

**POLITICS OF INDUSTRIAL UNDERDEVELOPMENT  
IN THE STATE OF BIHAR.**

**Dissertation submitted to the Jawaharlal Nehru University  
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MASTER OF PHILOSOPHY**

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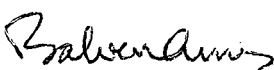
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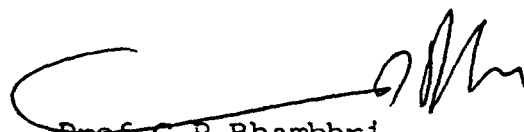
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DECLARATION

Certified that this dissertation entitled  
"POLITICS OF INDUSTRIAL UNDERDEVELOPMENT IN THE  
STATE OF BIHAR" submitted by SHYAM SUNDER CHATURVEDI,  
is in partial fulfilment for the degree of  
Master of Philosophy of this university. This  
dissertation has not been previously submitted  
for any other degree of this university and is  
his own work.

We recommend that this dissertation be placed  
before the examiners for evaluation.

  
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## C O N T E N T S

	Page No
Acknowledgement	
CHAPTER - I INTRODUCTION	1-13
CHAPTER - II CENTRAL GOVERNMENT'S POLICIES AND BIHAR'S INDUSTRIAL UNDERDEVELOPMENT.	14-58
CHAPTER - III ROLE OF THE STATE GOVERNMENT IN THE INDUSTRIALIZATION OF BIHAR	59-96
CHAPTER - IV THE BIHAR CHAMBER OF COMMERCE	97-125
CONCLUSION	126-131
BIBLIOGRAPHY	132-141
APPENDICES	142-157

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(SHYAM SUNDAR CHATURVEDI)

CHAPTER - I

INTRODUCTION

## CHAPTER - I

### INTRODUCTION

Bihar is one of the most industrially underdeveloped states in India. Among the major states it has the lowest per capita income.<sup>1</sup> In 1983-84 it had 50% of its population living below the poverty line.<sup>2</sup> The level of urbanization is very low here.<sup>3</sup> In 1984-85 the per-capita value added by the industrial sector in Bihar was only Rs.150 in comparison to the industrially advanced states like Maharashtra (Rs.649) and Gujarat (Rs.576).<sup>4</sup> In 1981 non-agricultural workers constituted 13.5% of the total number of workers in Bihar against an all-India average of 31.24%.<sup>5</sup>

It is said that while other states have 'sick industrial units', Bihar has 'sick industries'. This can be illustrated by taking the case of sugar industry, the principal industry

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1. See Appendix-I
  2. Centre for Monitoring Indian Economy(henceforth CMIE), Basic Statistics Relating to the Indian Economy, Vol.2: States, Sept. 1988. 110-120 Kaliandas Udyog Bhawan, Worli, Bombay, 25, Table 14.10
  3. See Appendix- II
  4. CMIE, op.cit., Table 9.10.
  5. Bihar Industrial and Technical Consultancy Organization Limited (BITCO), Report on Industrial Rejuvenation of North Bihar, Part-I, Paper presented at Seminar on Industrialization of North Bihar, sponsored by the Industrial Development Bank of India (IDBI), Patna, 1988. p. 81.

of North Bihar. During the 1930s government protection and patronage had led to its rapid growth. In the year 1932-33 Bihar produced 44% of the total Sugar produced in the country.<sup>6</sup> But in 1984-85 Sugar production in North Bihar, where all the sugar mills of Bihar barring three are situated, was only 1.44 lakh tons which showed a decline of 60% over the 1963-64 peak production of 3.63 lakh tons. With this production, North Bihar's share in the total all-India production of sugar came down from 11.1% in 1963-64 to 2.3% in 1984-85.<sup>7</sup> Presently, out of the total of 338 sugar factories in the country, Bihar has only 28 and these contribute barely 5% of the country's total sugar production.<sup>8</sup> Out of these 28 sugar factories the Bihar State Sugar Corporation, established in 1974, had to take over 15 of them because these factories had grown sick and showed no sign of recovery on their own.<sup>9</sup>

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6 Prasad K.N., The Economics of a backward Region in a Backward Economy: A Case Study of Bihar, Scientific Book Agency, Calcutta, 1968, p. 45.

7 BITCO, IDBI Seminar, Patna, 1988 op.cit., p. 34.

8 Guru, D.D., Industrial Reconstruction of North Bihar, IDBI Seminar, Patna, 1988. op.cit., p. 9.

9 Ibid., p. 14



The cement industry may be counted as another 'sick industry' in Bihar. There are a total of six cement factories here out of which two are closed and the other four have been declared sick.<sup>10</sup> In 1976 the state produced 18 lakh tonnes of cement against the state's total demand of 13 lakh tonnes. But in 1987 it could produce only 12 lakh tonnes of cement against the total demand of 20 lakh tonnes.<sup>11</sup>

That Bihar lags behind the other major states is not the only worrying factor. What is even more alarming is the fact that the gap between Bihar and the industrially advanced states has been widening steadily over the last four decades or so since India gained independence. While in 1960-61 the gap between the per capita income of Maharashtra and that of Bihar was merely Rs.194, in 1984-85 it increased to Rs.1837.<sup>12</sup>

The dismal state of the industrial sector in Bihar looks yet more depressing in the background of its vast mineral resources.<sup>13</sup> Though Bihar has immense potentialities

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10 Ramlakhan Singh Yadav, Member of Bihar Legislative Assembly, Bihar Legislative Assembly Debates, Bihar Legislative Assembly Library Collections, Patna, 11.7.1988, p. 77.

11 Ibid.

12 See Appendix I.

13 See Appendix-III

for hydroelectricity and thermal power, its industries suffer from a chronic shortage of power. In 1986-87, the per capita power consumption by the industries in Bihar was only 48.9 KWH in comparison to Punjab (203.9KWH), Gujarat(178.6 KWH), Maharashtra(163.1 KWH) and other major states.<sup>14</sup> Presently there is a shortage of power upto 40% in the state.<sup>15</sup>

The prevailing state of affairs in the country in which the rich states have grown richer and the poor states poorer is not because of the free play of economic forces but rather as a result of political forces at work which have distorted the very process of planning and conspired in a way whereby the rich states because of their political clout have managed to corner the lion's share of the national resources at the cost of the other states which are politically weak and thus not in a position to articulate their demands and lobby effectively for them.

This dissertation seeks to make a systematic study of those political factors which have led to the steady

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14 See Appendix-IV

15 Lal, H.B., Power for Industries in North Bihar IDBI Seminar, Patna, 1988 op.cit., p. 12.

industrial underdevelopment in Bihar. The basic argument of the present work can be stated thus: The nature and dynamism of industrialization in any region depends largely upon the strength of the Regional Bourgeoisie.<sup>16</sup> For different historical, geographical, political and cultural reasons the Regional Bourgeoisie has been rather weak in Bihar. It has little control over state-level politics which is largely dominated by the landlords. It is often critical of the State Government as well as the Central Government accusing both of neglecting the Regional Bourgeoisie in Bihar and promoting the interests of the

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16 The term 'Regional Bourgeoisie' is applied to that stratum of the large industrial capitalists which operates mostly on the state level and has generally some access to state administration. As it has neither the resources nor the contacts for influencing decisions at the central level, it is irked by the over-centralization of the political power in India and hence supports, in varying degrees, the demand for a greater autonomy for the states. But it is also closely dependant on the Monopoly Bourgeoisie for finance and other economic sustenance and has various contacts with the latter. Organised in various regional Chambers of Commerce and other district trade associations, it often voices its criticism against the domination of the Monopoly Bourgeoisie and of government policies favouring the latter and militating against its own specific interests.

Lower down, the small capitalists have access to neither the Union, nor the State Governments. They are starved of finance and the raw materials, are denied the patronage of the state which is enjoyed in generous measures by the Monopoly and Large Industrial Bourgeoisie". Roy, Ajit, Sharers in Indian State Power, in K.K. Kurian, ed., India-State and Society, orient Longman, Madras, 1975, p. 134

In this dissertation the term 'Regional Bourgeoisie' includes the industrial capitalists, trading community and agricultural capitalists who operate on state level.

Monopoly Bourgeoisie<sup>17</sup> and Regional Bourgeoisie in other states. At the same time, the Regional Bourgeoisie in Bihar has close links with the Monopoly Bourgeoisie. The Bihar Chamber of Commerce, an apex organisation of the business and industrial community of the State, has been dominated by the Monopoly Bourgeoisie directly or indirectly through its representatives.

Till the Regional Bourgeoisie in Bihar is strong enough to have an effective say in the state politics, no meaningful industrial policy and its subsequent vigorous implementation can be expected from the State Government. Extending this line of argument further one can say that as long as the Regional Bourgeoisie continues to be unrepresented effectively in the State Government, the latter

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17 The Monopoly Bourgeoisie with its immense and fast growing hold over industry, banking and other sources of finance, trade and services including the newspapers and other media of mass communications, long history and close association with politics including its role as financiers of the major political parties of the Right, has acquired a distinctly superior position and status in the socio-economic life of the country.

The field of operation of this (Monopoly Bourgeoisie) ....extends to the country as a whole and it is able through powerful lobbies, the so called 'industrial embassies' and contact men in New Delhi, to influence and direct national policies. This (Monopoly Bourgeoisie).... is a firm advocate of high centralization of State Structure".  
Roy, Ajit Ibid.

would continue yielding to the policies of the Central Government which favour the Monopoly Bourgeoisie and stronger Regional Bourgeoisie in other states at the cost of the Regional Bourgeoisie in Bihar.

Historically, Bihar suffered from a number of constraints which prevented the emergence of a strong Regional Bourgeoisie in the state. Usually, trade and agriculture have been two major sources from which surplus came to the industries. But in Bihar neither of the two was in a position to generate an adequate surplus that could be invested in industries.

The above was because of the fact that the eastern part of India witnessed a much greater domination of European capital in the field of trade and industry than the western part. This left little scope for the development of indigenous trade and industries in this region. Nonetheless, it was the Marwari Community, a business community from Rajasthan, which took advantage of whatever little scope was there rather than the Bihari trading class.

During 19th Century, the traditional business caste of Bihar remained far most part petty traders. When after mid-century the internal commerce between Bengal

and North-Western India expanded, the north and west Indian business caste and not Bihari Baniya (Bihari Trading Community) captured the trade. The indigenous Bihari Baniya could not compete with such a business group as Marwaris who had the advantage of a long established trading system, their own indigenous banking and credit arrangement and family organisation conducive to widespread trading operations. 18

It was because of these advantages that when the outbreak of the first World War, which disrupted the existing British colonial economic linkages and thereby opened opportunities for the rapid development of indigenous industries, it was again the Marwari rather than the Bihari trading class who seized the opportunity and started many industrial ventures in this region.

Unlike its Bengali counterpart, the Suvarna banik, who had been able to assert itself to an extent against non-Bengalis, the Bihari trading class was too weak to pose a substantial challenge to the non-Bihari trading community. Even today, the Bihar Chamber of Commerce<sup>19</sup> and the Bihar Industries Association,<sup>20</sup> the two apex organizations of the

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18 Gupta, Saibal, Merchant Capital and Industrialization in Bihar: Some historical Constraints, Journal of Social and Economic Studies, Vol. XI, p. 175.

19 It was set up in 1926 as the Bihar and Orissa Chamber of Commerce.

20 It was set up in 1913 'under the guidance of Shri Shanti Prasad Jain, a well-known industrialist of India', vide, Bihar Industries Association Bulletin, 16.5.1989, Patna, p. 1.

business and industrial interests in Bihar are controlled by the non-Bihari businessmen and industrialists.<sup>21</sup> A report by the Techno-Economic Survey confirmed the dominance of non-Biharis thus:

"The share of the residents of Bihar in the business capital in terms of both numbers of shares and amount of capital is small and the bulk of business investment comes from external sources".<sup>22</sup>

The very same survey found that the persons resident in Bihar held 8% of the total value of all categories of shares issued by companies registered in Bihar and 9% of the total value of all categories of shares issued by companies registered in West Bengal, but working in Bihar.<sup>23</sup>

As far as agriculture in Bihar was concerned, the system of Permanent Settlement, introduced in 1793 by the British, came as a heavy blow on it. It meant that whatever surplus came from agriculture was by and large appropriated by the British Government, the Zamindars (landlords) and the

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21 Gupta, Shaibal, op.cit., p. 175.

22 National Council of Applied Economic Research (NCAER), Techno-Economic Survey, Asia Publishing House, New Delhi, 1959, p. 83.

23 Ibid., p. 80

moneylender did not invest this surplus in any industrial activity. Instead, it was either reinvested by them in purchasing of land which offered a more regular, attractive and safe profit or was wasted on conspicuous consumptions. Moreover, the British Government did not take any effective step for improving agriculture. As a result agriculture was based on primitive techniques and was not in a position to generate sufficient surplus.

However, the worst consequence of the Permanent Settlement was that it gave rise to a powerful parasitic class of landlords. In Bihar, it was this class which came to dominate state-level politics in the post independence phase. This particular class with its own vested interests vehemently opposed the abolition of the Zamindaris, a major component of land reforms and did its best to delay and dilute the provisions of the Bihar Land Reform Act of 1950.<sup>24</sup>

Even today the agricultural sector in Bihar is by and large unable to generate a substantial surplus that could be invested in industries or enlarge the size of the market for industrial products. Due to poor and

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24 Gupta, Shaibal and Sanjay Kumar, Agrarian Constraints to Industrialization: A Historical View, Mainstream, January 11, 1986, pp. 17-18.



reluctant implementation of the land reform measures the remnants of feudalism still persist in Bihar, though in a different form.<sup>25</sup>

The Green Revolution has not yet shown its face in Bihar. It is confined to Punjab Haryana and Western part of Uttar Pradesh where it has helped to generate a

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- 25 The existing nature of production relation in agricultural sector is sometimes termed as semi-feudal production relation. This term can be explained thus: " Not only the forces of production in agricultural sector is backward but the existing production relation is higher historical stages of production relation and the exploration of poor peasantry is also qualitatively different from what is found in the capitalist countries. Here also the direct producer gets his sustenance but not necessarily in the form of wages. Part he gets in form of wage and part he gets as loan which he is unable to return and thereby he comes under the grip of an informal bondage. We term this set-up as semi-feudal. In this context it will be seen that the chronic deficit and consequent semi-feudal bondage is a crucial characteristic in the context of semi-feudal production relation because mainly on account of this, there emerges a class interest which is not only dominant in the rural belt but is also not enthusiastic to rapid development, leading to waste and inefficiency in agricultural sector".

Prasad, Pradhan H. "A Strategy For Rapid Development of Bihar Economy. Social and Economic Studies, Vol. V(ii), 1977, p. 136, quoted by Gupta, Shaibal, and Sanjay Kumar, op.cit., p. 18.

substantial surplus in agricultural sector.

Yet another important reason given for the weakness of the Regional Bourgeoisie in Bihar is that the caste - system has prevented a cross-caste alliance of the Regional Bourgeoisie. This argument should not be stretched too far. The 'Baniya' now is no longer a contemptuous term in Bihar as it happened to be in feudal days. Due to growing awareness about profit potentialities of trade and industries many persons from the upper caste and different walks of life are coming to industrial ventures.<sup>26</sup>

The main body of the dissertation is divided into three chapters.

The Second Chapter deals with the Central Government's policies and analyses their impact on industrialization in Bihar.

The Third Chapter deals with the State Government's industrial policy and its relationship with the Regional and Monopoly Bourgeoisie.

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26 This aspect shall be detailed in the Conclusion of the dissertation.

The Fourth Chapter is on the Bihar Chamber of Commerce. It is like a prism where one can see the Regional Bourgeoisie interacting with the State Government, the Monopoly Bourgeoisie and the Central Government.

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CHAPTER - II

CENTRAL GOVERNMENT'S POLICIES AND BIHAR'S  
INDUSTRIAL UNDERDEVELOPMENT

CENTRAL GOVERNMENT'S POLICIES AND BIHAR'S INDUSTRIAL UNDERDEVELOPMENT

In India's federal set-up the Centre is vested with overwhelming legislative, financial and administrative powers. A good number of subjects that play vital role in the overall development of a State are placed within exclusive jurisdiction of the Centre. The States are heavily dependent on the Centre for their financial resources<sup>1</sup> (At present, 35% to 40% of the State Plan outlays are met from the Central allocations). Also, the States have to work out their developmental strategy along guidelines set by the Centre in the national interest .

In this Chapter, we shall mainly deal with the Central Government's certain important policies and study their impact on Bihar's industrial development. The issues to be studied are trends in Central financial allocations, the policy of railway freight equalization, fixation of royalty on minerals, role of the banks and All-India financial institutions and licensing policy amongst others.

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1 Zaidi, Naseem A., Federal Transfers and Inter-State Imbalances in J. Mishra, ed., Planning and Regional Development in India, Gaurav Publishing House, Jalandhar, 1985, p. 171.

On the eve of independence, the question of self-dependence was the most important concern of the political leadership of India. The urgency of the situation demanded preference to speedy completion of the projects already started and taking up such projects which could be completed within a short period.<sup>2</sup> To achieve quick results, development outlays were fixed according to the capacities of different states to spend and achieve physical targets.<sup>3</sup> Naturally because of this criterion already developed States got more favourable treatment. The gap between developed and underdeveloped States, thus, widened further.

The Central Government came in a big way to build-up a self-dependent national economy. The selection and the location of the projects, nevertheless, could not escape political considerations on many occasions. Different State competed among themselves to get those projects. In 1956, Bihar Government expressed its unhappiness over Central Government's decision to set up all the first iron and steel projects in public sector outside Bihar thus:

The State Government is deeply disappointed over the fact that its suggestion regarding

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2 Thakur, B., Problems of Regional Development in a Developing Economy with Reference to India, in J. Mishra., ed., op.cit., p. 160.

3 Ibid.

the site of iron and steel plants in Bihar was rejected by the Centre(though it would have helped to have the cheapest cost of production there) and that the Government of India resolved to set up all the three 4 iron and Steel plants outside the State.<sup>5</sup>

There were many other occasions on which the Government of Bihar felt that it was not given its due. A brief account of decision-making process at the Centre would help us to have better understanding of the fact that why Government of Bihar has most of the time failed to wrest even its most legitimate claims from the Central Government. The following passage describes it thus :

Under the set-up of the present democratic planning, the decisions of the Central Government play a major part in the development of an industry. The different State Governments sponsor their case and that of their industries with the Central Government and impress upon it their requirements and views so that the industries in their states get necessary fillip and advantage for progressive development. It is here that Bihar Government is alleged by our (Bihari) industrialists to have failed to bring its weight to bear adequately on the Central Government. Either its views have not been given the hearing they deserved or it has not pleaded its case effectively.... Due to this lapse the industries in Bihar are reported to have been adversely affected. 6

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4. These three iron and steel plants were set up at Durgapur (West Bengal), Bhilai (Madhya Pradesh) and Rourkela (Orissa).
  5. Dr. Anugraha Narain Singh, Finance Minister, Government of Bihar, Budget Speech 7.2.1956, Bihar Legislative Assembly Library Collection, Patna. p. 169.
  6. Prasad, K.N., op.cit., p. 39.

Many examples can be given where Bihar Government failed to convince the Central leadership. In December, 1965, the Central Government decided to locate the sulphuric acid plant at Durgapur (West Bengal). Bihar was not given the permission to set up this plant at Sindri despite its persistent pleadings. In fact, Sindri was a more suitable place for the project. It is much nearer to Amjhore where pyrites deposits are available. There is already a super-phosphate factory at Sindri which is not running at its full capacity on account of the shortage sulphuric acid. It is getting merely 25-30 tonnes of the sulphuric acid daily against its total daily requirement of 100 tonnes. The above decision of the Central Government affected Bihar in two ways - firstly, it checked the possibility of emergence of a fertilizer complex at Sindri and secondly, it forced Bihar to send its raw materials to another states and import finished goods from them as if it were a colony' though it could have easily set up a sulphuric acid plant itself.<sup>7</sup>

Similarly, there has been a persistent demand made by the State Government to set up a petro-chemical complex

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7 Ibid., pp. 39-40.



at Barauni. The Barauni refinery was set up in 1956. But till now the Central Government did not agree to the proposal for setting up of a Petro-Chemical Complex. The Barauni refinery is processing about 33 lakh tonnes of crude naphtha.<sup>8</sup> Naphtha is an important feed-stock used in the manufacture of fertilizers and petro-chemical. But the bulk of naphtha produced at Barauni is sent to fertilizer units outside the State. Central Government has set up a complex in Gujarat at the cost of Rs.360 crore based on the bye-product of the Barauni refinery.<sup>9</sup>

It is, however, reported that recently the Central Government has agreed to the proposed for setting up an aromatic complex with an investment of around Rs.600 crores.<sup>10</sup> If this complex is set up, a number of downstream manufacturing units like plastic, detergent and synthetic fibres will follow.

There is heavy Central investment in Bihar. But

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8 BITCO, op.cit., p. 232

9 Ramdeo Sharma, MLA, Assembly Debates, op.cit., 8.7.1976, p. 23.

10 BITCO, op.cit., p. 232.

it is mainly restricted<sup>to</sup> highly capital intensive large scale undertaking's which are confined to production of mineral and metallurgical goods e.g., coal, transport equipment, heavy engineering, basic metal and alloy and non-metallic mineral products. As there are very few medium and small scale industries from Bihar linked to these large undertakings, the latter have hardly any spread-effect in the region.

Trends in Financial Allocations by the Centre to States.

In India, devolution of financial resources from the Centre to States takes place on the basis of the recommendations of the Finance Commission and the Planning Commission. The Finance Commission is a statutory ad hoc body which is appointed every five years. It recommends before each Five Year Plan period the devolution of taxes, grants-in-aid for the revenue budgets. The recommendations by the Planning Commission, which is a non-statutory permanent body, are concerned with Central assistance to State Plans and assistance for Centrally-sponsored projects. This assistance is in the form of grants and loans. Besides, there is a third type of transfers also, commonly known as 'discretionary transfers' the quantum of which is fixed by the Central Ministries subject to

the approval of the Ministry of Finance.

The policies adopted for the devolution of financial resources affected mainly the poorer States like Madhya Pradesh and Bihar in different ways. Till the end of the Third Five Year Plan (1961-66) the States were given assistance for various schemes formulated by different ministries. The process by which the grants and loan components of the assistance were determined was more in favour of financially stronger states who succeeded to get a larger percentage of total assistance as grants by taking up a larger number of revenue account schemes. Thus during the Third Five Year Plan, the grant component out of total central assistance was 19% in the case of a poor state like Madhya Pradesh while it was 26% in the case of financially stronger State Maharashtra.<sup>11</sup>

To correct the anomaly in the Fourth Five Year Plan (1969-74) the system of blockloans and grants was introduced. According to the new system each State would now receive 30% of the total central assistance every year as grant and the balance 70% as loan.<sup>12</sup> This system, which placed

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11 Zaidi, Naseem A. op.cit., pp 171-76.

12 Ibid.

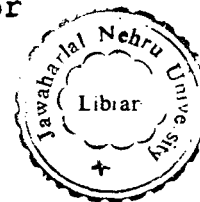
the richer and poorer States on an equal footing, meant the over-burdening of the poorer States as they now received 70% of the total central assistance in the form of loans which they were in no position to repay.

Upto the Third Five Year Plan the quantum of central assistance to states was decided in the light of the gaps in the resources of individual States in relation to the plan outlays decided upon. To bring some objectivity in the distribution of the assistance the National Development Council worked out a formula in September, 1968, known as 'Gadgil Formula'.<sup>13</sup> It suggested that the requirement of the 'Special Category States' should first be met out of the total pool of central assistance. The balance was to be distributed among the remaining States. By the Gadgil Formula 60% of assistance was to be given on the basis of population, 20% was to be distributed among the states with per capita income below the national average; 10% on the basis of tax-efforts and the remaining 10% was to be given for special problems of individual States.<sup>14</sup>

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13 Ibid p. 182.

14 Ibid.



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But the Gadgil Formula suffered from four major defects, (i) since it did not provide any guidelines for the quantum of assistance to be given to special category States, a large part of the resources was drained off to areas which had low potentialities for economic development, (ii) there was negative correlation of the assistance with per capita income of the States (iii) as substantial weightage (60%) was given to the population, the poorer States with low population, e.g., Madhya Pradesh, Orissa, Rajasthan received comparatively much lower share than the richer States with larger population, e.g., Maharashtra; (iv) the 10% weightage given to tax efforts also penalized poorer States whose taxable capacity was extremely limited.<sup>15</sup> Bihar had to suffer particularly due to the second and the fourth defects of the formula.

As far as special assistance is concerned, it is surprising that while the neighbouring States like Uttar Pradesh and West Bengal have been receiving special assistance under 'hill and tribal areas' scheme, Bihar has not been included for the assistance in spite of its hilly and tribal belts of Chotanagpur and Santhal Paragana regions.<sup>16</sup>

<sup>15</sup> Ibid., p. 183.

<sup>16</sup> Sinha, H.K., Economic Backwardness: Causes and Remedy, in Sinha, R.K. Ed., Dynamics of Economic Development in India: Economic of Poverty in Plenty, Deep and Deep Publications, New Delhi, 1986 p. 24.

Table -2.1 shows the allocation of per capita plan outlay to different States from the First Five Year Plan to the Seventh Five Year Plan. Among the 15 major States, Bihar received the lowest per capita plan outlay during the First (1951-56), Third (1961-66), Fifth (1974-79), Sixth (1980-85) and Seventh Five Year (1985-90) plans. During the Second (1956-61), Annual Plans (1966-69) and Fourth Five Year Plan (1969-74) it ranked 14th. The richer States like Haryana, Punjab, Gujarat, Maharashtra have been enjoying maximum share in total Plan outlays in all Five Year Plans. The gap between per capita plan outlay of the relatively rich States and that of Bihar has steadily widened. Bihar's share in Plan outlays has always been much lower than all-India average of Per capita Plan outlays. State Government's helplessness on the issue of plan outlays is evident in the following report:

Referring to the sickness in one of the major industrial complex he said that despite his best efforts he could not make Central Financial Institutions to arrange the fund for its revival. Financial Institutions refused to consider the matter as the unit concerned lost this credibility. This factor again created another problem for the Government of India to be convinced for larger allocation to Bihar during the Seventh Five Year Plan because the recovery position in the State had been in a very bad shape, taxes were not realized, etc. All these taken together created

Table -2-1 : Per Capita Plan Outlays ; First Plan to Seventh Plan

(Rupees)

	First Plan: 1951-56	Second Plan: 1956-61	Third Plans: 1961-66	Annual Plans: 1966-69	Fourth Plan: 1969-74	Fifth Plans: 1974-79	1979- 80	Sixth Plan: 1980-85	Seventh Plan: 1985-90
	1	2	3	4	5	6	7	8	9
<b>MAJOR STATES</b>									
Haryana	*	*	*	91	358	481	176	1,385	1,871
Punjab	175	146	212	90	316	531	155	1,179	1,685
Gujarat	58	76	108	84	204	376	115	1,073	1,485
Maharashtra	37	57	103	83	199	372	121	983	1,434
Madhya Pradesh	34	48	84	44	114	254	87	687	1,146
Tamil Nadu	28	57	98	71	134	201	63	651	1,063
Orissa	56	54	120	60	113	207	72	536	897
Assam	29	57	103	61	136	190	78	526	850
Andhra Pradesh	33	52	91	58	98	236	79	584	841
Uttar Pradesh	25	32	72	53	132	237	62	535	803
Karnataka	46	62	100	70	128	276	81	614	799
Kerala	31	49	101	73	156	224	67	578	727
Rajasthan	39	53	97	56	120	237	80	577	718
West Bengal	54	48	80	39	82	200	82	600	653
Bihar	25	40	67	40	85	155	51	456	626
<b>Others</b>									
Sikkim	*	*	*	*	*	1,163@	596	4,067	5,750
Nagaland	*	*	280	400	747	1,359	326	2,625	4,000
Meghalaya	*	*	*	*	358	705	254	1,679	2,750
Manipur	17	86	100	72	290	646	221	1,500	2,529

Table -2-1 contd....

Table -2.1 contd..

	1	2	3	4	5	6	7	8	9
Himachal Pradesh	21	64	127	119	328	467	170	1,273	2,100
Jammu & Kashmir	39	77	166	152	351	603	197	1,429	1,918
Tripura	21	94	156	82	223	320	133	1,114	1,760
All States	38	51	92	61	142	262	85	687	1,026

NOTES: \* Was not a State during this period

@ Relates to period 1976-78

Ranked by last column.

- SOURCES :
1. For columns (1) to (6) : D.T. Lakdawala, " Plan Financ s in a Federal Economy", the Dr. V.S. Krishna Memorial Lecture, Visakhapatnam, March, 1979
  2. For column (7) and (8) : Worked out by CMIE based on the 1981 Census population.
  3. For column (9): Worked out by CMIE based on the estimated population as on 1 March, 1988.

Taken from : CMIE, Basic Statics Relating to the Indian Economy, Vol.2 : States, (Sept. 1988), Table 14.16.



a lot of problems for him to convince the Planning Commission for greater allocation at par with the industrially advanced States. ..they (The Planning Commission) had an apprehension that the Government would not be able to recover the loans sanctioned. 17

Similarly, Table-22 shows the per capita Central Assistance from the First Five Year Plan to the Sixth Five Year Plan. Among the major States, Bihar ranked 14th, 13th, 12th, 10th and 12th during First, Second, Third, Fourth and Fifth Five Year Plans respectively. However, when during the Sixth Plan, special drives were taken for the backward States Bihar climbed upto the 6th position. For the first time, Bihar received a per capita Central Assistance (Rs.224) more than the national average (Rs.208). The disappointing low per capita Plan Outlay and Central Assistance forces the State Government to cut many of its proposed development projects. Thus with every Plan Outlay and Central Assistance the gap between the richer States and Bihar is further widened.

The Government of Bihar had been persistently complaining over its very low share in the financial

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17 Annual Report of the Committee of the Bihar Chamber of Commerce (BCC) for 1984-85, p. 38.

Table -2 : Per Capita Central Assistance

(In Rupees)

STATES	Ist Plan 1951-56	2nd Plan 1956-61	3rd Plan 1961-66	Annual Plan 1966-69	4th Plan 1969-74	5th Plan 1974-78	1978-79	1979-80	6th Plan 1980-85
Andhra Pradesh	19	28	58	40	53	75	47	39	208
Bihar	5	19	44	29	57	65	39	34	224
Gujarat	19	26	50	31	57	73	24	30	225
Haryana	-	-	-	51	75	100	51	35	234
Karnataka	23	30	63	40	56	70	28	27	184
Kerala	17	24	68	45	79	86	44	33	202
Madhya Pradesh	22	31	63	38	60	65	37	35	243
Maharashtra	14	20	40	24	47	49	31	28	174
Orissa	50	40	74	40	70	103	47	59	301
Punjab	152	84	114	52	72	98	36	27	221
Rajasthan	36	31	76	50	81	90	35	35	243
Tamil Nadu	14	29	53	31	47	77	34	25	161
Uttar Pradesh	13	17	46	33	61	80	45	38	218
West Bengal	40	22	42	27	48	51	43	28	154

Source = Compiled from Planning Commission Reports and Finance Commission Reports by the Planning Department., Govt. of Bihar, May, 1984.

transfer made by the Centre. But it is ironical that on many occasions the State Government has been too inefficient to utilize even those meagre central outlays. This is evident from the fact that the State Government surrendered to the Central Government 16% of the total Central Plan Outlays in 1966-68; 11% in the Fourth Five Year Plan and 33% in the Fifth Five Year Plan.<sup>18</sup>

Policy of Freight Equalization:

The Central Governments Industrial Policy of 1948, which was subsequently revised in 1956, aimed at promoting balanced industrial development of all regions in the country. The Freight equalization policy was one of the important measures taken in this direction. It sought to make basic industrial raw materials, viz; coal and steel available to the industries all over India at uniform freight rates.

The original motivation for introducing freight equalization was to promote industrial development of areas, located further away from major sources of raw materials and production centres, in an effort to promote balanced regional development. From this point of view, freight equalization was confined to industrial commodities.<sup>19</sup>

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18 Chaturanan Mishra MLA, Assembly Debates op.cit., 6.7.1979., p. 7.

19 Report of the National Transport Policy Committee, Planning Commission, Government of India, New Delhi, 1980, p. 114, quoted by Pandit, M.L., Industrial Development in the Punjab and Haryana, B.R. Publishing Corporation, Delhi, 1985, p. 112.

This policy has some major implications for Bihar which is rich in coal and iron ore deposits. Before this policy came into existence, the industries based on coal and steel had to be set up closer to the coal mines and steel plants so as to minimize transportation costs. Location of such industries would have greatly promoted various ancillary industrial activities around the place. But due to the policy of freight equalization Bihar lost its relative locational advantage. Such industries were now set up in industrially advanced States which offered better infrastructural and market facilities. A study on this policy has illustrated its ill-effect on Bihar thus:

The freight rate for a ton of steel from Jameshedpur to Bombay was Rs.120 and to Howarah Rs.30 only. The Railways, however, decided to equalize the rate at Rs.75 per ton in 1956. Most of the iron and steel consumed by the industries in Bihar are distributed from the Calcutta Yard. As a result of this policy alone, the price of steel in Bihar increased by Rs.45 per ton. So, too, with coal. In the case of coal besides the freight rate, the policy of restricting the allocation of Railway wagons to points below a certain minimum distance virtually eliminated the movement of coal within Bihar by rail transport. Since Bihar does not have a good road system, the transport of coal by road remained a very poor substitute for rail transport. Consequently, coal became costlier and sometimes even scarce to industries in Bihar.<sup>20</sup>

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20 Hajra, S. Bihar and Punjab - A Study in Regional Economic Disparity, Economic and Scientific Research Foundation, New Delhi-1., p. 3.

This policy adversely affected Bihar's industrialization in yet another way. In the absence of an extensive railway network all over the State, a large part of Bihar could not avail at the facilities offered by this policy. For example, North Bihar which constitutes 29.53% of the total area of Bihar has no mineral resources of its own. An efficient railway network, would have made it possible to set up industries in this area based on mineral resources of the Chotanagpur region of the State. But at present there is only one railway bridge which is at Mokamah over the entire length of the Ganga which flows over a distance of 460 kms in Bihar. In the absence of an extensive railway network, most of the transportation is done by road which means that coal and steel are much costlier in Bihar itself than other distant places linked with railway network.

The Government of Bihar has repeatedly demanded for either phasing out the policy of freight equalization or extending it to other raw materials like cotton. This view has been shared by other eastern States as well. If the policy is to be retained in the national interest then economically backward States like Bihar should be adequately compensated. The Marathe Committee on Inter-Ministerial Group on freight equalization, 1977 and the

Pande Committee on National Transport Policy advised against the extending freight equalization to raw cotton. The matter of freight equalization is pending with the National Development Council.<sup>21</sup>

### Issue of Royalty

Among all Indian States, Bihar is the largest producer of minerals. Minerals like Copper, Iron, Pyrite, Beryland Graphite are exclusively found in Bihar. 75% of Kyanite, 35% of Iron Ore, 33% of Coal and Mica and 50% of Bauxite are found in Bihar.

Table-23 shows trends in the production of principal minerals in Bihar, and table-4 shows the statewise contribution to National Income from mineral sector. Table-2.3 shows the massive increase in production of the three most important minerals of the State viz., coal, iron Ore and Coppe between 1951 and 1983. However, the value of mineral production in Bihar as percentage to India has shown a downward trend as is clear from Table-2.4. In spite of decline in its share, Bihar continues to be the principal mineral (excluding oil) producing State in the country, with 14.8 per cent contribution to the national income in 1984-85.

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21 Bhagwat Jha Azad, Chief Minister, Bihar, Hindustan Times, Patna, Dec. 22, 1988, p. 13.

Table-2.3: Production of Principal Minerals in Bihar, 1951-82

Mineral	Units	1951	1956	1961	1966	1968	1974	1977	1978	1980	1981	1982	1983
Apatite	'000 tonnes	-	9	20	13	P	8	3	-	-	NA	NA	-
Asbestos	'000 "	P	P	P	P	6	2	20	3	1.5	1.5	1.4	-
Bauxite	lakhs "	P	1	2	4	5	3	6	5	4.5	6	6	5.9
Chromite	'000 "	3	3	5	-	-	P	0.6	-	0.3	0.6	0.6	0.2
Coal	Million tonnes	11	20	27	7	2	35	41	42	44	51	53	53
Copper Ore	lakh ton	4	4	4	5	5	2	13	11	11	12	13	13
Dolomite	'000 "	-	-	4	9	12	P	147	69	153	172	188	240
Felspar	'000 "	-	-	-	1	P	P	4	-	1.1	0.2	0.1	0.4
Fireclay	lakh "	-	-	1	2	2	2	2	1.9	2.1	2.7	2.5	1.7
Iron ores	lakh "	18	19	29	54	57	56	59	64	51	69	72	69
Kyanite	'000 "	39	20	27	54	64	34	23	17	20	18	20	20
Limestone	lakh "	13	16	20	22	22	25	23	24	24	23	23	21
Manganese Ore	lakh "	P	P	P	P	P	P	P	0.4	0.4	0.1	0.4	0.01
Mica Crude	3000 "	NA	15	14	13	9	6.4	555	5.7	4.6	4.9	4.9	4.7
Mica Waste	3000 "	NA	NA	NA	1	1	1	2.2	2.8	2.1	3.4	2.3	2.0
Quartzs Quartzite	3000 "	15	4	48	24	48	50	65	43	28	10.1	NA	10.6
Statite	3000 "	3	6	6	5	5	2	6	4	6	7.3	7.7	4.0
Pyrites	3000 "	1	-	-	-	14	35	31	57	83	72	56	53

P = Production below half the units.  
 Source = Indian Bureau of Mines, Dhanbad; Taken from Selected Plan  
 Statistics 1956, Bihar State Planning Board, Patna. p. 218.

**Table 4 : State-wise Contribution to National Income from Mining Sector:  
1960-61, 1970-71, 1980-81, 1981-82 to 1984-85**

(At current prices: Rs.crores)

	1960-61	1970-71	1980-81	1981-82	1982-83	1983-84	1984-85	% share	
								1960-61	1984-85
<b>MAJOR STATES</b>	<b>129.62</b>	<b>333.83</b>	<b>1,534.76</b>	<b>2,444.40</b>	<b>3,234.25</b>	<b>4,780.33</b>	<b>5,514.54</b>	<b>96.4</b>	<b>99.3</b>
Andhra Pradesh	6.32	14.84	81.79	123.10	144.83	148.14	171.95	4.7	3.1
Assam	3.31	18.79	30.38	206.54	269.03	506.19	498.85	2.5	9.0
Bihar	48.41	106.58	480.36	599.06	722.14	705.41	824.73	36.1	14.8
Gujarat	1.67	20.13	70.55	160.31	190.67	380.52	418.28	1.2	7.5
Haryana	(a)	1.31	1.93	5.47	7.27	9.20	9.47	-	0.2
Karnataka	5.87	8.62	38.58	35.91	57.34	64.15	79.02	4.4	1.4
Kerala	1.53	1.11	3.09	4.23	5.40	5.55	7.06	1.1	0.1
Madhya Pradesh	16.36	48.45	259.46	330.96	405.19	455.19	567.01	12.2	10.2
Maharashtra	4.07	8.37	59.07	67.82	90.67	99.09	142.19	3.0	2.6
Orissa	7.31	18.21	79.57	95.43	120.14	136.80	161.34	5.4	2.9
Punjab	0.14	0.48	0.12	0.12	0.12	0.12	0.12	0.1	Neg.
Rajasthan	4.45	10.85	87.91	114.72	124.48	179.17	198.78	3.3	3.6
Tamil Nadu	1.16	13.07	50.11	67.58	81.64	44.71	53.53	0.9	1.0
Uttar Pradesh	1.67	9.65	22.90	72.62	115.68	89.99	99.48	1.2	1.8
West Bengal	27.35	53.37	169.05	213.87	240.43	243.19	298.57	20.3	5.4
Bombay High (Offshore)	-	-	99.89	346.66	659.22	1712.91	1984.16	-	35.7
<b>All India</b>	<b>134.44</b>	<b>342.71</b>	<b>1557.06</b>	<b>2,480.77</b>	<b>3,274.24</b>	<b>4,814.95</b>	<b>5,563.49</b>	<b>100.9</b>	<b>100.00</b>

a) Included in Punjab

SOURCE : CMIE, Basic Statistics Relating to the Indian Economy,  
Vol.2 : States, (Sept, 1988), Table 3.2



In minerals like coal, iron, copper, silver, kynite, mica and pyrites, the State has a major share in total production of the country. (Appendix-III)

Despite its large share in total production of minerals, Bihar has been getting a minimum profit share in the production of coal, crude iron, copper ores and other types of minerals. These minerals are though located in Bihar are managed and administered by the Central Government. This discrepancy between the high contribution and low profit needs the highlighting up the basic issue of the fixation of royalty.

Before 1950, the State's land revenue administration was responsible for framing rules and regulations regarding mines and minerals and the royalty was used to be fixed by the Zamindars. But Schedule 7 of the Constitution (of 1950) empowered the Parliament to make laws regarding mines and minerals. Under the Mines and Mineral Regulation and Development Act, 1957, the Central Government has taken away the right of royalty fixation on important minerals. As a result the State Government has been left with very unimportant mineral resources like sand, brick kiln, stone chips, etc. The State Government wants that

the Act should be amended so that the State Government can impose less on the minerals.<sup>22</sup>

The revision of the royalty rates (under the Act of 1957) should be done every four years. However, it has been found that many a times there has been delay. The royalty rates on coal was not revised even though five years had already passed since 1.8.1975,<sup>23</sup> and even then, the criteria fixed for the royalty have not taken the interest of Bihar properly. In the present study we shall take the cases of four principal minerals namely coal, copper, iron and mica. Emphasizing the plight of the State, Dr. Jagannath Mishra said:

Till 1971, the royalty rate of coal used to be determined on the basis of price. But from March 1, 1971, onwards it is determined on the basis of weight. Therefore, the State continue to lose the profit accruing from the rise in the coal-price. 24

Till 1971, royalty on coal was 5 per cent of its total price. Thereafter it continued to be determined

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22 Bhagwat Jha Azad, op.cit., p. 13.

23 Dr. J. Mishra, Chief Minister of Bihar, Budget Speeches, 1980-81, 30 June, 1980, p. 514.

24 Ibid.

on the basis of weight nevertheless the royalty rate never exceeded beyond 5% of pit head value. The Government of Bihar's repeated requests to raise the royalty rate to 10% on an average, have not been paid attention by the Central Government, and it continued to be stagnant till 1977. Presently it is even lower than the earlier five per cent. This revised rate amount to 3.5 per cent. The Government of India has revised the rate of royalty of all major minerals except coal in May 1987. The revision of the rate of coal has become overdue since February, 1985.<sup>25</sup> Bihar has to bear the loss of crores of rupees due to negligence of the Central Government in revising the royalty rate on the basis of the price of coal.

It may be mentioned that Central Government has been adopting dual policy in respect of oil producing States on the one hand and coal producing States on the other. The royalty on crude oil was Rs.61 per ton, whereas on coal it was 5.30(average) per ton. It implies that royalty on crude oil was 12 times more than that of coal but the valuable colorie price crude oil is merely two

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25 Bhagwat Jha Azad, op.cit., p.16.

times more than that of cost.<sup>26</sup> Thus, coal deserves more royalty not only because it is consumed by the large masses of people but also its utility value in comparison to oil is not very less. Therefore, the Act of 1957 should be amended in such a way that the royalty of the coal is based on its value of price and not on tonnage. Otherwise as the prices of coal increases the revenue from royalty becomes stagnant.

In the production of copper also, Bihar is getting much lesser amount of royalty from the Central Government, than what it deserves. Since copper ores are not sold on the basis of pits mouth, the royalty is also determined on the basis of finished copper. Between 1968 and 1978, the increase in the royalty rate of Copper (during revision) was 25% (i.e. from Rs.3.25 to Rs.4.00 per unit percentage copper per tonne); whereas the price of copper had already increased by 250 per cent. The State Government's demand to fix the royalty rate of copper at Rs.6.00 which was 5 per cent of the cost of production at 1978 prices, was not accepted by the Central Government. Even the 1987 revision of the royalty rate has been inadequate to meet the justicable demand of Bihar.<sup>27</sup>

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26 Atmanand, Mineral Wealth of Bihar in Shaibal Gupta and Alakh. N. Sharma, ed., Bihar Stagnation or Growth, op.cit., p. 310.

27 Ibid., p. 311.

Bihar produces more than forty per cent of iron ores in India. It occupies the second position in generating royalty income to the State. Earlier there was a provision in the preceding mineral rules that royalty could be obtained at the rate of 20 per cent of its pits mouth value, but subsequently it was removed from the rule itself. The Central Government has been following a differential royalty rate in different categories of iron ores, without considering the cost of production; which on the one hand makes it difficult for the State Government to collect royalty, and on the other hand causes less to the State exchequer due to faulty structuring of royalty. For example, there has been a tendency to crust lumps into fines in the use of production of iron and steel, because of royalty rate on fines is less in comparison to lumps and the modern steel industries consume more of fines than lumps. Therefore, re-evaluation of royalty rates considering the difference in cost of production and maintaining an uniform rate for all categories of iron ones is needed.

In the case of mica too, the State has to suffer severe losses due to the present policy of the Central Government in not maintaining uniform criterion in royalty fixation.

Thus, following conclusions may be drawn from the above facts on the issue of royalty -

- i) The structure of royalty rates has not been viable so as to protect the interest of the State. Contrarily it went against the State's economic condition;
- ii) The re-evaluation of royalty rates has taken place after a gap of four years, which is too much in the face of rising inflation. It must take place after two years.

#### Role of Banks:

Commercial Banks play a very important role in industrialization of a region. They provide working capital to the needy entrepreneurs. A general complaint made against the banks by the local entrepreneurs in Bihar is that while the banks have been very successful in deposit mobilisation, they have not been enthusiastic about credit disbursement here. This is reflected in the low Credit-Deposit (C-D) ratio of the banks in Bihar. The C-D ratio has either been stagnant at a low level or has declined over the years as shown in Table 2.6. The C-D ratio in Bihar was 34.9% as against 90.7% in Karnataka and 60.8% in India in 1987. The decline of the C-D ratio in Bihar

Table 2.6 : Deposits and Credit of the Public Sector Banks: 1969, 1980 and 1987.

(As at June-end)

(Rupees crore)

State/Union Territories (Ranked by deposits in 1987)	<u>Deposits</u>			<u>Credit</u>			<u>Credit: Deposit Ratio</u>		
	1969	1980	1987	1969	1980	1987	1969	1980	1987
<b>MAJOR STATES</b>									
Maharashtra	903	5,614	16,956	911	4,340	13,183	100.9	77.3	77.7
Uttar Pradesh	337	2,919	10,289	154	1,255	4,512	45.7	43.0	43.9
West Bengal	456	3,287	9,549	526	1,985	4,558	115.4	60.4	47.8
Gujarat	401	2,386	6,581	195	1,234	3,612	48.6	51.7	54.9
Tamil Nadu	233	1,936	5,820	311	1,744	5,615	133.5	90.1	97.7
Punjab	195	1,694	5,758	50	652	2,437	27.0	38.5	42.3
Andhra Pradesh	121	1,611	5,596	122	1,135	4,296	100.8	70.5	76.5
Bihar	169	1,355	4,895	52	561	1,709	30.8	41.4	34.9
Karnataka	188	1,519	4,628	143	1,195	4,195	76.1	78.7	90.7
Madhya Pradesh	107	1,055	3,859	63	542	2,324	58.9	51.4	60.3
Kerala	117	954	3,369	77	652	2,152	65.8	68.3	63.8
Rajasthan	74	647	2,447	38	434	1,523	51.4	67.1	62.2
Haryana	49	555	2,017	23	365	1,221	46.9	65.8	60.5
Orissa	29	344	1,227	15	195	1,008	51.7	56.7	82.2
Assam	33	319	1,156	13	126	596	39.4	39.5	51.5
All India	3,897	30,245	97,663	3035	20,236	59,410	77.9	66.9	60.8

Source = CMIE, Basic Statistics Relating to the Indian Economy, Vol.2 : States (Sept. 1988), Table 13.10.

from 41.4% in 1980 to 34.9% in 1987, despite a big rise in the volume of deposits (from Rs.1355 crore to Rs.4895 crore) has been attributed to the 'poor credit-absorption capacity' of the State by the commercial banks. According to Mr. N.G. Pillai:

The C-D ratio is one of the many factors responsible for industrial development. But credit deployment should be preceded by development of infrastructure, availability of power, transport etc. But unfortunately these factors are absolutely underdeveloped in the State. And until these develop, the credit, absorption capacity cannot be increased. 28

Pillai further said that there has been a decline in viable proposals submitted to the banks.

The term lending financial institutions like the Industrial Development Bank of India (IDBI), the Bihar State Credit and Investment Corporation Limited (BICICO), the Bihar State Financial Corporation (BSFC) held the commercial banks as one of the many factors responsible for the sickness of industries, as they do not give proper and adequate working capital in time. However, the commercial banks, while confessing the delays due to procedural formalities, claim that they cannot give credit

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28 N.G. Pillai, Chairman, State Bank of India, Hindustan Times (H.T.), Patna, Dec. 26, 1988 p. 14.



without proper examination of marketability, credit protection measures and the prospects of recovery.

It is true that the infrastructure is poor in Bihar. Nevertheless, there is no reason why the commercial banks cannot extend loans for the development of infrastructure for that the bank will have to take up the decisions flexibly considering regional needs. When asked about this, Pillai said, "The policy of the Government or the Reserve Bank of India (RBI) is to ensure protection of credits.....The credit policy is designed to ensure balanced regional growth. But the credit given must be adequately protected. After all our banks are national banks and we cannot frame policy on the basis of regional considerations." <sup>29</sup>

Apart from the above factors lack of co-ordination among different agencies like the finance ministry, the Reserve Bank of India, the Commercial Banks and different term leading institutions, is also responsible for low C-D ratio.

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29 Ibid.

Role of All India Financial Institutions:

One of the major factors, that helps in the industrial development of any area is the role played by the All India Financial Institutions like the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), Life Insurance Corporation (LIC), General Insurance Corporation (GIC) and Union Trust of India (UTI). They help the regional financial institutions by providing refinance against loans, and through investments in different projects. In the case of Bihar, these institutions have adopted a step-motherly approach over the years as becomes clear from Table 27 while Maharashtra received 16.6% of the total assistance disbursed by these institutions, Bihar had to rest content with only 2.2% during 1986-87. All-India Financial Institutions' apathy towards Bihar is also obvious in the following account:

Besides, among the top 50 industrially backward districts specially funded by the financial institutions, there is not one single district from Bihar, though Bihar otherwise has some of the most backward district. A partial explanation for this situation is that backward districts in Bihar are ill placed to sustain industrial investment/activity of the nature and scale which interest industrial enterprises for financial institutions. Part of the explanations also lies in the lack of projects specific to Bihar's backward district emanating from private/public sectors of the state<sup>30</sup>

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30 Jain, L.C., Strategies for Industrialization of North Bihar, IDBI Seminar, Patna, 1988. op.cit. p.10.

Table -2.7 : Distribution of Assistance Disbursed by All-India Financial Institutions: During 1974-75, 1980-81 and 1986-87

STATES	(Rs. Crores)					
	Disbursement			% to total		
	1974-75	1980-81	1986-87	1974-75	1980-81	1986-87
<b>MAJOR STATES</b>						
Andhra Pradesh	11.38	83.44	362.94	3.2	5.8	7.4
Assam	10.54	4.87	44.55	3.9	0.3	0.9
Bihar	9.88	28.33	106.32	2.8	2.9	2.2
Gujarat	44.10	169.43	695.96	12.5	11.9	4.0
Haryana	6.85	31.26	130.39	1.9	2.2	2.7
Karnataka	35.46	127.17	299.71	10.1	8.9	6.1
Kerala	9.21	45.00	106.42	2.6	3.1	2.2
Madhya Pradesh	4.63	44.10	245.09	1.3	3.1	5.0
Maharashtra	75.16	317.77	810.20	21.4	22.2	16.6
Orissa	6.56	31.56	148.32	1.9	2.2	3.0
Punjab	6.64	49.31	146.97	1.9	3.4	3.0
Rajasthan	5.99	76.33	225.49	1.7	5.3	4.6
Tamil Nadu	46.24	153.23	445.68	13.2	10.7	9.1
Uttar Pradesh	27.23	108.42	570.46	7.7	7.6	11.7
West Bengal	32.17	89.26	268.73	9.2	6.2	5.5
All India	351.52	1,429.37	4,879.93	100.0	100.0	100.0

Data covered here related to IDBI, IFCI, ICICI, LIC, UTI and GIC.

Note : With the setting up of Export-Import Bank (Exim Bank), the export finance operations of IDBI were transferred to Exim Bank with effect from 1 March, 1982. Thus the all institutions figures given here include the export finance figures of IDBI upto the year 1980-81 but exclude them for/upto the year 1986-87.

Source: CMIE, Basic Statistics Relating to the Indian Economy,  
Vol.2 : States (Sept. 1988), Table 13.25.

The IDBI, as an apex organization is expected to provide refinance against loans granted to industrial concerns by other development banks like the IFCI, the State Financial Corporations (SFCs) etc. and rediscount their machinery bills. It also subscribes to the share capital and bond issues of the IFCI, the ICICI, the SFCs etc. As a coordinator at the national level, one of the most important function of the IDBI is to ensure regional industrialization. But where its performance in Bihar is concerned has been far from satisfactory. The per capita assistance disbursed by the IDBI till June 1988 in Bihar has been merely Rs.65.31 as against Rs.301.68 for All-India. It is clear from Table 28 that the cumulative assistance disbursed to small, medium and large sectors in Bihar till June 1988 was merely 2.21% of the total assistance in India. Table 29 gives a comprehensive picture of the IDBI in Bihar in relation to India. Bihar gets only 1.59% of the total direct assistance of India from IDBI. The direct assistance to backward areas in Bihar has been merely 0.58% of that of All-India. This also reveals the lack of genuine interest of the IDBI in uplifting the backward areas of the State.

The IDBI, by issuing a list of in eligible industries for refinance from time to time hinders regional industri-

Table -2.8 : Cumulative Assistance Disbursed to Small, Medium and Large Sectors till June, 1988

(Rs. Crores)			
Sectors	India	Bihar	Bihar as per cent of India
Small	6613.6	203.9	3.08
Medium and Large	14060.3	252.6	1.80
<b>TOTAL</b>	<b>20673.9</b>	<b>456.5</b>	<b>2.21</b>

Source : Hindustan Times, Patna, December 26, 1988

Table -2.9 : Assistance by IDBI till June, 1988

(Rs. Crores)						
Name of the Scheme	Total Assistance Disbursed			Assistance disbursed to Backward Areas		
	India	Bihar	Share of Bihar (%)	India	Bihar	Share of Bihar (%)
<b>A. Direct Finance Scheme</b>						
i) Project Finance	6842	104	1.52	3943	20	0.50
ii) Bill Counting	491	85	1.70	671	6	0.99
iii) Technical Dev. Fund	152	2	1.30	24	1	4.1
iv) Total	11985	191	1.59	4639	27	0.58
<b>B. Refinance Scheme</b>	8689	266	3.06	4431	124	2.99
<b>C. Total</b>	<b>20674</b>	<b>457</b>	<b>2.21</b>	<b>9070</b>	<b>151</b>	<b>1.70</b>

Source : Hindustan Times, Patna, Dec. 26, 1988

alisation to a great extent, as this list does not necessarily concur with the Industries Department's banned list. To take an example, the current list of the banned industries of the IDBI includes items like baby food, beer, wine, alcoholic spirit, LPG cyclinders, alchol based on chemicals, etc which have a great potential in Bihar.

Further, the IDBI's sanctioning of loans to the State Financial Corporations like the BSFC and the BICICO depend on the prognosis of recovery of past performances, which is poor in States like Bihar. This is primarily because most of the ancillary industries donot enjoy proper patronage of the large public and private sector industries. Therefore the quantum of loans sanctioned by the Bihar State Financial Corporation is very limited. This is another big hindrance to Bihar's industrialisation.

Although the sanction and the disbursement of loans by the BSFC and the BICICO has been increasing over the year (Table 2.10), the industrialists did not get proper benefits, because of the delays in sanction and disbursement of assistance. Also, the refinance limit to which the BSFC and the BICICO are eligible are low at Rs.60 lakhs and Rs.90 lakh, respectively. Since the BSFC and the BICICO

Table -2.10 : Sanction and Disbursement of Term Loans by the Bihar State Financial Corporation and Bihar State Credit and Investment Corporation:-

(Rs. in lakhs)

YEAR	BSFC		BICICO	
	Sanction	Disbursement	Sanction	Disbursement
1983-84	3367	1575	651	602
1984-85	4941	2092	1062	442
1985-86	6250	3200	1634	760
1986-87	9000	5000	1880	1200

Source : Hindustan Times, Patna, Dec, 26, 1988

are not autonomous in policy-framing, and are dependent solely on the IDBI, the neglect of the interest of Bihar's industrialisation has little chance of being corrected.

Sometimes, first generation entrepreneurs growing from small scale to medium find it very difficult to fulfil 1.5% debt-equity ratio set by the BSFC and BICICO, which is much higher than the IDBI guidelines.

Thus while the role of the IDBI has not been found to be that of a catalyst in Bihar's industrialisation, the lack of clear cut policy of the State Financial Institutions also hampers the process of industrialization. Mr. M.R.B. Punja, Chairman, I.D.B.I. once told that Bihar had a meagre share of only 3% in the Industrial Development Bank of India for which the State Government was to be blamed. He added that the State Government did not sanction the matching grant to the State Financial Corporation and as such, IDBI was not in a position to release the fund to the Financial Corporation. He was very critical about the slow recovery and disbursement of loan by the Bihar State Financial Corporation.<sup>31</sup>

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31 Annual Report of the Committee for the Bihar Chamber of Commerce for 1983-84, p. 10.



The Issue of Industrial Licensing

One of the major stumbling blocks in the way of industrial development of Bihar is the Central Government's policy and its implementation of industrial licensing, as envisaged in the Industries (Development and Regulation) Act, 1951. As regards the grant of licences for new industrial units, the Central Government's policy is not to grant licences for new industrial units if the installed capacity of the existing units satisfies the total requirement of the country. How this policy affected industries in Bihar is illustrated in one of the Annual Reports of the Bihar Chamber of Commerce thus:

...while there were about 130 re-rolling mills in the country, there was none in Bihar which supplied raw materials to other States. It was estimated that consumption of building materials in Bihar produced by the re-rolling mills was about 300 tonnes per month and all of it was imported from other States. It was not understood why the Central Government was persistently refusing permission, since Bihar could produce them at much cheaper cost due to low cost of transport of raw materials for a mill located in Bihar. 32

The net result of the licensing policy is that Bihar has to supply raw materials to other States and import their finished goods. This is a major handicap in the way of industrialization.

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32 Annual Report of the Committee of the BCC for 1952-53, p. 13.

The centralised issuance of licences from New Delhi has hampered the development of industries in the State. Although the Act of 1951 identified only limited industries that were of vital and national importance to be put in the first schedule. During the last forty years this act has been amended several times and more and more industries have been added to the first schedule. It is surprising as to why the Centre has brought under its control items like razor blades, hurricane lanterns and steel furniture among others. Again for large and medium scale units, letters of intent/industrial licences or DGTD registrations are required. They are issued by the Government of India. But when an application is made, it is often turned down on the ground of capacity - constraint. The question of capacity-constraint is questionable. The Central Government here falls into the trap created by the big monopolists or corporate sector entrepreneurs. The fact that there is a difference between capacity creation and capacity-utilization is often overlooked. If the capacity created is sufficient to meet the demand for a particular item, then no further letter of intent/licence is issued even if there are no such units in Bihar. Some entrepreneurs, often of the same holding company, having taken the letters of intent/industrial licences, implement them in phases. These phases may

be of long duration, and their implementation is deferred on the plea of inadequate demand at that particular time. In the meanwhile if any entrepreneur from Bihar applies for getting a letter of intent, his application is liable to be rejected on the grounds of capacity constraints.<sup>33</sup>

Again, some states because of greater awareness and in expectation of demand for a certain good rising in time to come, manage to get the approval for capacity creation, which hinders late-comers like Bihar in their industrial development process. Thus, while the licensing policy of the Central Government creates regional imbalances at the same time it also benefits the monopoly bourgeoisie, who manage to get the applications from the late States for licenses turned down, by colluding with the bureaucrats. On the other hand, licenses granted to Bihari entrepreneurs may not be of much use to the local people or may not be profitable to the entrepreneurs.

It becomes clear from Table 2.11 that from 1979 to 1987, only 1.8% of the total 'letters of intent' and

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33 Gorelal Yadav, Industrial Scenario In Bihar, in Shaibal Gupta and Alakh N. Sharma, ed., Bihar Stagnation or Growth, . . . , p. 293.

Table -2.11 : Letters of Intent and Industrial Licenses Granted: 1986 and 1987

	1986		1987		Cummulative 1979 to			
	LI	LI	LI	LI	Letters of intent		Industrial licence	
					Num-ber	% to total	Num-ber	% to total
<b>MAJOR STATES</b>	<b>1,031</b>	<b>580</b>	<b>920</b>	<b>429</b>	<b>8,478</b>	<b>92.5</b>	<b>5,484</b>	<b>94.37</b>
Andhra Pradesh	111	40	112	38	778	8.5	380	6.5
Assam	20	5	12	3	75	0.8	62	1.1
Bihar	18	9	14	9	169	1.8	119	2.04
Gujarat	105	86	70	49	1,067	11.7	682	11.7
Haryana	57	36	40	25	525	5.7	290	5.0
Karnataka	76	42	84	45	639	7.0	393	6.8
Kerala	17	13	22	7	193	2.1	133	2.3
Madhya Pradesh	55	34	51	18	500	5.4	206	3.5
Maharashtra	173	96	138	86	1,443	15.7	1,954	18.20
Orissa	17	12	18	8	213	2.3	103	1.8
Punjab	47	37	38	19	380	4.2	453	7.8
Rajasthan	54	19	52	16	395	4.3	186	3.2
Tamil Nadu	104	61	122	41	714	7.8	574	9.9
Uttar Pradesh	135	69	108	40	995	10.9	475	8.2
West Bengal	42	21	39	25	392	4.3	374	6.4
<b>All India</b>	<b>1,130</b>	<b>618</b>	<b>989</b>	<b>472</b>	<b>9,150</b>	<b>100.0</b>	<b>5,807</b>	<b>100.00</b>

Note : LT = Letter of intent  
IL = Industrial licence

Source : CMIE, Basic Statistics Relating to the Indian Economy,  
Vol. 2 : States, (Sept. 1988), Table 9.22.

only 2.04% of the total industrial licenses were issued to the Bihari entrepreneurs for industries to be set up in Bihar, while 15.7% of the total 'letters of intent' and 12.15% of the total industrial licences were issued for Maharashtra.

Table 2.13 makes clear that while only 0.5% of the total letters of intent and 1.1% of the total industrial licenses were issued for backward areas in Bihar, the same for Maharashtra were 10.8% and 10.1%.

Table 2.12 and Table 2.14 present evidences to show how much the entrepreneurs are reluctant to invest in Bihar. Table 2.14 shows that between January 1, 1985 and March 15, 1988, only 13 applications were received for licences in Bihar in comparison with 198 applications for Maharashtra. Thus, there is nothing much to blame the senior bureaucrats of the Central Government for. However, while Maharashtra has been issued 23% of the total letters of intent issued, Bihar's share was only 1.1%.

The licensing policy of the Central Government was claimed to be one an important measure to ensure balanced regional industrial growth. But the Licensing Policy

Table 9.12 : Share of Public Sector in the Total Letters of Intent and Industrial Licences Issued.

(Period: January 1987 to June 1988)

(In number)

	<u>Letters of intent issued</u>			<u>Industrial licences</u>		
	Total	Public Sector	% of total	Total	Public Sector	% of total
<b>MAJOR STATES</b>	<b>1,310</b>	<b>190</b>	<b>14.5</b>	<b>587</b>	<b>86</b>	<b>14.7</b>
Andhra Pradesh	146	10	6.8	49	14	29.9
Assam	21	5	23.8	3	2	66.7
Bihar	20	5	25.0	10	4	4.0
Gujarat	100	9	9.0	67	6	9.0
Haryana	56	10	17.9	37	1	2.7
Karnataka	111	21	18.9	57	14	24.6
Kerala	32	14	43.8	9	6	66.7
Madhya Pradesh	79	-	-	26	5	19.2
Maharashtra	205	18	8.8	128	7	5.4
Orissa	24	10	41.7	9	2	22.2
Punjab	60	22	36.7	29	9	31.0
Rajasthan	72	23	31.9	20	2	10.0
Tamil Nadu	162	13	8.0	48	1	2.1
Uttar Pradesh	165	19	11.5	56	6	10.7
West Bengal	57	11	19.3	39	7	18.0
<b>All India</b>	<b>1,409</b>	<b>210</b>	<b>14.91</b>	<b>642</b>	<b>89</b>	<b>13.99</b>

Source = CMIE, Basic Statistics Relating to the Indian Economy, Vol.2 : States (September, 1988), Table 9.24

Table -2.13 : Letters of Intent and Industrial Licences Issued to Backward Areas 1986 and 1987.

	1986				1987			
	LI		IL		LI		IL	
	Number	%	Number	%	Number	%	Number	%
<b>MAJOR STATES</b>	<b>542</b>	<b>87.3</b>	<b>253</b>	<b>91.0</b>	<b>473</b>	<b>88.2</b>	<b>164</b>	<b>85.6</b>
Andhra Pradesh	72	11.6	22	7.9	55	10.2	22	11.5
Assam	20	3.2	5	1.8	12	2.2	3	1.6
Gujarat	52	8.4	46	16.5	25	4.7	26	13.5
Bihar	3	0.5	3	1.1	6	1.1	-	-
Haryana	25	4.0	11	4.0	13	2.4	5	2.6
Karnataka	29	4.7	18	6.5	37	6.9	14	7.3
Kerala	11	1.8	8	2.9	9	1.7	3	1.6
Madhya Pradesh	48	7.7	25	9.0	44	8.2	12	6.3
Maharashtra	67	10.8	28	10.1	62	11.6	20	10.5
Orissa	8	1.3	3	1.1	8	1.5	4	2.1
Punjab	23	3.7	6	2.2	8	1.5	2	1.0
Rajasthan	32	5.2	12	4.3	42	7.8	7	3.6
Tamil Nadu	48	7.7	23	8.3	68	12.7	14	7.3
Uttar Pradesh	79	12.7	34	12.2	59	11.0	23	12.0
West Bengal	25	4.0	9	3.2	25	4.7	9	4.7
<b>All India</b>	<b>621</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>	<b>536</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>

Notes = LI = Letters of Intent  
 = IL = Industrial Licence  
 Backward districts include No- Industry districts.

Source = CMIE, Basic Statistics Relating to the Indian Economy,  
 VOL.2 : States, (Sept. 1988), Table 9.25

Table -2.14 : MRTP CosP Applications Received, Letters of Intent(LI) and Industrial Licences(IL) Issued  
(Period: 1985 to 1988)

	<u>Application received(a)</u>		<u>LIs issued (a)</u>		<u>ILs issued (b)</u>	
	Number	%	Number	%	Number	%
<b>MAJOR STATES</b>	<b>901</b>	<b>91.4</b>	<b>316</b>	<b>90.9</b>	<b>315</b>	<b>94.9</b>
Andhra Pradesh	49	5.0	13	3.7	9	2.7
Assam	2	0.2	1	0.3	-	-
Bihar	13	1.3	4	1.1	5	1.5
Gujarat	118	12.0	43	12.4	61	18.1
Haryana	29	2.9	13	3.7	15	4.5
Karnataka	76	7.7	32	9.2	16	4.8
Kerala	5	0.5	-	-	2	0.6
Madhya Pradesh	71	7.2	26	7.5	21	6.3
Maharashtra	198	20.1	80	23.0	94	28.0
Orissa	10	1.0	2	0.6	1	0.3
Punjab	22	2.2	5	1.4	11	3.3
Rajasthan	42	4.3	12	3.4	12	3.6
Tamil Nadu	86	8.7	32	9.2	27	8.0
Uttar Pradesh	123	12.5	29	8.4	25	7.5
West Bengal	57	5.8	24	7.0	16	4.8
<b>All India</b>	<b>987</b>	<b>100.0</b>	<b>348</b>	<b>100.0</b>	<b>335</b>	<b>100.0</b>

(a) = Period January 1985 to 15 March, 1988

(b) = Period January 1985 to December, 1987

Source = CMIE, Basic Statistics Relating to the Indian Economy,  
Vol. 2 : States ( Sept. 1988), Table 9.23.



Enquiry Committee, set up in July 1967 was very critical of the licensing policy as it worked in practice. As regards the regional dispersal of industries, the Committee pointed out that while the licensing policy seemed to have helped the developed States, nothing much by way of regional distribution of industry had been achieved through it.<sup>34</sup>

The then Chief Minister Mr. Bhagwat Jha Azad said :

The share of industrial licences granted to Bihar is neither commensurate with its needs nor its expectations....the process of licensing is the result of interaction in which while the State Government must continuously endeavour to identify relevant industries and submit timely applications, the Central Government should consider the request of the State Government as well as the needs of the individuals states. 35

To correct the anomaly it was suggested by the State Government that all the State capitals should have offices for issue of industrial licences and powers should be delegated to grant licences, finding and other support; only then it might be possible for a harmonious regional industrialisation to take off for all round development.<sup>36</sup>

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34 Desai, Vasant, Indian Industries: Profile and Related Issues, Himalaya Publishing House, Bombay, 1987, p.80

35 Bhagwat Jha Azad, op.cit. p. 16.

36 Ibid.

CHAPTER - III

ROLE OF THE STATE GOVERNMENT IN THE INDUSTRIALIZATION  
OF BIHAR

CHAPTER IIIROLE OF THE STATE GOVERNMENT IN THE INDUSTRIALIZATION OF BIHAR

In a State like Bihar, where private capital has been shy to enter the arena of industries, the role of the State Government assumes great importance. The State Government has to provide the basic infrastructure as well as protection and patronage to the local industries to accelerate the pace of industrialization in the State.

The Government of Bihar has taken many steps to industrialize the State. But these steps have been far from satisfactory. As a result Bihar is one of the most industrially underdeveloped States in India despite its huge mineral resources. The present industrial underdevelopment of the State leads one to doubt the very sincerity of the State Government's efforts to industrialize the State. All the tall claims and promises made by the State Government to usher in an era of industrialization in Bihar sound nonsensical when one observes that on many occasions it has meekly surrendered to the arbitrariness of the Central Government, it has not been competitive with other States in offering concessions and incentives to entrepreneurs, it has not followed its own rules on price and purchase preferences and it has taken many

decisions which are fatal to the growth of the local industries.

The State Government's failure to industrialize the State to a desirable extent is due to two main reasons, i.e., sometimes it has been lacking in strength and sometimes it has been rather unwilling to act firmly. While its lack of strength is obvious in its dealings with the Central Government, its lack of will is evident from the poor implementation of its own policies and programmes like land reforms and price and purchase preferences.

In this Chapter we shall analyze the nature of political leadership of Bihar, its equations with the Central leadership, Monopoly Bourgeoisie and Regional Bourgeoisie, and their impact on industrial development of the State.

But at first let us study the important steps taken by the Government of Bihar to industrialize the State. In Bihar, assistance to industries is provided by the State Government either directly or more often through the Industries Department, Government of Bihar. A part of the is given under the Bihar State Aid to Industries Act, 1956 These are in the form of loans, guarantee of cash credit, overdraft or fixed advance with a bank, purchasing of

shares or debentures, guarantee of minimum return on the whole or part of the capital of a joint stock company, grant of favourable terms of land, raw materials or other property vested in the State, payment of subsidy for establishing or expanding small scale industries, the conduct of research, supply of machinery on hire-purchase system, supply of electrical energy at concessional rates.<sup>1</sup>

To provide the required financial assistance to the entrepreneurs in the State there are two State level financial institutions namely the Bihar State Financial Corporation (henceforth BSFC) and the Bihar State Credit and Investment Corporation (henceforth BICICO). The BSFC extends credit facilities upto a limit of Rs.60 lakh for acquiring fixed assets such as land, buildings, plants and machinery. The loans are given for new units as well as for expansion, renovation and modernization of existing units. The medium and small scale units can thus acquire these facilities. The BSFC operates through 18 branch offices and two regional offices in the State.

The BICICO was initially set up as a private limited company, but was subsequently converted into a public sector

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1 Techno-Economic Survey by National Council of Applied Economic Research (NCAER) Asia Publishing House, New Delhi, 1959, p. 116.

corporation. The chief aim of the corporation is to provide direct assistance both promotional and financial to the small and medium industries and to bring about industrial development in the industrially backward areas of the State. The corporation functions from Patna and does not have any branches.<sup>2</sup>

Lack of entrepreneurship in Bihar is attributed partly to the legacy of historical constraints as outlined in Chapter I, and partly to a characteristic feudal outlook of its people towards business and industry. However, in our opinion the spirit of entrepreneurship in the State is blunted mainly due to the absence of an effective channel which could bring the surplus capital from other sectors of economy to the industrial sector. Inadequate basic infrastructure, poor facilities for managerial training, inadequacy of information regarding setting up of industrial projects act as severe constraints on the development of entrepreneurship in the State of Bihar.

The State Government has taken a number of steps to develop entrepreneurship among the local population. It has set up several institutions concerned with identification of entrepreneurs, imparting of training in industrial

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2 Ibid.

management to them, technical counselling, and followup implementation of the projects.

In the State of Bihar management courses at the University level are offered at Muzaffarpur.<sup>3</sup> Master of Business Administration course is also offered at the Xavier Labour Relation Institute, Jameshedpur.<sup>4</sup> But it is rather surprising that in Patna, the State capital, there are no facilities available for management training in the University.<sup>5</sup>

Outside the University campus, managerial training is organized by the Small Industries Service Institute, Patna, and the Bihar State Agro Industries Corporation for the benefit of small entrepreneurs,<sup>6</sup> Recently, the business community and the Government of Bihar have jointly proposed to set up the Bihar Institute of Entrepreneurship Development.<sup>7</sup>

The Bihar Industrial and Technical Consultancy Organisation (henceforth BITCO) was set up in 1974 to function as a coordinating agency to bring together prospective

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3. National Council of Applied Economic Research(NCAER) Perspective Plan of Industrial Development of Bihar (1979-80 to 1988-89) New Delhi, 1981, p. 94.

4 Ibid.

5 Ibid.

6 Ibid.

7 Ibid.

entrepreneurs, project ideas, financial institutions, implementation agencies and other agencies in the interests of rapid and sustained industrialization of Bihar.<sup>8</sup> It prepares project reports for entrepreneurs and serves as one of the agencies for appraisal of project reports submitted to the financial institutions.

In 1974, the Department of Industries, Government of Bihar, set up the Directorate of Technical Development. This Directorate coordinates and guides the functioning of a number of corporations located in various parts of the State. It studies and identifies possibilities of industries in the State based on its mineral, forest and agricultural resources; identifies projects and arrange to prepare project reports; initiates steps for obtaining letters of intent in large and medium sectors and sells project ideas to small scale entrepreneurs; studies the need of technological and physical infrastructure; manages follow-up implementation of projects in the State for which letters of intent have been issued; counsels entrepreneurs in selection of projects and facilities available for setting up industries in Bihar; formulates Research and development programme for development of new processes

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8 Ibid p. 99.



for SSIs and provides aid to SSI units in solving their technical problems,; carries out diagnostic surveys of sick SSIs units and mills; studies incentives and advises the Department of Industries on formulating new incentives or rationalizing the existing ones to accelerate the pace of industrial development in the State and carries out market surveys of industrial commodities for identification of gaps in production capacity and demand in the State.<sup>9</sup>

The State has also taken steps to develop technical manpower. There are seven state-owned engineering colleges besides several private degree engineering colleges.<sup>10</sup> However, there is a great regional disparity where the location of these colleges is concerned. In the North Bihar region the Muzaffarpur Institute of Technology is the only State-owned Engineering College established over twenty years back. It is yet to start post-graduate courses.

The State has 33 Industrial Training Institutes (ITIs) These ITI's offer training facilities in engineering trades, e.g., fitter, turner, machinist, electrician, wireman, motor mechanic, black smith, carpentry, radio and T.V. mechanic, etc.<sup>11</sup>

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9 Ibid., p. 96.

10 BITCO Report on Industrial Rejuvenation of North Bihar Part-II, IDBI Seminar, op.cit., Patna, 1988, p.213

11 Ibid.

There are a number of State-level enterprises in Bihar. There are primarily of promotional nature. There can be classified in five broad categories, viz. (i) Public utilities, (ii) Promotional (iii) Manufacturing (iv) Service and trading, (v) Non-banking financial institutions.<sup>12</sup>

Electricity, transport, water, communication come under Public Utilities. The Public Utilities enterprises account for more than 80% of the total investment in the State-level enterprises.<sup>13</sup> Two important Public Utilities in Bihar are the Bihar State Electricity Board and the Bihar State Road Transport Corporation.<sup>14</sup>

The promotional enterprises are concerned with providing raw materials as well as marketing facilities to the entrepreneurs. The Industrial Area Development Authority, Bihar State Khadi and Village Industries Board, Handloom and Handicraft Development Corporation are some of the important enterprises.<sup>15</sup>

The primary aim behind establishing State-owned manufacturing industries is to create surplus for the

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12 Ahsan, Qamar, Working of the State-level Public Enterprises, in Shaibal Gupta and Alakh N. Sharma, eds, op.cit., p. 299.

13 Ibid.

14 Ibid.

15 Ibid.

State-plans. These are mostly engaged in the manufacturing of basic raw materials and consumer durables or in running sick units taken over in the larger public interest. Bihar State Industrial Development Corporation(BSIDC), The Bihar State Electronics Development Corporation, the Bihar State Leather Development Corporation, the Bihar State Textile Corporation and the Bihar State Sugar Corporation are some important State-owned manufacturing enterprises.<sup>16</sup>

The Service and Trading Enterprises aim to develop those areas which have been usually neglected by private capital. They also aim to protect the consumers against exploitation by vested interests. The Bihar State Agricultural Marketing Board, the Bihar State Food and Civil Supplies Corporation, the Bihar State Warehousing Corporation are some important enterprises in this category.<sup>17</sup>

The Government of Bihar has set up a number of Industrial Estates, Industrial Areas and District Industrial Centres(DICs) to promote industrialization all over the State.

During the Second Five Year Plan (1956-61) four Industrial Estates were set up at Patna, Ranchi, Darbhanga

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16 Ibid.

17 Ibid.

and Biharsharif, their basic aim being to facilitate expansion of the Small Scale Industries and to create technological bases which were expected to grow rapidly because of the advantage of the large scale industries in Bihar. An Industrial Estate offers factory sites or built-up sheds with infrastructural facilities to small units.

The Government of Bihar enacted the Industrial Area Development Authority Ordinance in 1972 under which an autonomous and statutory organization, viz., Industrial Area Development Authority (IADA) was constituted separately for Patna, Adityapur, Barauni, Patratu, Bokaro and Muzaffarpur. The IADAs have been assigned the role of coordinating development activities with the major industries in the area so as to ensure the expansion and promotion of new enterprises. To achieve this, the IADAs have been authorized to offer package incentive schemes covering financial assistance allocation of scarce raw materials, allotment of developed plots, consultancy service for preparation of project reports, supply of electricity and water, and guarantee needed by commercial banks for providing financial assistance to industrial units. At present there are 6 IADAs in the State.

In the mid-1970s the emphasis of the Government of

Bihar shifted to the growth and development of Small Scale industries and the tiny sector in rural areas to maximize employment, raise income levels in the rural sector and augment supply of the main consumption goods. For effective implementation of the schemes for the benefit of rural sector, the District Industrial Centres (DICs) have been set up as a first step to streamline the systems and procedures in implementation of these programmes. The DICs keep under one roof all the assistance needed for production in small scale and rural industries. The DICs are the apex body for the overall industrial development of the district.

Recently, the Government of Bihar has introduced the 'Single Window System' under the New Industrial Policy, 1986 at different levels. It aims to achieve quick clearance of proposals received from entrepreneurs and removal of difficulties faced by them. At the level of the districts, a Committee has been set up headed by the District Officer with representation from Electricity Board, Commercial Taxes Department, Labour Department, Financial Institutions and Banks to advise and help the entrepreneurs. A similar committee has been set up at the level of IADAs, and finally there is a Committee at the State level with the

Chief Secretary as its Chairman. All promotional institute and bodies have been housed in the Udyog Bhawan, Patna.<sup>18</sup>

The above account of the steps taken by the State Government may look impressive. But there is a vast gap between their objectives and actual performance. The IADAs are entrusted with the responsibility of providing complete infrastructural facilities to the potential entrepreneurs. But these have ignored facilities like power supply, arrangement for discharge of water, workers' housing. They seem to be content with providing some basic facilities like land, building, loans. These IADAs lack sound planning. Also the areas placed within their jurisdictions are often too large to be properly manageable, e.g. Patna IADA has to cover the whole of Patna, Bhagalpur, Dumka divisions and partly Magadh division too.

While speaking to the entrepreneurs at Buxar Industrial Area one of them said off the record that besides the lack

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18 Bihar Industrial Policy, 1986, Government of Bihar, Publication, Patna, 1986, p. 3.

of availability of raw materials, power supply, loans etc. another important factor which contributed much to the poor performance of the Industrial Areas was that some unscrupulous businessmen from outside the region managed to get loan in the name of establishing an industrial project in the Industrial Area and then left the region with the loan received. The State bureaucracy too cooperated with them. In Buxar Industrial Area more than 80% of the units are closed. Most of them have been closed because the outsider businessmen fled away. But the local entrepreneurs too are not without fault. In fact, here are a number of cases where loan taken in the name of setting up an industry was actually utilized for other purposes. In some cases the land allotted for industrial purposes is captured by anti-social elements and misused for other activities. Thus, in short, a lack of proper planning, inadequate basic infrastructure, corruption in the bureaucracy have created an atmosphere where non-industrial activities seem to be more profitable.

The reason for poor performance of the Industrial Estates is the high rent charged by them leading to high capital-output ratio. A number of sheds in Industrial Estates have been occupied by the State Government as entrepreneurs were not attracted in sufficiently large

number to them. Even among those sheds occupied, a good portion is used for non-industrial purposes, thus undermining the very concept of Industrial Estates.

As far as the State-level enterprises are concerned these have been incurring heavy losses. Profit and loss accounts of some major enterprises are given in Appendix-V and Appendix-VI<sup>19</sup>. But the poor performance of some of these major enterprises such as the Bihar State Electricity Board (BSEB), Bihar State Road Transport Corporation (BSRTC), the Water Development Corporation are due to certain constraints, e.g., they are operating in areas which are low-yielding as well as of long gestation periods; these have much greater obligation to fulfil social policies of the Government, which does not allow them large surpluses; these are closely held by the Government and major policy decisions like investment, pricing, etc are externally determined. Appointment of the member and the Chairman of the Boards of these enterprises is made political ground rather than on professional competence. All the important posts in these enterprises are filled by the officials of the Civil Services and the members of the State Legislature.

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19 See Appendix-V and Appendix-VI



Frequent changes are made in the staff. As a result there is no consistency in the policies of the Boards and this opens doors for further political interference.

State level financial institutions are not adequately funded. As a result entrepreneurs get insufficient capital for their industrial venture.

The performance of State level financial institution should be periodically reviewed. The system of joint appraisal of application forms by the Financial Institutions and banks should be made mandatory, and once loans is sanctioned, the working capital should also be made available simultaneously by the banks.

The BSFC and the BICICO provide term loans to small and medium units but seldom the assistance sanctioned by them are made available to the units in time. At times, it has been experienced that sanctioned assistance is not made available for years , even in case of sick industries, jeopardizing thereby the very existence of the industrial units and subjecting them to great financial loss due to the insistence of compound interest for no fault of them.<sup>20</sup>

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20 Annual Report of the Committee of the BCC for 1984-85, p. 56.

A passing reference to the role of the bureaucracy in Bihar would not be out of context. As the proverb says, when the cat is away the mice will play, this holds good in the case of the bureaucracy in Bihar. The political leadership has been short of any vision of industrialization of the State. The result is chaos and confusion. All over the State the entrepreneurs strongly blame the bureaucracy for its corruption, inefficiency, red-tapism, casteism, etc. The bureaucracy and the politicians are the biggest beneficiary of the mess.

The degree of chaos is illustrated by a study team from A.N. Sinha Institute, Patna. It mentions a case of decision-making by the Directorate of Industries, Government of Bihar in the following words:

A proposal was received from the Directorate of Advertising and Visual Publicity (DAVP), New Delhi, for the installation of a hoarding board for publicity of a government programme which was directly relevant to the Directorate (of Industries, Government of Bihar). The DAVP had already invited the tenders and was to meet the cost of the installation. All that the Directorate (of Industries, Government of Bihar) had to do was to select a site, scrutinize the tenders, accept the suitable one

and report to the DAVP after the completion of the work  
 ....The case took 55 steps. And the file till then was  
 'somewhere in the pipeline'.<sup>21</sup>

The following account of the process of planning  
 in Bihar would complete the picture of the chaos mentioned  
 above:

Perhaps in our country, Bihar is the classic  
 example of uncoordinated planning. The three  
 documents were prepared by the three different  
 organs of the State Government, viz., the  
 'Seventh Five Year Plan of Bihar: An Approach  
 by the State Planning Board; the 'Draft Seventh  
 Five Year Plan: 1985-90' and 'Annual Plan: 1985-86'  
 prepared by the Planning Department and the  
 'Financial Resources for the Seventh Five Year  
 Plan 1985-90' prepared by the Finance Department.  
 Although State Planning Board is an organ of the  
 Planning Department both are not working in  
 close cooperation. In fact, they are working  
 independent of each other.....Both the Finance  
 and Planning Departments have tried their best to  
 undermine the role of the State Planning Board. 22

Who exactly is to be blamed for the State of affairs  
 prevalent in Bihar ? The State leadership blames the  
 Central Government, the bureaucracy blames the State leader-  
 ship, and the entrepreneurs blame all the three. None  
 of the four is however, innocent. Still, the fact remains  
 that politicians and bureaucrats are the biggest beneficiaries

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21 Arif Hassan and JBP Sinha, Snakes and Ladders,  
Hindustan Times, Patna, Dec. 26, 1988, p. 13.

22 Sinha, R.K., Whither Planning in Bihar, in R.K. Sinha,  
 ed., Dynamics of Economic Development in India:  
 Economics of Poverty in Plenty, p. 322.

under the circumstances and the industrialists in particular and people of Bihar in general, are the worst sufferers.

The constant refrain that the State leadership lacks political will and foresight for industrialization, presupposes some distinct concept of industrialization in the Bihar. Our concept of a sound industrial policy as suitable to this State would encompass the following parameters.

(i) The State Government must try to make maximum utilization of the available agricultural and mineral resources; (ii) it must provide adequate infrastructure for industrial growth; (iii) it must be competitive with other States while offering incentives and concessions to the entrepreneurs (iv) it must be assertive vis-a-vis Central Government to protect the interests of the local industries (v) it must protect and patronage the local entrepreneurs; (vi) it must provide an efficient administrative machinery for implementation of the industrial policy, and above all (vii) it must have a political will to industrialize this State.

We shall examine the weakness of the industrial policies of the State Government, adopted since independence, in the light of the points made above.

Let us have a glance over available agricultural,

forest and mineral resources in Bihar. While North and South Bihar are primarily agricultural regions, the Chotanagpur region is rich in mineral resources. A sound industrial policy would have taken care to set the pace of industrialization along these available resources. However, there is very little evidence of agro-based, forest based and mineral-based industries in the State. The agro-based industries like sugar and jute have been by and large, sick for a long time due to falling supplies of raw materials, lack of working capital, outdated technology, marketing problems and State policies apart from the difficulties posed by infrastructural inadequacies. Only a dynamic agriculture with a reduced rate of fluctuation in its output can increase the demand and enlarge the base for mass consumption goods which alone can be the basis of rapid industrialization in Bihar.<sup>23</sup> But the state of agriculture is very poor in Bihar mainly because it lacks irrigational and other infrastructural facilities and under the shadows of semi-feudalism.

The maximum irrigation potential in Bihar by major and medium irrigation sources has been estimated at about 92 lakh hectares out of which irrigation facilities for 26 lakh hectares has been created so far.<sup>24</sup> The minor

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23 Prasad, Pradhan H., Dynamics in Rural Bihar, Times of India, New Delhi, 17 March 1981, p. 6.

24 Ranchor Prasad, Chairman, BITCO, at Seminar on Industrial Growth Opportunities in Bihar (Oct. 1981)

irrigation potential has been estimated at 59 lakh hectares, out of which facilities for 26 lakh hectares have so far been created.<sup>25</sup>

Despite land reforms, the State still remains in the clutches of a semi-feudal socio-economic set up. Though Bihar was the first state to initiate anti-zamindari legislation. The Land Reforms (Amendment) Act, 1953 enabled the Government of Bihar to takeover Zamindaris situated in any part of the State. And by January 1, 1956, all Zamindaris excepting Manbhumi Sadar, were claimed to be taken over by the States.<sup>26</sup> Subsequently other Land Reforms were also taken up. But the situation did not seem to be improving much. A recent study by a team of researchers from the A.N. Sinha Institute, Patna and International Labour Organization (ILO) discussed that even as late as 1981-82 there was widespread practice of tenancy, particularly of share cropping type and usurious exploitation in North and South Bihar plains.<sup>27</sup>

43.19% of the rural households leased in land for cultivation. In the case of only cultivating households,

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25 Ibid.

26 A.N. Singh, Finance Minister, Government of Bihar, Budget Speeches, 17.2.1955, pp. 55-56.

27 Prasad, Pradhan H. Political Economy of Economic Development in Bihar, Stagnation or Growth, op.cit. p. 18.

the percentage of those leased in land were 59.04. Among the households leasing in land for cultivation the terms of lease for 1.07% was cash rent, for 10.16% it was in kind, 11.76 and 77.07 respectively leased land on labour service and share cropping terms. The share of those who leased land as share-croppers was 50% in the gross output in 99.31% of cases.<sup>28</sup>

In most of the cases of share-cropping system the inputs are not supplied by the landlords. The fact that the bulk of leasing in involves very small areas shows feudal traditions in tenancy. More than half of the leased in holdings are of one acre or less.<sup>29</sup>

The survey revealed that 59.29% of households were indebted to traditional sources like village money-lenders, employers, landlords. Usury and tenancy, particularly share-cropping, are the two important modes of appropriation of surplus value from the direct producers (i.e., the agricultural labourers, poor middle and middle peasantry) The practice of bondage labour still existed in Bihar.

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28 Ibid.

29 Ibid.

The condition of the agricultural labourers is described thus:

From among the agricultural labourers, 32.56% are attached to a particular employer. About 93.42% of the attached labourers must attend first to their employers' work, 12.16% cannot work elsewhere and in case of 5.40% their wages are deducted if found working elsewhere. and in case of 5.40% their wages are deducted if found working elsewhere. From among the attached labourers 17.86% will have to give up land leased in which are on share-cropping terms if they leave their employer. About 32-14% of attached labourers cannot give up working waters they pay back their debt to their employer. About 17.86% are bonded on both accounts - debt and share-cropping tenancy. About 18.97% of casual labourers also take land on lease on share-cropping basis from their employers.

The labourers often take loans from their employers and the interest charged by the employers are often exorbitant. It was also found that the rate of interest charged from the casual labourers are higher than the attached labourers, sometimes as high as 120% per annum. Thus, it is not only that the mode of appropriation of surplus value from the direct producers in the rural areas of North and South Bihar plains, is dominated by tenancy and usury but that the agricultural labour is free in neither sense of the term. 30

Widespread disparity in distribution of land too causes inefficiency in agriculture. In 1976-77 the average size of holdings in Bihar was only 1.1.



hectare against 2.1 hectare the all India average. A comparison of the 1976-77 figures with those of 1970-71 shows further that there was a decline of 26% in the average of holdings in the State over a period of only 6 years. There is a preponderance of marginal and small holdings upto two hectares in size and in 1976-77 such holdings constituted 84.6% of the total number and 37.7% of the total area of holdings in the State. The number of marginal holdings (below 1 hectare) has also been rising fast largely due to family partition of small and semi-medium holdings. In 1976-77, large holdings constituted less than 1% of the total number of holdings in the State. Thus while the vast majority of holdings in the State are too small in size to support a family of 5 persons, the distribution of land is highly skewed in some areas where a few large holdings still remain amidst a sea of marginal and small holdings.<sup>31</sup> The Techno Economic Survey pointed out that the number of large holders formed less than one-half percentage, though the area covered by them was 32%.<sup>32</sup>

The net effect of all the factors mentioned above

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31 Ibid.

32 Techno-Economic Survey, op.cit. p. 31.

is that in Bihar the poor State of agriculture hardly leaves any scope for surplus which could be invested in industries. It also restrict the size of the market for mass consumption goods. It is our common experience that the States where the Green Revolution had its impact were able to produce a surplus which was subsequently channelled into industrial investment. Bihar has remained outside the reach of the Green Revolution.

In the field of forest based industries too the State has performed badly. There is no factory to produce medicines exploiting the herbs and medical plant found in vast quantities in the Chotanagpur forest.<sup>33</sup>

Though Bihar claims that it contributes more than 40% of the total mineral production in the country, it is behind in mineral-based industries too. In Bihar the growth rate of mining-based industries was 2.5% between 1959-60 to 1974-75, while for all India it was 3.2%.<sup>34</sup>

Thus we see that the State is unable to take advantages of its agricultural, forest and mineral resources;

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33 Brij Kishore Singh MLA, Assembly Debates, 17.7.1980, p. 18

34 Ghosh, P.P., 'Abysmally Low and Positively Unhealthy' in the Hindustan Times, Patna, Dec. 22, 1988, p. 13.

it is trapped in a somewhat 'colonial ' situation. Bihar's import-export pattern shows that Bihar exports raw materials, semi-finished goods and imports finished goods produced from these semi-finished goods. For examples exports paper and paper products but imports products of the printing and publishing sector;<sup>35</sup> it export jute but imports jute products from West Bengal,<sup>36</sup> it exports iron and steel and non-ferrous basic metals but imports various metal products,<sup>37</sup> it exports mica and imports finished mica-products, though Bihar is abundant in Bauxite yet there is no Aluminium factory in the State.

The net result of this export-import trend is that the minerals, agricultural products of Bihar promote industrialization not within the State, but in the other States. The development of consumer industries which promote industrialization by their wide spread effects are conspicuous by their near absence in Bihar.

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35 Ibid

36 Mohammed Mustaque, MLA, Assembly Debates, 17.7.1980, p. 21.

37 Ghosh, PP., op.cit., p. 15.

Table - 3.1: Percentage Distribution of State Plan Expenditure in Bihar

Sector	I Plan	II Plan	III Plan	IV Plan	V Plan (i)
Agriculture and allied activities.	21.90	30.45	20.63	18.47	16.10
Irrigation and Flood Control	17.66	15.16	24.89	29.94	21.40
Power	12.91	17.50	28.62	27.95	26.10
Industry and minerals	1.41	4.76	3.21	3.58	4.31
Transport and Communication	14.71	8.51	5.31	7.33	9.60
Others	31.41	23.59	17.34	12.73	22.49
Total	100.00	100.00	100.00	100.00	100.00
Plan Expenditure (in Rs. crore)	73.28	177.98	328.52	(ii) 485.76	1267.43

Note : (i) Outlays; (ii) Revised.

Source: Bihar State Planning Board, Selected Plan Statistics, 1976, Table 14, pp. 78-79.

Table - 3.2: Outlays and Expenditure for Industries and Mineral Sector

Five Year Plans	Outlays(% of total)	Expenditure (% of total)
I Plan	2.01	1.41
II Plan	6.13	4.76
III Plan	4.16	3.21
Annual Plans	3.55	2.73
IV Plan	3.29	3.58
V Plan	4.31	3.92

Source : From documents of Perspective Plan for Bihar, Bihar State Planning Board, Patna, 1976.

Since the State provides wide scope for industrialization, the State leadership should have given adequate attention towards developing industries. But when we look at the percentage distribution of State Plan expenditure we notice that the industrial sector is the most neglected sector. The Government of the State seem to be more occupied with agriculture, irrigation and flood control and power rather than with the industrial sector. The percentage share of the industrial and mining sector in the total State Plan expenditure was 1.41 in the First Five Year Plan 4.76 in the Second Plan 3.21 in the Third Plan, 3.58 in the Fourth Plan 3.20 in the Fifth Plan.<sup>38</sup> Table.3.2 shows that the actual expenditure has constantly remained far below the plan outlay. The process of industrialization in Bihar needed a big push by the State Government. Keeping this in view, the NCAER (author of Techno-Economic Survey, op.cit) had recommended an investment of atleast Rs.1081 crore in the industrial sector, but the State Government invested only Rs.19 crores upto Third Plan and Rs.14 crore in the Fourth Plan.<sup>39</sup>

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38 See Table-3.1.

39 Chaturanan Mishra, MLA, Assembly Debates, 6.7.1979, p. 19.

The poor infrastructural facilities are the most formidable constraint on industrial development in the State. A comparison of infrastructural development in different States has been made in Appendix-VI. It clearly shows that among the major states of India, Bihar's position is much below. A special mention should be made by the power situation and transport the two most important factors contributing to industrial development. Per Capital power consumption in Bihar is lower than the all India average (Appendix-VII). Even within the State there is wide regional disparity in power consumption while the Chotanagpur region where industries are concentrated - claims the lion's share in power, the agricultural regions like North and South Bihar plains starve. The availability of power in the State is much lower than the demand, and is usually marked by heavy losses during transmission frequent break downs and wide voltage fluctuations. The poor State of power supply costs the State yearly. It is the non-availability of cheap electric power which is mainly responsible for Bihar not have any Aluminium factories, though Bihar has about 40% of the bauxite ores of the country.<sup>40</sup> The bauxite deposits of the State feed the Smelters and Always in South India and at Hirakud in Orissa where cheaper hydro-electric power is available.<sup>41</sup> The

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40 Techno-Economic Survey, op.cit.p.228.

41 Ibid.

Techno-Economic Survey was also of the opinion that the prospects of setting up Smelter within the State were entirely governed by the availability of cheap electric power.<sup>42</sup>

Where railways are concerned Bihar's seems to be better placed vis-a-vis the national average.<sup>43</sup> But when taken up separately many States have far better railway facilities. It must be kept in mind that the railways too are mostly confined and the Chotanagpur and South Bihar region. There is only one railway bridge across the Ganga linking North Bihar with the Southern part of the State. As a result, the North Bihar region cannot take advantage of the vast mineral resources in the Chotanagpur region. Transportation of the minerals from South to North Bihar by road is a much more expensive proposition. Thus in North Bihar there is hardly any scope of industries based on the mineral resources of the State. Until and unless the two regions the North and South are linked with a broad railway network. At present while the other States thrive on the mineral deposits of

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42 Ibid.

43 The railways route length in Km. per 1000 Sq.Kms of area (in 1982-83) in Bihar was 30-81 as against the national average of 18.67.

Source : CMIE, Basic Statistics Relating to the Indian Economy, vol.2, States, Sept. 1988, New Delhi.

Bihar, the State itself cannot feed its own industries across the Ganges.

But while discussing the infrastructural facilities of a State we must bear in mind that the development of infrastructure in the State have been mainly financed by the Central Government. Therefore, part of blame also goes to the Central Government for poor infrastructural facilities in Bihar.

An entrepreneur is attracted by the incentives and concessions a State provides to it. The Government of India too provides attractive incentives and concessions to lure entrepreneurs to industrially backward regions so as to minimise regional disparities. However, we are concerned here only with the incentives provided by Bihar. Despite vast mineral resources Bihar has not been able to attract entrepreneurs in sufficient number. The poor infrastructure, administrative complexities, irrational Sales Tax policies, non-availability of raw materials, capital etc. under one roof are some of important reasons which scare away the entrepreneurs from within and outside the State. The irrationality of the sales Tax policy of the State Government has been detailed in the Chapter on the Bihar Chamber of Commerce.



Some of the policies the State Government show its utter lack of concern with the requirements of industrialization. For example, under the Cane Act, which has been in operation since the days of the East India Company, the Cane areas are reserved for the sugar Mills.<sup>44</sup> This Act is heavily tilted in favour of the monopoly companies like Narkatiaganj Sugar Factory, Dinesh Sugar Factory.<sup>45</sup> This Act is a matter of surprise for nowhere in the rest of the country exists any such policy of reservations of any crop (e.g. Jute, Cotton, etc for particular factories).<sup>46</sup>

The Government of Bihar is less competitive against the other States when it comes to offer in incentives and concessions to the entrepreneurs. The Industrial Areas, DICs in Bihar have failed to act as a catalyst for industrialization for the reasons already explained. The record of the financial institutions like the BSFC and BICICO also has not been much satisfactory. These institutions grant loans only for land and machinery and leave it to the commercial banks, which are often reluctant to trust the local entrepreneurs, to grant working capital to the entrepreneurs. This causes unnecessary delay and difficulties to the entrepreneurs.

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44 Dharmesh Prasad Verma, Assembly Debates, 11.7.1988, p. 86

45 Ibid.

46 Ibid.

Similarly, the Government of Bihar hardly bothers to follow its own policy of Bihar Purchase Preference Act, 1975 according to which the Government would purchase the products of its own corporations. To take an example, though the products of the High Tension Insulator Factory at Ranchi, worth Rs. 2.5. crores have accumulated yet the Bihar State Electricity Board (BSEB) makes its purchases from U.P. and other States.<sup>47</sup> the Sugar Corporation purchases jute bags from other States, though there are locally available. There are 59 Small Scale Units in Bihar engaged in producing concrete electric poles. Though there are ancillaries of the BSEB, yet the Board prefers concrete poles from outside the State. As a result the debt burden on the Board has risen to about Rs.10 crore, apart from hitting hard the local industries.<sup>48</sup>

Without protection of the domestic market the local industries in a backward state like Bihar cannot hope to promote industrialization in the State. Till now the Government's policy has been to grant preference to the products of the Small Scale industries against those of the large scale ones, and those from outside the State.

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47 Rajo Singh, Assembly Debates, 11.7.88 p. 64.

48 Ibid.

The Government of Bihar has on certain occasions tried to persuade the large scale industrial undertakings situated in the State to purchase goods from the local industries. For example, Dr. Jagannath Mishra, twice the Chief Minister of Bihar, in an interview with the Hindustan Times said:

In 1976 I wanted to promulgate an ordinance making it obligatory on giant industrial undertakings both in private and in the public undertakings based in Bihar, to buy goods that they need from the Bihar-based ancillary industries. By the proposed ordinance they could buy from outside only if the Industry Department of the State certified that the concerned goods were not available or manufactured here or they were not of desired quality. This ordinance was intended to give a fillip to the local industries by protecting market for them. When the draft of the ordinance was sent to the Government of India, they had some reservations. When I took up the matter with Mrs. Indira Gandhi, the Prime Minister, she advised that this ordinance is not conducive to national integration. She rather advised that the Bihar-based public sector undertakings should streamline their purchases more from Bihar. The purchases from the ancillary departments improved for some time but again things were back to the earlier situation. 49

Such an ordinance may not really be in the interest of national integration. However, the practice of the large industrial undertakings of making purchases from outside the State restricts the scope of growth of the ancillary industries within Bihar. Such giant undertakings,

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49 Dr. Jagannath Mishra, Hindustan Times, Patna, Dec 26, 1988, p. 17.

thus, accelerate industrial growth outside the State at the cost of the local industrial development in Bihar.

Apart from the sacrifices made by the State Government on the altar of 'national interest', it also shows lack of political will to forge ahead with a programme of rapid industrialization.

This lack of political will may be explained in terms of the nature of the political leadership and the relationship of the State leadership with the Central leadership.

Bihar has most of the time been ruled by the Congress Party. The Congress Party in the State has been dominated by landlords. The Regional Bourgeoisie's effect on the political elite is negligible. The policies of the Government of the State often show prejudice in favour of the feudal elements. To take an example, the manner in which land reforms were taken up clearly showed the Government's reluctance to hurt the interests of the landlord class.<sup>50</sup> Industrialization presupposes land reforms and modern methods of agricultural development as agricultural prosperity

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50 See Das, A.N., Agrarian Unrest and Socio-Economic Change in Bihar, 1900-1980.

creates market and surplus for industries. There are still remnants of feudal system in the States as pointed out earlier. The State Government gave an amount of about Rs.150 crores to the ex-zamindars as compensation after their zamindaris were taken over. This amount could have been given in the form of shares and could have been invested in industrial ventures in the State. Though agriculture always remained the primary concern of the State leadership, no serious attempt was made to bring any structural transformation in it. As a result agriculture remained primitive, yielding little surplus which could be invested in industries. Moreover, the leaders were satisfied with having some prestigious heavy industrial projects in the State. There was no systematic attempt to initiate growth of the medium and small scale industries.

As in the State, so at the Centre too it is the Congress Party which has been ruling for a majority of the time except for a gap of nearly three years (1977-79). After the first Chief Minister of the State, Dr. Srikrishna Singh, we do not find any Congress leader who could speak to the Centre in an assertive tone. All the other Congress Chief Ministers were dependent for their existence more on the pleasure of the Central leadership than on the people

of the States. As a result State leadership in Bihar was marked by frequent instability. By 1980 Bihar had 14 Chief Ministers, out of which more than five did not complete term of even one year.<sup>51</sup>

In such a situation of political instability where the Chief Minister is always uncertain about his own existence, the changes of any systematic approach towards development of the State are very thin.

As mentioned above, Bihar has not really produced any strong leader after Dr. Sri Krishna Singh, who could stand firmly for his State. An important effect of this weak State leadership was that while claiming a share in the allocation of projects or transfer of resources from the Centre to the State on hundreds of occasions it simply submitted to the arbitrariness of the Centre, and other States walked away with the bigger shares of the national resources.<sup>52</sup>

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51 The list of the Chief Ministers has been given in the Appendix-IX.

52 For example, there was a plan to set up large, medium and small scale industries based on the bye-products of Bakaro Steel Ltd in the State, but finally these were set up in Maharashtra and Gujarat. Similarly, the trends of per capita central plan outlay and assistance also disfavour Bihar.

Finally, a mention of the nature of the relationship between the State Government and the Monopoly Bourgeoisie will round up our present discussion. State Government's helplessness vis-a-vis the Monopoly Bourgeoisie has been criticized on many occasions. To take an example, the State Government was severely criticized for granting 'No Objection Certificate' to the Tatas who proposed to shift their car project to Pune since the State did not have a favourable industrial environment.<sup>53</sup> This meant a loss of about 15000 possible jobs in Bihar apart from flight of huge capital from the state.<sup>54</sup> Similarly, in the matter of preferences either in employment or purchase from the State-based ancillary industries the State Government stood helpless to the Monopoly Bourgeoisie. It should also be noted that the most of the giant public and private undertakings working in Bihar have their registered offices outside the State. This deprives the State of a huge amount (roughly Rs.110 crores annually)<sup>55</sup> that could have accrued to the State exchequer in form of taxes. The State Government has from time to time voiced its concern regarding the matter. But in the absence of

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53 Samresh Singh, MLA, Assembly Debates, 11.7.1988 p. 92.

54 Ibid.

55 Radhanandan Jha, MLA, Assembly Debates, 18.7.1977, p.27.

any legislation to compel a company to get itself registered within the State in which it is situated the State Government could not do much in this regard. Any such legislation is exclusively within the purview of the Central Government.

To recapitulate, in an underdeveloped region like Bihar, where private capital is too shy and too small to sustain a dynamic industrial growth, a 'Big Push' through massive investment by Government is urgently required. But within the federal set-up of India the States have to act under certain constraints. Thus the role of the State Government as well as that of Central Government is of crucial importance. However, the strength and will of the political leadership in the State is determined by its relationship with the Regional Bourgeoisie, landlords, Monopoly Bourgeoisie and with the Central leadership. In the case of Bihar, the State leadership has been dominated by the feudal elements, Regional Bourgeoisie is too weak here to assert itself against the Monopoly Bourgeoisie and when it comes to share the national resources Bihar is always amongst the losers.

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CHAPTER - IV

THE BIHAR CHAMBER OF COMMERCE

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The origin of the Bihar Chamber of Commerce can be traced to the 'Bihar and Orissa Chamber of Commerce' which was set up in 1926. The idea of starting a Chamber was first mooted in 1925. It gained momentum when the Board of Industries of the then Province of Bihar and Orissa passed a resolution on 1.5.1925 and appointed a Sub-Committee to find out ways and means. The Sub-Committee consisted of six members. Mr. M.S. Dass of Cuttack was one among them. The Memorandum and Articles were drawn up by the Sub-Committee and the Chamber was registered on 19.1.1926 under the Indian Companies Act, 1913 without the word 'Limited'.<sup>1</sup> Its aims were stated thus:

An organization which could speak with authority on the varied problems, affecting the industrial and commercial developments and expansion of our Province, is urgently called for and would be of great benefit to those engaged in these lines. Every trade and industry is organizing itself, and the merchants and manufacturers here should not lag behind. Questions of labour, transportation, taxation, mining and other such matters affect us vitally, and there should be a central organization able to voice our views before proper authorities.<sup>2</sup>

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1. Annual Report of the Committee of the Bihar and Orissa Chamber of Commerce (BOCC) for 1926, Bihar Chamber of Commerce, Patna, p. 2.
  2. Ibid.

The Chamber joined the Federation of Indian Chambers of Commerce in November, 1926. After Bihar was separated from Orissa, the Chamber was renamed as the 'Bihar Chamber of Commerce' in 1936.

In the Chapter on the Bihar Chamber of Commerce we shall examine the Chamber's position vis-a-vis Regional Bourgeoisie, State Government and Monopoly Bourgeoisie. The Chamber is an apex organization of the Regional Bourgeoisie. Therefore, an analysis of its composition, its representation on various important public bodies, its demands and Government's corresponding response, its views on the development of local entrepreneurship, etc. will tell us a great deal about the strength and weakness of the Regional Bourgeoisie. Industrialization of a region largely depends upon the strength of the Regional Bourgeoisie. The present Chapter seeks to assess the strength of the Regional Bourgeoisie in different contexts.

It should be made clear in the very beginning that though the Bihar Chamber of Commerce is an apex organization of the Regional Bourgeoisie on State-level, it is not an exclusive organization of the Regional Bourgeoisie. Instead, it has among its members almost all the large industries

of Bihar and large number of small industries and traders. Public sector undertakings are also members of the Chamber and this makes it representative of both the private and public sector.<sup>3</sup> The very composition of the Chamber which claims to represent both the private and public sector, Monopoly Bourgeoisie as well as Regional Bourgeoisie has some major implications. On many occasions there is a clash of interests of the private and public sector as well as those of the Monopoly Bourgeoisie and the Regional Bourgeoisie. It means that the Chamber is not a homogeneous organization. The resolutions passed by the Chamber, therefore, do not always conform to the interests of all its members. To take an example, the Chamber's demand for protection of the local market for the local industrialists is certainly against the interests of the Monopoly Bourgeoisie. We shall deal with these contradictions and their impact on the functioning of the Chamber later.

Let us start with the Chamber's view on the absence of a powerful Regional Bourgeoisie in Bihar. It explained it thus:

The system of Permanent Settlement coupled with predominantly agrarian character of Bihar's economy had its socio-economic impact

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3 Bihar Chamber of Commerce Weekly Bulletin, Special Supplement, Patna, 11th July, 1987, Vol. XVIII, no.26, p. 2.

Although Bihar's economic resources attracted businessmen from outside, there was lack of business mindedness among the local population. As a result, most of the private undertakings in our State(Bihar) were products of initiative of businessmen from outside the State. 4

How the Zamindari system contributed to a scarcity of Entrepreneurs was explained thus:

Unfortunately the emergence of middle class in Bihar is a matter of late and even now the middle class neither controls the economy nor the social environment. If we go to developed states like Maharashtra, Punjab and Haryana, we find that even sixty years ago, a very solid middle class, forceful in social and political life existed and they were the people responsible for economic growth of the region....In Bihar Zamindars cared less for economic growth and the Raiyat did not have the resources, education or social status to act. There was another class, educated few, who only believed in getting the white collar Government service in our state, however low.5

Thus the worst effect that the Permanent Settlement had on the economic growth of Bihar was that it robbed a huge population of the Raiyats of surplus, prevented the emergence of a powerful Regional Bourgeoisie and encouraged concentration of surplus in the hands of Zamindars and moneylenders who used this surplus mostly for non-industrial purposes.

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- 4 Pande, R.S.(Resident Director, M/S TISCO, Jameshedpur) Bihar Businessmen's Convention, 6-8 November, 1965 Bihar Chamber of Commerce, Patna, p. 36.
- 5 Gupta, B.P., Sluggish Growth of Economy in Bihar, The BCC Weekly Bulletin, op.cit., p. 11.

Even today, as mentioned in the First Chapter, most of the trade and industries in Bihar are run by the entrepreneurs who are originally non-Biharis.

The Chamber's primary concern is to promote and safeguard the interests of its members. It maintains contacts with the Central Government as well as State Government and holds continuous dialogue between the Government and industry. It seeks to influence the decisions of the Government by publishing reports, organizing seminars and making demands for more and more important public bodies.

From its very inception, the Chamber struggled to achieve effective representation for itself on important public bodies. Unless its representation was made effective it could not hope to have its voice heard in those Government institutions which influence the commercial and industrial interests of the State of Bihar. The Presidential address of Dewan Bahadur R.K. Jalan, the first President of the Bihar and Orissa Chamber of Commerce noted:

The representation of commercial interests on all public bodies is a matter of great importance to all. Our province had been specially backward in this respect. In our legislatures and other public bodies such interests are nowhere represented or representation is only allowed on sufferance. I

would respectfully urge the Government to remedy this State of affairs. <sup>6</sup>

Gradually the Chamber came to gain representation on some important public bodies. A representative from the Chamber was invited to attend the opening ceremony of the Dhanband School of Mines in 1926. In the same year the Provincial Government invited the Chamber to send two representatives to the Board of Industries.<sup>7</sup> In 1928, the Chamber obtained representation on the Senate of the Patna University.<sup>8</sup>

In 1930, the Chamber approached the Government of Bihar to give it representation in the Council. The move was not accepted directly by the Government, nevertheless Rai Bahadur Ramran Vijay Sinha, the President, Bihar and Orissa Chamber of Commerce got nomination to the Council to represent the commercial interests of the province.<sup>9</sup>

In 1936, the Chamber was granted the right to elect a Member to the Legislative Assembly.<sup>10</sup>

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6 Annual Report of the Committee of the BOCC for 1926, op.cit., p. 32.

7 Golden Jubilee Souvenir, op.cit., p. 1.

8 Ibid., p. 2.

9 Ibid., p. 4.

10 Ibid., p. 8

Thus we see that prior to independence the Chamber succeeded in gaining representation on some of the important public bodies.

After independence the Chamber has been given representation on the Bihar State Planning Board, the Bihar State Export Corporation Limited, Bihar Industrial Development Council, Industrial Data Bank, etc.<sup>11</sup> These are important public bodies. But the Chamber feels that it is deprived of many privileges regarding representation on public bodies which are being enjoyed by the other Chambers in the other States. The Annual Report of the Chamber for 1983-84 reports:

Since the business community represent a sizeable and important sector of the society contributing its economic betterment, it must have due representation on various public bodies like Legislative Assembly, University Senates, National and State Term-Lending Institutions and the Board of various Banks, both on the State and Headquarters level.

It would be desirable if our own experience and talent is utilized to head the Financial Institutions as is being done in some States where the Chairman is always chosen from among the local industrialists. 12

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11 A comprehensive list of the public bodies where the Chamber is represented has been given in the Appendices X and XI.

12 Annual Report of the Committee of the BCC for 1983-84, pp. 42-43.



The above report of the Chamber indicates the relatively weak position of the Regional Bourgeoisie in Bihar. The Chamber does not have an effective say in the important decision-making public bodies. That the Chamber is weak in its political lobbying is also evident from the constant refusal by the State Government to concede some of its long standing legitimate demands like rationalization of taxation, policy, protection of market, provision of adequate finance, etc. One of the Annual Reports of the Chamber complains thus:

It would be a cry in the wilderness to go in for industrialization without adequate availability of critical inputs, infrastructural facilities, finance, etc. Some of the problems which are persisting since long were raised several times by Bihar Chamber of Commerce with no tangible result....The Chamber, therefore, reiterates the same problems once again. 13

Bihar is rich in mineral resources with tremendous potentialities for industrial development. Yet it is industrially underdeveloped. Lack of basic infrastructure, e.g, credit, power, transport facilities, inadequate regional market protection are some of the most important

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13 Annual Report of the Committee of the BCC for 1984-85, p. 55.

factor responsible for this underdevelopment. Thus massive assistance from the State Government is sine-quo-non if any significant industrial development is to take place. The State Government must provide the infrastructural and promotional facilities to the local entrepreneurs. Towards this end the Government has taken many steps. An account of these steps has been given in the Third Chapter in detail.

Here we shall confine ourselves only to the Chamber's reaction to the steps taken by the State Government. The main grievances of the Chamber against the State Government can be enumerated thus - the State leadership is not assertive vis-a-vis Central Government; there is a very poor infrastructural base provided by the State Government for industrial development; implementation of the industrial policies is even worse; the State Government lags far behind other States in offering attractive incentives; it has done little to ensure market for the local products.

Let us now examine the Chamber's views on the State Government's policies on subjects of power, finances, taxation and market. These factors play the most significant role in industrialization of a region. Therefore, the policies adopted by the State Government on these subjects reflect the degree of willingness on the part of the Government to industrialize the State.

Power rates have always been much more expensive in the State of Bihar than the other States. In 1954-55, S.P. Jain, the then President of the Chamber, complained about 'highly charged power'.<sup>14</sup> Again in 1971, the Committee of the Chamber drew the attention of the Electricity Board to the fact that their rates were the highest in the country.<sup>15</sup> High rates of power coupled with infrequent and inadequate supply hit the industries in the State very badly.

As if these were not bad enough, the Bihar State Electricity Board (henceforth BSEB) increased the power tariff applicable to all industrial consumers by 20% with effect from April, 1974. Again in 1975, the Board proposed to increase the rate by another 59%. Unsatisfied with even this it levied fuel surcharge of 5 Paise per unit on agricultural and commercial service consumers who were till then exempted from the said surcharge.<sup>16</sup> Because of pressure from various bodies including the Chamber the BSEB ultimately retreated and limited the increase in tariff to about 15-20%. Nevertheless, the way it had acted showed much about the lack of concern of the State

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14 Annual Report of the Committee of the BCC for 1954-55, p. 27.

15 Golden Jubilee Souvenir, op.cit., p. 57.

16 Golden Jubilee Souvenir, op.cit., p. 66.

Government with the problems of the industries in the State.

In 1983, the Chamber presenting a picture of the general power position in the State pointed out that power planning in Bihar came much later in comparison to the other industrially advanced States. The gap between estimated requirement and actual availability of power in Bihar was between 35% to 40%.<sup>17</sup> There was no significant addition to the capacity of Thermal generation from 1966 to 1982 whereas in many other States there had been significant addition to Thermal generation.<sup>18</sup> Bihar had one of the highest transmission losses in the country. In 1980-81, it was 21.31% as against 13.49% in the neighbouring State of West Bengal.<sup>19</sup> Similarly, as far as power tariff for industrial consumers was concerned Bihar had one of the highest tariffs. The Chamber presented the data which showed that while the tariff in Bihar was 62.00 Paise per unit, it was only 50.35 Paise, 47.00 paise and 41.12 paise in West Bengal, Uttar Pradesh and Orissa respectively.<sup>20</sup>

In Bihar power allocation changes frequently in a

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17 Annual Report of the Committee of the BCC for 1982-83, p. 18.

18 Ibid.,

19 Ibid.,

20 Ibid.,

day. The allocation might range from 30% to 100%.<sup>21</sup> Those frequent changes prevent a consumer from utilizing the better allocation whenever it is available.

Delay in the commissioning of power projects is an important factor responsible for such grim power situation. The Sixth unit of the Barauni Power Station originally scheduled to be commissioned in December 1977 was incomplete even till 1983. Similarly, the expansion of Patratu Power Station consisting of two units of 2 x 110 MW capacity, originally scheduled for commissioning in September 1977 and March 1978 were not completed till 1983.<sup>22</sup>

Again, the average capacity utilization is very low. It was only 30% - 40% at Patratu and 25% - 30% at Barauni in 1983.<sup>23</sup>

In 1983, the Chief Minister of Bihar confessed that power development in Bihar had a very late start, i.e., only in the sixties and that per capita investment on power development was one of the lowest of all the States.<sup>24</sup>

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21 Ibid., p. 19.

22 Ibid.,

23 Ibid.,

24 Ibid., p. 22.

The poor power situation in terms of generation, supply, cost etc. acts as a major constraint in the industrial development of the State. The Chamber has come up with numerous suggestions to bring about improvement in the situation. Important among these are commissioning of power projects within the scheduled time-frame, representation of the industries on the State Electricity Board, participation of the private sector in the setting up of power station, rationalization of the power tariffs, uninterrupted supply of power, non-realization of Minimum Guarantee by the BSEB unless there is an assured power supply as contractual demand, among others.<sup>25</sup>

State Government's apathy towards industrialization of the State is evident in its taxation policy too. To take an example, Sales tax in the State of Bihar has always been unusually high making the local industrial products costlier and thereby less competitive compared to the other States. The Committee of the Chamber reports that since April, 1950, the Government of Bihar has levied Sales Tax on raw materials used by the industries unlike

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25 Annual Report of the Committee of the BCC for 1984-85, pp. 59-60.

the other neighbouring States where these raw materials were exempted from any Sales Tax. This created a problem particularly for the small scale industries in the State who had to compete with the neighbouring States. The units whose outputs were subjected to price-control by the Government of India were severely hit as they could not increase the selling prices proportionately. In general terms it pushed up the cost of production. On persuasion by the Chamber, in 1950 the Government of Bihar exempted Food, Mustard Oil, Shellac and Handloom cloth industries from the payment of Sales Tax on raw materials.<sup>26</sup> But this could hardly be called a warm response on the part of the Government of Bihar towards industries.

Since then the demand for a rational Sales Tax policy, which often implies bringing it at least on par with other States, appears regularly in the annual report of the Chamber. How the Sales Tax policy of the Government of Bihar affects the trade and commerce as well as industries there is illustrated by the levy of Sales Tax on Potato, Potato seed and Onion. The Government of Bihar charges 5% Sales Tax on these items while there are no Sales Tax

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26 Annual Report of the Committee of the BCC for 1950-51, p. 25.

on these in most of the States in the country. While these items coming from the other States are free of any tax those produced and sold within Bihar are taxable. Therefore these items are costlier in Bihar.<sup>27</sup> Similarly, the continued levy of high Sales Tax on certain important industrial raw materials like iron and steel, coal, petroleum products, etc. act as great obstacles in the path of the industrial development of Bihar. In 1983 the Chamber noted:

For industrialization, it is imperative that taxes should be at par with the neighbouring States while it is surprising that iron and steel is the costliest in the State (of Bihar) though it is being manufactured here....The imposition of Sales Tax and other taxes make it costlier than other industrially developed States of the country.<sup>28</sup>

The main demands concerning of the rationalization of the Sales Tax policy raised by the Chamber can be enumerated thus, the multiplicity of Sales Tax, such as special Sales Tax or purchase tax, additional Sales Tax and surcharge should be unified to be levied at the first point, the Sales Tax charged in the State should be in

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27 Annual Report of the Committee of the BCC for 1984-85, p. 63.

28 Annual Report of the Committee of the BCC for 1983-84, p. 44.



uniformity with the neighbouring States; the imposition of multipoint additional tax should be abolished; regulations and procedures should be simplified; raw materials like iron and steel, coal, petroleum and petroleum products should be made available on concessional Sales Tax, new industrial units should be completely exempted from Sales Tax both on purchase of raw materials and on Sales of finished products, at least for a period of seven years; and a Sales Tax Advisory Committee should be reconstituted with adequate representation of the Chamber.<sup>29</sup>

In 1986, the Government of Bihar introduced the scheme of Sales Tax Relief on purchase of Raw Materials whether processed or unprocessed. Large, medium, small as well as tiny industrial units going into production on or after 1.9.1986 were to have the option either to avail of total exemption from the payment of Sales Tax on the purchase of raw materials or to get set-off of the amount paid as Bihar Sales Tax on the purchase of raw materials against the amount of Bihar Sales Tax payable on the sale of finished products.

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29 Annual Report of the Committee of the BCC for 1985-86, pp. 26-28.

The implementation of this scheme is yet to bear fruits.

In an industrially underdeveloped state like Bihar unless massive financial help is forthcoming from the Government, industrial development cannot be expected to come far. Financial help for industries is provided by the banks all-Indian Financial Institutions as well as State level Financial Institutions. But the Chamber is not happy with their attitude towards industrialists in Bihar. The Chamber accuses the banks and all-India Financial Institutions of showing partiality and half-heartedness when it comes to help the local industrialists.<sup>30</sup> Non-availability of finance on time is one of the most important irritant in the way of industrial development.

The main demands of the Chamber relating to financial assistance comprise adequate funding by the State financial institutions so that industries are not starved of capital at the inception stage; sanctioning of loan and availability of the working capital should be simultaneous; the quantum of equity participation in industrial projects by State financial institutions should be improved; the Chamber

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30 This issue has already been studied in detail in the Second Chapter.

being the apex body of Trade and Industry should be represented on the Bihar State Financial Corporation (BSFC), Bihar State Credit and Investment Corporation (BICICO), Bihar State Industrial Development Corporation (BSIDC), Industrial Area Development Authority (IADA) and other Infrastructure Development Corporations and Organizations.<sup>31</sup>

The charges made by the Chamber against the all-India financial institutions overlook the difficulties of the latter. These institutions feel that unlike Maharashtra, Punjab, Gujarat and other States there is no conducive climate for inflow of investment in Bihar. Poor recovery of loans is the major contributory factor that makes these institutions apprehensive and suspicious when it comes to granting assistance to the industries in Bihar.

The State Government's stand on the protection of market for local industries also has not been satisfactory. The availability of market plays an important role in industrial development especially when industrial activities are in their primary stage. From its very inception the

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31 Singh, R.K. P.N., President, BCC, Points for Considerations of the Industrial Development Council, 1986, pp. 7-11.

Chamber wanted the State Government to take up measures in order to ensure markets so as to encourage local industrialists. In 1929 it suggested that the Provincial Government set up a Provincial Stores Purchase Department.<sup>32</sup>

The market for local industrial products was to be ensured through preference in pricing and purchases so as to make them competitive with the other States, and by making it obligatory for Governmental departments and the large industries functioning in the State to make a certain percentage of their purchase from the locally produced industrial goods. This demand for ensuring market for local industrial products has grown more vigorous with the passing years.

The Government of Bihar does have a Price and Purchase Preference Policy. But the Chamber is not satisfied with the way it has been implemented. In 1983, the Chamber complained:

The existing price preferences are never adhered to. Similar is the case of purchase preference.... Organized marketing facility and established trade can play a very vital role in the rapid development of industries. Central and State Government purchase in very large

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32 Annual Report of the Committee of the BCC for 1929, p. 9.

quantity of items which can be conveniently produced and supplied by the local industries. However, because of lack of systematic management and a clear perspective, the procedure for supplying goods to the Government Departments or Government owned organizations, the industries are unable to have their share in such purchases. Thus it is imperative that Government should consider to make certain units ancillary to such organizations making obligatory to purchase at least 51% of their products, besides creating a Marketing Cell, and reserving items exclusively to be purchased from the local units. 33

It has already been mentioned that the Government Departments in Bihar have preferred to make their purchases from outside the State, though such products are also locally available. In 1984, it was reported that while the total purchases made by all State owned Corporations/ Undertakings and Departments came to around Rs.100 crores annually, the Small Industries of Bihar merely received orders worth Rs.3 to 5 crores.<sup>34</sup>

The programme for promoting ancillarization was initiated by the Government of State in 1960 by setting up the Industrial Estates and later Industrial Area Development Authorities. Since then though a number of

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33 Annual Report of the Committee of the BCC for 1982-83, p. 16.

34 Annual Report of the Committee of the BCC for 1983-84, p. 48.

large scale industries both in Public and Private Sector have been set up in Bihar, the programme for ancillarization has not benefitted much from them. The Chamber statistics show that the major industries purchased 80% of their components from outside the State.<sup>35</sup> This helped ancillarization in other states rather than in Bihar.

The Chamber has not been able to acquire a share in local market for local industrial products to the extent it desires. This is evident from the Chamber's Annual Reports in which it regularly pleads for protection of market. The Chamber wants the State Government to help the industries in Bihar instead of competing with them.

How the state came to compete with local industries is illustrated thus:

The Government of Bihar through Resolution No.7205 dated 6.6.1984 issued instructions to the Government Departments, Corporations, authorities, Council, etc making mandatory for them to make purchases from the joint sector industries of Bihar, State Leather Development Corporation, Bihar State Small Industries Corporation, Bihar State Pharmaceutical and Chemical Corporation and Bihar State Textile Corporation, in preference to SSI (Small Scale Industry) units of the State. This is not only

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35 Ibid., p.26

discriminatory in nature but a measure to constrict development of SSI units under private sector. 36

Again in 1987 the Chamber complained thus:

One of the major problems faced by the Small Scale Industrial (SSI) Units of the State is marketing. They cannot afford large scale advertisement and appointing agents and distributors. Bihar has been made a dumping ground for the products of the rest of the country and serves as market only for other States. The State-owned various Industrial Development Corporations can play a vital role as 'Parents Industry' and the SSI Units (Small Scale Industries) as their 'Ancillary'. But instead of helping the SSI Units these Industrial Corporations have in most cases established their own units and have become a formidable competitor to the SSI units.... This practice violates the very basic objective on which these corporations were established. 37

The Chamber is of the view that creation of additional capacity in Public Sector should be stopped in those areas where adequate capacity exists in the private sector, such as leather goods, cattle feed, PVC pipes, etc. Further in the existing cases, the State Units should not get preference over Private Sector Units in getting orders from Government Departments and Undertakings. 38

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36 Annual Report of the Committee of the BCC for 1983-84, p. 31

37 Mishra, Gananath (Vice President, BCC), What Ails Industry in Bihar, Weekly Bulletin, 1983, op.cit., p. 13.

38 Singh R.K.P.N., Op.cit., p. 10.

The Chamber has become assertive and aggressive over the years, while making its plea for markets for the local industrial products. In 1986, R.K.P.N. Singh, the President of the Chamber, placed 'Points for Consideration of the Industrial Development Council' which besides several other things stated:

Apart from punitive measures that may be taken against Government Undertakings and Departments for non-implementation of the Purchase Preference Rules, some incentives such as tax-rebates, etc. should be given to them for implementing the Purchase Policy. Further, tenders for all Government purchases should be invited exclusively from industries in Bihar. Preference upto 15% in prices should be given to SSI(Small Scale Industries)units of Bihar over the goods manufactured by large and medium units of Bihar and by all Industrial Undertakings outside the State. Price Preference upto 5% should be given to large and medium units of Bihar over the prices of large and medium units of outside the State. In the use of goods manufactured by medium industries of Bihar it is suggested that preference may be allowed upto 10% over goods manufactured outside the State. 39

The above statement has some important implications. It is a strong and firm stand taken by the Regional Bourgeoisie in Bihar which indicates the signs of conflict of interests of the Regional Bourgeoisie with those of



the Monopoly Bourgeoisie, the State Government and the Regional Bourgeoisie in other States.

Let us now analyze the relationship of the Regional Bourgeoisie with the Monopoly Bourgeoisie while dealing with this aspect certain points must be borne in mind.

Firstly, in its reports, seminars, souvenirs and other publications the Chamber has seldom shown any sign of confrontation with the Monopoly Bourgeoisie. On the contrary, it has exhibited its willingness to cooperate and even to be guided and led by the latter.<sup>40</sup> It is the State Government rather than the Monopoly Bourgeoisie which has been the main target of the Chamber's attacks on the issue of protection of regional market. The Chamber's stand on the Constitution (46th) Amendment Bill, 1981 which sought to prevent stock transfers between head offices and branch offices of commercial undertakings located in different states throws light on the Chamber's relationship with the Monopoly Bourgeoisie. The Chamber in a meeting on the 24th October 1981 decided to take 'legal action', 'educate the consumers by public media and display of placards' and 'consider the agitational methods'<sup>41</sup>

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40 See the Statement of K.P. Jhunjunwala on page

41 Annual Report of the Committee of the BCC for 1981-82, p. 36.

to protest against the Bill.

In this regard it should be remembered that Bihar is being deprived of huge sums by way of unpaid Sales Tax because of the practice of 'stock transfer' by the large industrial houses. Therefore, any such move that seeks to check this practice should be welcomed by the local industrialists as it would contribute to the State (of Bihar) exchequer. But the Chamber's sharp reaction to the proposed Bill showed the extent to which it was under the influence of the Monopoly Bourgeoisie.

Secondly, on several occasions the Chamber has been presided over the persons who either directly come from the Monopoly Bourgeoisie<sup>42</sup> or by those who run the ancillaries of the Monopoly Bourgeoisie.

TH-6992

Thirdly, despite expression of willingness on the part of the Chamber to cooperate with the Monopoly Bourgeoisie, the Chamber has raised many such demands, e.g., protection of market, that if acted upon would be negative to the interests of the Monopoly Bourgeoisie. The clash of interests of the Regional Bourgeoisie with those of the

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42 The List of Presidents has been given in Appendix- XII

Monopoly Bourgeoisie may be shown in the way that there are many items like soap, oil, etc. which are manufactured by both of them. If the State Government accepts the demands of the Regional Bourgeoisie on price and purchase preferences, it will certainly go against the interests of the Monopoly Bourgeoisie.

Interestingly, the Chamber received huge donations from the Monopoly Bourgeoisie like the Tatas, R.K. Dalmia, S.P. Jain for its building funds.<sup>43</sup> S.P. Jain donated Rs.51,000 for the construction of the Chamber's building. The obliged Chamber named its main Hall as the 'Sahu Jain Hall'.<sup>44</sup>

The Chamber envisages a complementary concept of industrial development. It wants local industries as well as those run by the Monopoly Bourgeoisie to flourish on the principle of complementarity. It seeks guidance from the Monopoly Bourgeoisie for local entrepreneurs for updating their know-how with adequate Research and Development efforts, by patronizing their products and

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43 Golden Jubilee Souvenir, op.cit., p. 14.

44 Ibid., p. 23.

by exhibiting the items with their specifications required by the former.

The Chamber realizes the importance of the Monopoly Bourgeoisie in promoting industrial development in the State. In 1982 its Committee reported thus:

He (U.P. Agarwal, the then President of the Chamber) was also appreciative of the positive measures initiated by the Tatas and its subsidiaries and other important industrial houses towards the acceleration of the industrial development....He urged the representatives of larger houses to put up industries in North Bihar, particularly in view of the connection between South and North Bihar through bridge over the Ganges and setting up of petro-chemical complex at Barauni in order to remove the imbalances of industrial growth in North Bihar.... He also urged for integration of large with small ones in order to have quicker development of industries through a programme of ancillarization and requested for the structural linkages by providing them marketing, quality control, design and development, innovation of new product development as also to provide them with their Research and Development facilities...The consensus was that the large and medium industries should adopt a system to approach towards ameliorating the problems of small scale industries by ancillarization....It was assured that the major houses were prepared to give all possible help provided the quality, delivery and specification are mentioned. With regard to providing leadership, it was assured that major houses would not be lagging in this regard.....K.P. Jhunjunwala 45 ...urged that in this changed

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45 The then Secretary General of the Chamber.

time, the role of the Chamber should also change according for which the leadership and guidance would be needed from major industrial houses like Tatas and others.<sup>46</sup>

Ever since its inception the Chamber has been aware of the weaknesses of the Regional bourgeoisie, its dominance by those from outside the State. On many occasions the Chamber has lamented over the fact that the sense of solidarity has been lacking in the Regional Bourgeoisie. One of its Annual Report notes thus:

Unfortunately the business community are not well organized with the result the Government takes any action at its sweet will without considering the impact on the trade and industry....if it is not found feasible for every individual to become member, such organizations who are functioning in the State, should get themselves affiliated to the Chamber to make it stronger....long the other organizations are not affiliated to the Chamber as Member-Bodies, the Chamber's efforts may not be very effective. <sup>47</sup>

Consequently, it took various steps, e.g., making demands from the State Government to introduce promotional and protective measures to give the local industries an edge over those in other States and launching scheme to develop local entrepreneurship.

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46 Annual Report of the Committee of the BCC for 1981-82, pp. 29-30.

47 Annual Report of the Committee of the BCC for 1981-82, pp. 36-37.

To a great extent the responsibility for the industrial underdevelopment in Bihar also goes to policies of the Government of India, e.g., meagre allocation of funds, discrimination in granting licences to set up new industrial units, equalization of prices in key raw materials like coal, iron and steel and cement, telescopic railway freight rates to name just a few . These issues have been already in detailed in the Second Chapter.

To recapitulate, the Bihar Chamber of Commerce represents the Regional Bourgeoisie. But it does not represent the Regional Bourgeoisie alone. Numerically the Regional Bourgeoisie is stronger within the Chamber, but by and large it is the Monopoly Bourgeoisie which controls the Chamber. It is because of this reason that the Chamber has not been able to take a firm stand against the Monopoly Bourgeoisie. These inherent contradictions of the Chamber make it a weak organization. Its weakness is reflected also in its repeated failures to persuade the State Government to concede some of its long standing demands.

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C\_O\_N\_C\_L\_U\_S\_I\_O\_N

CONCLUSION

Lack of political will and vision on part of the State leadership has been one of the most important factors responsible for the present industrial underdevelopment in the State of Bihar. Bihar's political leadership has been dominated by the landlords who have neither vision nor interest to industrialize the State. The State leadership lacks strength and instead of asserting itself it meekly surrenders to the Central leadership. As a result there are many policies pursued by the Centre which in name of 'national interest' (which in practice often means the interest of the Monopoly Bourgeoisie and that of more powerful Regional Bourgeoisie in other States) deprive Bihar of its natural resources without granting an adequate compensation. Therefore, unless the State leadership is strong enough to fight against the arbitrariness of the Central leadership and willing enough to provide protection and patronage to the local industries, Bihar will continue to lag far behind the industrially advanced States. At the same time, unless the Regional Bourgeoisie has an effective say in the State politics, the State leadership will continue to lack interest as well as political will to industrialize the State.



Here a brief study of the prospects of emergence of a powerful Regional Bourgeoisie, upon whom the prospects of industrialization of Bihar depend to a great extent, will be very much useful. The feeling of relative deprivation has given rise to strong regional forces in many parts of India. In the political field these forces have taken the form of regional political parties. Bihar too has witnessed the emergence of regional forces, like Jharkhand Movement. But there has never been 'Bihari regionalism' as such. This absence of a specific 'Bihari regionalism' or 'Bihari Sub-nationalism' has been explained by Dr. Shaibal Gupta thus:

The most redeeming feature of our nationalism has been that it has been developing at two levels - one at the all-India level on the basis of pan-Indian cultural homogeneity and an anti-imperialism shared in common; and another regional (Marathi, Bengali, Oriya etc.) on the basis of cultural homogeneity. The economic component of the all-India level of nationalism was essentially to reserve the all-India market for the Indian middle class, consisting of Indian industrialists, traders, petty landlords and petty bourgeoisie to the exclusion of the foreign capitalist. The regional level of nationalism aimed at developing the regional market as an exclusive preserve of the regional middle class or classes. But the economic nationalism at the regional level was dependent on the extent and the success of the 'Swadeshi' movement which was the battlecry for industrialization. 1

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1 Gupta, Shaibal, An Alternative Strategy, Hindustan Times, Patna, December 22, 1988, p. 13.

Bengal proper was the main battleground of the Swadeshi movement where a number of Swadeshi industries were set up. While in the wake of 'Swadeshi' movement Madhusudan Das set up 381 Swadeshi branches in Orissa through the Utkal Sammilani, the Swadeshi Movement failed to find an echo in Bihar. It was, on the contrary, contemptuously called by the Biharis as 'babu tamasha'.<sup>2</sup> Thus Bihar failed to develop an economic 'sub-nationalism.'

From the cultural point of view too Bihar is not a homogeneous State. Culturally and linguistically the tribal population of the Chotanagpur region is quite different from other parts of Bihar.

Bihar still has not been able to develop a distinct 'Bihari identity'. On occasions slogans are raised for a separate Jharkhand, Kolhan, Magahi or Mithilanchal State but there has not been a single effective movement, either political or economic or cultural, which seeks to appeal to whole Bihar. In this regard, the 'Jan Jagaran Abhiyan' (People's awareness movement) which was taken

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2 Ibid.

up by the 'Jan Vikas Manch' of Dr. Jagannath Mishra, the ex-Chief Minister of Bihar in 1986 needs our special attention. The Manch seemed to espouse the cause of the Biharis by demanding for larger Central plan outlays and protection of regional market among other things, But its very motive was to pressurize the Congress (I) Party High Command to restore old recognition to Dr. Jagannath Mishra who was then being neglected by the former. When political constraints forced the Party High Command to restore old recognition to Dr. Mishra, the Manch virtually lost its momentum, though it was yet formally allowed to exist.

During Seventh Five Year Plan (1985-90) there were efforts made by the Central Government to extend Green Revolution towards eastern part of the country. If Green Revolution reaches to Bihar it is sure to give rise to a dynamic agriculture with immense potentiality for generation of surplus. This surplus from agriculture can play a major role in industrialization of the State. Green Revolution contains vast potentialities of emergence of a powerful class of agricultural capitalists. It would boost up the strength of the Regional Bourgeoisie in Bihar.

Lastly, the very warm response of the Biharis to the shares released by the Magadh Stock Exchange, which was set up in 1986 at Patna, shows their attitude towards industries.<sup>3</sup> 'Business' and 'Industry' are no longer contemptuous terms as they used to be during old feudal days. Though the level of per capita savings is low in Bihar, there are large 'pools of savings' in terms of surplus incomes. These pools are formed by big landlords, ex-zamindars, money-lenders, trading classes, professionals (lawyers, doctors, engineers etc.) and to an extent individual or partnership entrepreneurs in manufacturing industry.<sup>4</sup> The Magadh Stock Exchange provides a channel to the surplus money. The records of the Magadh Stock Exchange show that now the Bihari public is investing in a big way in Bihar based companies.<sup>5</sup>

In short, the pace of industrialization in Bihar will depend on the strength of the Regional Bourgeoisie and the support coming from the Central as well as State Government. However, if the Regional Bourgeoisie is not

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3 Raj Laxmi, Equity Cult Grips State, Hindustan Times, Patna, Dec. 22, 1988, p. 18.

4 Techno-Economic Survey, op.cit., p. 82.

5 A.S. Verma, Hindustan Times, Patna, Dec. 22, 1988, p. 18.

strong enough to have an effective say in State politics, the required support from the State Government as well as Central Government is less likely to come.

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APPENDIX-IPer Capita Income at Current Prices

(in Rupees)

States	1949 50	1960 61	1965- 66	1970- 71	1980- 81	1982-83	1983- 84
1	2	3	4	5	6	7	8
1. Andhra Pradesh	228.8	275	387	585	1358	1708	2062
2. Bihar	199.8	215	332	402	929	1022	1331
3. Gujarat	.	362	498	829	1944	2368	2986
4. Haryana	..	327	450	877	2331	2858	3052
5. Karnataka	186.1	296	448	641	1453	1679	2166
6. Kerala	234.1	259	380	594	1421	1613	2071
7. Madhya Pradesh	255.4	252	298	484	1149	1357	1731
8. Maharashtra	272.6	409	534	783	2232	2625	3168
9. Orissa	188.1	217	329	478	1101	1339	1775
10. Punjab	333.7	366	562	1070	2760	3502	3720
11. Rajasthan	172.6	284	373	651	1222	1575	1818
12. Tamil Nadu	229.0	334	403	581	1336	1578	1946
13. Uttar Pradesh	262.0	252	373	486	1272	1443	1508
14. West Bengal	353.1	390	532	722	1573	1771	2184

. = Gujarat and Maharashtra combined.

.. = Punjab and Haryana combined.

Source: Column (2), Raj, K.N., Regional and Cost Factors in India's Development; Column (8) CMIE, Basic Statistics Relating to the India Economy, Vol.2; (Sept. 1988), Table 14.10. Other Columns, General Statistical Organisation, Government of India, Estimates of State Domestic Product, Nov. 1985.

## APPENDIX - II

### Urbanisations 1951, 1961, 1971 and 1981

	Urban Population ( '000)				Urban Population as % of total Population			
	1951	1961	1971	1981	1951	1961	1971	1981
<b>MAJOR STATES</b>								
Maharashtra	9,201	11,163	15,711	21,994	28.7	28.2	31.2	35.0
Tamil Nadu	7,334	8,991	12,465	15,952	24.4	26.7	30.3	33.0
Gujarat	4,428	5,317	7,497	10,602	27.2	25.8	28.1	31.1
Karnataka	4,453	5,266	7,122	10,730	23.0	22.3	24.3	28.9
Punjab	1,989	2,567	3,216	4,648	21.7	23.1	23.7	27.7
West Bengal	6,282	8,541	10,967	14,447	23.9	24.5	26.7	26.5
Andhra Pradesh	5,420	6,275	8,403	12,488	17.4	17.4	19.3	23.3
Haryana	968	1,308	1,773	2,827	17.1	17.2	17.7	21.9
Rajasthan	2,955	3,281	4,544	7,211	18.5	16.3	17.6	20.9
Madhya Pradesh	3,133	4,627	6,785	10,586	12.0	14.3	16.3	20.3
Kerala	1,826	2,554	3,466	4,771	13.5	15.1	16.2	18.8
Uttar Pradesh	8,626	9,480	12,389	19,899	13.6	12.9	14.0	18.0
Bihar	2,626	3,914	5,634	8,719	6.8	8.4	10.0	12.5
Orissa	594	1,110	1,845	3,110	4.1	6.3	8.4	11.8
Assam	345	781	1,289	2,047(a)	4.3	7.2	8.8	10.3
<b>All India</b>	<b>62,444</b>	<b>78,937</b>	<b>109,114</b>	<b>159,727</b>	<b>17.3</b>	<b>18.0</b>	<b>19.9</b>	<b>23.3</b>

a = Projected

Source = CMIE, Basic Statistics Relating to the Indian Economy, Vol.2: States (Sept. 1988) Table 1.15.

Mineralwise Value of Mineral Production -  
Bihar and India, 1982

(Rs. in lakhs)

Minerals	Bihar	India
1. Coal	88999	202369
2. Lignite	-	9024
3. Natural gas	-	843
4. Patroleum	-	232996
	<b>Puels</b>	
	<u>88999</u>	<u>445232</u>
5. Bauxite	185	1089
6. Cromite	15	1925
7. Copper Ore	3886	2477
8. Diaspere	-	31
9. Gold	187	3062
10. Iron Ore	2984	14999
11. Lead	-	699
12. Manganese ore	3	3041
13. Silver	342	380
14. Tungsten	-	64
15. Zinc	-	1550
	<b>Metallic</b>	
	<u>6179</u>	<u>30728</u>
16. Apatite	-	45
17. Phosphosite	-	2554
18. Asbestos	10	113
19. Keolin	104	554
20. Dolonite	93	1041
21. Fireclay	74	224
22. KYanite	107	153
23. Limestone	982	9557
24. Magnesite	-	1247
25. Mica	211	340
26. Pyrites	207	207
27. Others	31	3078
	<b>None-metallic</b>	
	<u>1829</u>	<u>19093</u>
<b>TOTAL</b>	<b>97007</b>	<b>495683</b>

Source : Mineral Statistics of India, 1983,  
Taken from Selected Plan Statistics, 1986,  
Bihar State Planning Board, Patna, p.222.

## APPENDIX-IV

### INDUSTRY: PER CAPITA POWER CONSUMPTION: 1960-61, 1970-71, 1980-81 and 1986-87 (Utilities Only)

	(KWH)					
	1960-61	1970-71	1980-81	1986-87	Annual rate of increase (%) between	
					1970-71 and 1980-81	1970-71 and 1986-87
<b>MAJOR STATES</b>						
Punjab	32.0 (a)	104.9	112.0	203.9	0.7	4.2
Gujarat	39.1	95.2	154.6	178.6	5.0	4.0
Maharashtra	46.8	119.5	149.4	163.1	2.3	2.0
Madhya Pradesh	9.3	38.1	70.0	116.0	6.3	7.2
Tamil Nadu	27.0	74.9	98.0	114.0	2.7	2.7
Andhra Pradesh	10.9	31.5	56.4	113.1	6.0	8.3
Karnataka	31.0	83.4	105.5	101.7	2.4	1.3
Orissa	26.1	68.6	85.4	96.1	2.2	2.1
Haryana	(b)	48.7	102.1	90.0	7.7	3.9
West Bengal	51.8	86.8	79.2	73.9	-0.9	-1.0
Kerala	23.5	60.3	78.8	70.1	0.3	1.0
Rajasthan	1.7	27.2	45.7	62.2	5.3	5.3
Bihar	16.7	41.7	44.9	48.9	0.8	1.0
Uttar Pradesh	6.8	34.7	38.0	38.2	0.9	0.6
Assam	1.1	13.4(c)	25.3	25.6	6.6	4.1
All India	22.1	59.9	78.5	92.1	2.7	2.7

a) Includes Haryana and Punjab (b) Included under Punjab (c) Includes Meghalaya and Mizoram

Ranked by per capita industrial power consumption in 1986-87

Source = CMIE, Basic Statistics Relating to the Indian Economy, Vol. 2: States (Sept. 1988) Table 5.10.

APPENDIX-V

Accumulated Losses by Major Enterprises till  
1982-83  
(Rs. in crore)

Name of Enterprises	Total Capital Investment	Loss
Bihar State Electricity Board	1251.00	107.00
Bihar Road Transport Corpn.	64.00	48.00
Bihar State Water Development Corporation	-	34.00
Sugar Corporation	34.00	40.00
Bihar Small Scale Industries Development Corporation	12.00	8.00
Industrial Development Corpn.	31.00	8.00

Source : Report of the Bureau of Public Enterprises, Bihar, 1982-83.

APPENDIX-VI

Profit Earned by State Enterprises in 1982-83  
(Rs. in crore)

Name of Enterprises	Total Capital Investment	Profit
Handloom and Handicraft Corporation	7.04	0.05
Warehousing Corporation	2.00	0.30
Food and Civil Supply Corporation	16.20	0.60
Textbook Corporation	0.47	0.49
Forest Development Corporation	1.70	0.07
Financial Corporation	16.75	1.90
Credit and Investment Corporation	2.63	0.55

Source : Report of the Bureau of Public Enterprises, Bihar, 1982-83.

APPENDIX - VII

CMIE's Index of Relative Development of Infrastructure: 1966-67  
to 1986-87

	Index of relative development of Infrastructure around										
	1966- 67	1976- 77	1978- 79	1979- 80	1980- 81	1981- 82	1982- 83	1983- 84	1984- 85	1985- 86	1986- 87
<u>Major States</u>											
Punjab	201	216	208	217	215	212	213	208	212	218	216
Haryana	129	151	149	150	154	151	154	151	154	150	145
Tamil Nadu	171	152	146	154	153	152	149	144	138	142	142
Kerala	135	167	149	138	137	136	136	140	137	140	140
Gujarat	111	122	125	126	125	126	128	126	128	132	132
West Bengal	152	133	145	134	132	131	133	124	123	123	123
Maharashtra	117	111	119	116	118	117	118	115	119	119	118
Uttar Pradesh	107	112	116	109	107	108	109	108	108	108	108
Andhra Pradesh	93	97	94	98	98	98	98	100	100	105	104
Karnataka	90	105	101	102	101	101	102	99	98	100	100
Bihar	98	104	101	100	97	97	97	98	98	98	95
Assam	73	89	93	93	93	93	93	93	95	87	96
Orissa	69	79	83	82	82	83	81	85	85	81	83
Rajasthan	59	81	74	77	77	77	81	77	88	79	79
Madhya Pradesh	53	61	63	62	62	62	64	68	68	71	71
All India	100	100	100	100	100	100	100	100	100	100	100

Source : CMIE, Basic Statistics Relating to the Indian Economy,  
Vol. II : States (Sept. 1988), Table 6.1.

contd.

A Note on the Source and Method of Computation  
of Index Number of Availability of Infrastructure  
Facilities in Different States.

This series of index numbers covers the sixteen indicators listed in the statement below. There is an apparent overlapping in the case of many of the indicators. However, this has been deliberately to cover different facets of the same infrastructure facility.

It should be stressed that the weights indicated alongside are purely subjective and it is difficult to offer any universally acceptable basis in purely quantitative terms for these weights. All that can be argued in its favour is that in our view the weights seem to reflect, more or less adequately, the relative roles of different elements in the growth process. This view is further corroborated by a comparison of the index numbers of the infrastructure and the index numbers of per capita income in different states.

Item	Weight
<b>I. <u>Power</u></b>	<u>20</u>
1. Per capita consumption of electricity (kwh)	10
2. Per capita industrial consumption of electricity (kwh)	5
3. Percentage of villages electrified to total number of villages.	5
<b>II. <u>Irrigation</u></b>	<u>20</u>
4. Percentage of net/gross area irrigated to total net/gross cropped area	20
<b>III. <u>Roads</u></b>	<u>15</u>
5. Road length in km. per 100 sq. kms. of area	5
6. Number of motor vehicles per lakh population	5
7. Length of National highways in km. per 1000 sq. kms of area.	5
<b>IV. <u>Railways</u></b>	<u>20</u>
8. Railway route length in km. for 1,000 sq.kms of area	20
<b>V. <u>Post Offices</u></b>	<u>5</u>
9. Number of permanent post offices per lakh population	2.5
10. Number of letter boxes per lakh population	2.5

Table 4 contd...

contd.

Item	Weight
<b>VI. <u>Education</u></b>	<b><u>10</u></b>
11. Literacy percentage	4
12. Schooling facilities (enrolment)	
Percentage of age group in	
(a) I to IV	2
(b) V to IX	2
(c) X to XI	2
<b>VII. <u>Health</u></b>	<b><u>4</u></b>
13. Number of hospital beds per lakh population	4
<b>VIII. <u>Banking</u></b>	<b><u>6</u></b>
14. Per capita deposits (Rs.)	2
15. Per capita bank credit (Rs.)	2
16. Number of bank offices per lakh population	2
<b>TOTAL</b>	<b>100</b>



APPENDIX-VII

Regionwise Per Capita Consumption of Energy in Bihar and India

(in KWH)

Year	North Bihar	South Bihar	Chotanagpur	Bihar	India
1951	0.42	7.96	71.37	19.80	17.78
1956	1.09	11.12	107.43	29.74	26.40
1960-61	2.53	24.52	141.41	41.09	38.95
1965-66	3.96	30.73	166.76	57.70	61.33
1973-74	11.02	36.94	200.58	71.03	97.48
1977-78	15.25	44.23	240.04	87.32	120.73
1982-83	18.55	62.21	257.31	85.00	146.00
1983-84	18.42	46.26	267.92	91.00	154.00
1984-85 (i)	17.01	44.09	264.98	87.56	154.00

(i) Provisional

Source : Electricity Board at a Glance, 1984-85, Bihar State  
Electricity Board, Patna.

APPENDIX - IXThe Chief Ministers and their tenures

1.	Dr. Srikrishna Singh	2.4.1946 - 31.1.1961
2.	Deep Narain Singh	1.2.1961 - 18.2.1961
3.	Vinodanand Jha	18.2.1961 - 2.10.1963
4.	Krishna Ballabh Sahai	2.10.1963- 5. 3.1967
5.	Mahamaya Pd. Sinha	5.3.1967 - 28.1.1968
6.	Bindeshwari Pd. Mandal	1.2.1968 - 22.3.1968
7.	Bhola Paswan Shastri	22.3.1968- 29.6.1968
8.	Sardar Harihar Pd. Singh	26.2.1969- 22.6.1969
9.	Daroga Pd. Rai	16.2.1970- 22.12.1970
10.	Karpoori Thakur	22.12.1970- 2. 6.1971
11.	Kedar Pandey	19. 3.1972- 2. 7.1973
12.	Abdul Gafoor	2. 7.1973- 11.4.1975
13.	Dr. Jagannath Mishra	11. 4.1975- 30.4.1977
14.	Ram Sundar Das	21. 4.1979- 17.2.1980

Source : Budget Speeches, Bihar Legislative Assembly  
Library Collections, Patna.

APPENDIX - X

The Chamber has representation on the following  
Public Bodies :

1. Eastern Railway Zonal Railway Users' Consultative Committee.
2. North Eastern Railway Zonal Railway Users' Consultative Committee.
3. Divisional Railway Users' Consultative Committee, Danapur.
4. Patna Junction Consultative Committee.
5. Lakhisarai Station Consultative Committee.
6. Arrah Station Consultative Committee.
7. Bakhtiarpur Station Consultative Committee.
8. Mokamah Station Consultative Committee.
9. Jehanabad Station Consultative Committee.
10. Sekhpura and Nawada Station Consultative Committee

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Source : Annual Report of the Committee of the BCC  
for 1986-87, pp. 17-18.

APPENDIX - XI

The President of the Chamber is ex-officio nominated by the Government of State to the following bodies:

1. Bihar State Citizen's Council.
2. Advisory Council on Trade.
3. State Advisory Board for National Savings.
4. Independent Board, Department of Labour and Employment, Government of Bihar, Patna.
5. Bihar State Electricity Board Consultative Council.
6. Bihar State Planning Board.
7. Panch Pranali Parishad, Department of Labour and Employment, Government of Bihar, Patna.
8. Coordination Committee for Development of Productivity Movement in Bihar.
9. Bihar State Export Corporation Limited.
10. Bihar Industrial Development Council.
11. Advisory Committee for Equal Remuneration.
12. State Apex Body.
13. Bihar Standing Labour Committee.
14. Standing Committee of Bihar Industrial Development Council.
15. State Committee on Environment Planning and Co-ordination.
16. Monitoring Committee for Implementation of Programme Concerning C.S.I.R. Activities in the field of Industrial Development.
17. Working Group of Industries for Preparation of Perspective Plan for Development of State over the next 15 years.

18. Advisory Committee of the C.S.I.R. Polytechnology Clinic.
19. Adult Education Board.
20. Committee for taking oral interview of candidates under Bihar Factory Welfare Officer examination for Patna and Ranchi.
21. Local Advisory Committee, Shrikrishna Science Centre, Patna.
22. Bihar State Apprenticeship Council.
23. Executive Committee of the Bihar State Branch of the Indian Red Cross Society.
24. Audyogic Sampark Parishad.
25. State Level Incentive Committee during Sixth Five Year Plan.
26. Committee for Revision of Minimum Wages for Engineering Industries.
27. Bihar Central (Permanent) Labour Advisory Board.
28. High Level Committee for Commercial Taxes.
29. Data Bank for Industrial Development of State, Department of Industries, Government of Bihar, Patna.
30. Monitoring Cell for speedy establishment and solving the problems of S.S.I. by Department of Industries, Government of Bihar, Patna.
31. Consumer-Protection Council, Department of Food, Supply and Commerce, Government of Bihar, Patna.
32. Advisory Committee attached to S.I.S.I. (Appreciation not given), Patna (Ministry of Industry, Government of India).
33. Standing Employment Committee (Department of Labour and Employment, Government of Bihar, Patna).
34. Advisory Committee for Employment of Disabled Persons in Bihar. ⊕ †

- 35 Industrial Data Bank (Governing Body), Directorate of Technical Development, Industries Department, Government of Bihar, Patna. ●

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●† = Secretary General BCC is the ex-officio member in these bodies.

Source: Annual Report of the Committee of the BCC for 1986-87. pp. 22-23.

APPENDIX - XIIPresidents (1926 - 87)

<u>NAME</u>	<u>YEAR</u>
1. Dewan Bahadur R.K. Jalan	1926-27; 1929-30
2. Rai Bahadur Banshidhar Dhandhanian	1927-28; 1928-29
3. Rai Bahadur Ram Rau Vijay Sinha	1930-31
4. Raja Devakinandan Pd. Singh	1931-32; 1932-33; 1933-34.
5. Nirmal Kumar Jain	1934-35.
6. Dewan Bahadur D.D. Thacker	1935-36.
7. Rai Bahadur Shri Narain Arora	1936-37.
8. Lala Gurusharan Lal	1937-38; 1948-49.
9. Seth Ram Krishna Dalmia	1938-39.
10. Rai Bahadur L.P. Dhandhanian	1939
11. Charkeshwar Kumar Jain	1939-40; 1940-41.
12. Lala Balkrishna Das Khandelwal	1941-42.
13.. Shanti Prasad Jain	1942-43; 1943, 1945-47; 1947; 1953-54; 1954-55; 1956-57.
14. Rai Bahadur Shyam Nandan Sahay	1944-45; 1945-46.
15. Lt. Col. Sarangdhar Sinha	1949-50; 1951.
16. B.P. Agarwal	1951-52; 1952-53.
17. Rai Bahadur Harak Chand Jain	1958-59.
18. Ram Dayal Joshi	1959-60.
19. Chand Mull Rajgarhia	1961.
20. Ashok Kumar Jain	1961-62; 1962-63.

21. K.L. Dhandhanian	1963-64
22. K.N. Sahay	1964-65; 1965-66 1969-70; 1970-71.
23. V. Poddar	1966-67; 1968.
24. R.S. Pande	1968-69.
25. D.P. Sharma	1971-73.
26. K.C. Choudhary	1973-74
27. J.P. Saxena	1974-75; 1975-77
28. Kamal Singh	1977
29. G.S. Dalmia	1977-78; 1978-79.
30. Sitaram Rurgta	1979-80; 1981.
31. U.P. Agarwal	1981-82; 1982-83.
32. B.P. Gupta	1983-84; 1984-85.
33. R.K.P.N. Singh	1985-86; 1986-87.

Source : Annual Report of the Committee of the  
BCC for 1986-87.