly in the last decade In the matter of medical education, the two sectors, public and private, have played a role but the nature of education and health makes it imperative for governmental intervention, this dimension indicated by government expenditures on the creation and maintenance of social infrastructure facilities.

Concluding Remarks:

The regional disparity in India is now a matter of serious concern. It is well known that in a large economy, different regions with different resource bases and endowments would have a dissimilar growth path over time. One of the reasons why centralized planning was advocated earlier was that it could restrain the regional disparity. In spite of planning, however, the regional disparity remained a serious problem in India. The existence of wide inter-regional variations in a vast country like India is well recognized. All the five year plans stressed the importance of balanced regional development and policies were designed to direct more investments to the relatively backward areas. Nevertheless, regional disparity continues to remain a serious problem. In the post-reform period, due to deregulation, the degree of control of the central government declined in many sectors. State governments can now take more initiatives for economic development than ever before. Also, the role of private sector is becoming more important as compared to the public sector. The growing regional disparity in the post reform period is now a matter of serious concern. With deregulation of private investment, faster growth in turn would induce more investment, and this in turn would further accentuate regional disparity. While the standard of living improved faster in 1990s in comparison to 1980s in most states, the opposite happened in Assam, Bihar, Orissa, Punjab, Rajasthan and U.P. The main reason for this could be the comparatively higher growth of population in these states. The problem is compounded by the negative relationship between population growth and income growth during the 1990s. Unfortunately, backward states with higher population growth are not able to attract investment – both public and private – due to a variety of reasons, like poor income and infrastructure and probably also poor governance. Our results support the view that there is a strong case for pro-active public policy to induce more investment in backward states either through public investment or through fiscal incentives. Simultaneously, efforts should be made to restrain population growth, especially in backward states. Finally, the quality of governance and in particular the efficiency of investment should be given more attention at the state level. The inverse relationship between population growth and income growth at the state level in the recent years can become an explosive issue not only economically but also politically. States with higher population growth and

lower income growth would tend to have higher unemployment rate. Migration can only partially mitigate this thorny problem. One consequence of economic reforms is that inequalities have increased over time. Apart from a rise in regional disparities, rural-urban inequalities in consumer expenditure have increased. The salaries of public sector employees have grown at 5% per annum while agricultural wages grew at the rate of 2.5% per annum in the 1990s. Intra-rural inequalities have not risen while intra-urban inequalities have increased.

Bihar is among those states where poverty is most widespread and acute. With 42.6 percent of the population below the poverty line in 1999-00- 44.31 percent in rural and 32.9 percent in urban areas- the state has the highest incidence of poverty, except Orissa. Although the incidence of poverty has declined over the years, the rate of decline has been generally lower than in other states. Consequently, the share of state's poor in total number of poor in India has increased over time. One of the major problems of rural Bihar is structural in nature. The surplus labour in rural areas is too large to be absorbed by agriculture even though employment potential of agriculture is not fully realised. Certain structural changes can improve the asset base of the poor, reduce the proportion of landlessness and improve agricultural labour absorption along with its diversification. There is need to reverse the growing trend in population of landless rural households. Land reforms have to be approached with a broader perspective of not merely fixing ceiling but identifying all forms of public and private land that could be utilised for distribution among poor. There is still room for land distribution as a means of asset based poverty alleviation in rural Bihar. The absolute level of per capita income for Maharashtra has been considerably higher than that at the all-India level whereas the proportion of poor has continued to be near the all-India average. Possible reductions in share of the poor have not been neutralized by growth in income. Maharashtra is among the richest states in India in terms of per capita income, yet incidence of poverty in the state remains close to the national average. The state's economy grew at a faster rate than the all-India average during 1980-1 to 1992-3, but it slowed down a bit during 1993-4 to 2003-4 due to poorer performance of agriculture and industry.

There is sharp contrast in occupational distribution between the poor and non-poor in rural areas. The poor are more likely to be agricultural wage workers or casual non

farm labourers, rather than cultivators or employed in a regular non-farm job. Over time the share of casual non-farm labour and self employed non-farm occupations have increased for both states. Such an occupational shift does not necessarily mean an improvement in occupational status of the rural poor. Casual non-farm labour is a 'last resort' that household choose only when other options have been exhausted.The engines of growth in rural economy need to be strengthened further, especially as the bulk of employment continues to be in the farm sector. A corrective required to neutralise the restriction of the capacity to absorb the rural labour in production activities has been the much lauded employment guarantee scheme, a mechanism that ensures wage to a farm labour that finds work on farm for any reason, including droughts.

Human capabilities can be defined quite broadly, the basic foundations on which other human capabilities can be built, is the learning that is expected to take place in primary and secondary school. In terms of analysing if human capabilities are increasing or not, it is imperative that we understand what children are able to learn at each level (or grade) in the educational system. As far as education is concerned, today's Maharashtra presents a mixed picture of plenty and poverty, of widespread development accompanied by pockets of deprivation. Bihar is the only state where primary enrolments have fallen. Since enrolments are the base for the future stock of human capital- a key input to growth and poverty reduction- stagnant for falling enrolment threatens long term growth, and Bihar's competitive position vis-à-vis other Indian states. Low completion rates result from a combination of low rates of entry, late entry in to school, and dropout rates.

Bihar is the poorest state in India and has some of the worst health indicators. Health outcomes in Bihar, with some exceptions, are below the national average. Bihar's dismal health indicators reflect the meager utilization of public health facilities by the majority of the population for both preventive and curative care. The health-seeking behavior of the people of a Bihar is largely determined by many interconnecting factors, such as gender, traditional beliefs, customs and norms, level of education, socio-economic standing, and physical factors like distance and lack of transportation. As a result of inadequate public health facilities, Bihar leads the nation in terms of private health care delivery for both inpatient and outpatient services. This

is despite the fact that most of these patients do not have the means to make out-of-pocket payments for private health services except at the cost of other essential expenditure for items such as basic nutrition. In Maharashtra, where average per capita income is higher than national levels but is unevenly distributed, the other test would be on attainments in the area of improvement in life expectancy at birth and whether infant mortality is declining and how well nourished are the people. Much depends, naturally, on the access to healthcare, the quality and the spread of its facilities. The issue of health infrastructure is therefore a major one. On two counts, Maharashtra has done fairly well, though there is room for improvement—raising life expectancy at birth and reducing infant mortality rate (IMR). Compared to other developed States, the overall health sector in Maharashtra is weaker, not having kept pace with its general economic attainments Its intra-state differences are a cause for greater concern. The urban areas, especially in and around Mumbai and in south-western Maharashtra are well provided for but the rest lags behind in health infrastructure. Its rural infrastructure of primary health cares (PHCs) are as per the defined norms but they are not adequately supported by inputs needed to run a proper healthcare system. Public investment and health expenditures are not only inadequate but have declined in the 1990s.

A fiscal reform strategy should address:

1. Development of multi-year framework of for fiscal reform.
2. Improvement of budget management practices and
3. Up-gradation of project implementation and the use of central resources.

Improving service delivery in education and health in Bihar requires a comprehensive vision for reforms. This would form the framework for two critical components. First is the policy environment- the link between policy makers and providers for effective service delivery critically rests upon a coherent policy framework. The process of policy formulation in the social sector in Bihar in weakened on account of policies, rules and regulations often being ambiguous, contradictory or fragmented. Second is the strategic planning- this is the key to the objective of improving the link between policy makers and policy providers. Strategic planning helps identify constraints to service delivery and also the specific mechanism for addressing them. A key aspect of strategic planning is the review of programs and expenditure to reduce wastage and

duplication in services. The demand side incentive can play a potential important role in improving education and health outcomes. While improving the availability and quality of service delivery is of prime importance, in many cases it may not be worthwhile for the poor which incur costs in terms of time and money to avail of these services. Well conceived macroeconomic policies can help to create an economic environment conducive to rapid employment creation and a higher average productivity of labour. This can usually best be done by exploiting actual and potential comparative advantages in employment intensive and human capital intensive activities. The programme should concentrate on the construction of productive assets, including investments in infrastructure projects that can be expected in future to contribute to sustained higher levels of output and income.

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