

### States are Important for the Overall Economic Growth of the Country

For the overall economic growth of the country, a very active and constructive participation of the States is essential. With the recent successful government formation by NDA in Bihar, we would expect the State Government to embrace some of the important reforms that are needed for inclusive economic development of the State. Playing on its strengths, the State government should focus on strategic reforms in three specific sectors namely Information technology, Dairy and Food processing and Agriculture.

#### **Suggestions for Information Technology (IT) sector**

IT industry is the largest contributor to the total exports of the country and has played a transformative role in the economic development of some of Indian States. Karnataka, Telangana, and Haryana are India's largest IT hubs and contribute a cumulative ~17% to India's GDP (8%, 5% and 4% respectively). Given that the educated youth is moving out of Bihar in large numbers and is largely employed in the IT sector, Bihar has opportunity to grow this sector and retain its talent.

There are a total of 358 SEZs in India mainly concentrated in States like Telangana (56), Karnataka (52), Maharashtra (45) and Haryana (20). At present, there is no operational SEZ in Bihar. The Bihar government should develop IT infrastructure parks constituting of commercial and residential complexes. Partnering with private commercial real estate players, who are looking to invest in this sector, could be a possible option.

Secondly, the government should focus on resolving infrastructure issues related to land acquisition at moderate land prices and improve road connectivity. Presently, land acquisition in Bihar is complex and acquisition cost is high as most of the land is agrarian with fragmented ownership. Development of a land bank by the government could ease the land acquisition process.

Thirdly, policy reforms such as declaration of IT as an essential service; exemptions from statutory power cuts; and establishment of one stop regulatory clearance to assist investors throughout the investment lifecycle spanning from application to approval of licenses, will go a long way.

#### **Suggestions for dairy and food processing sector**

Overall quantum of production of dairy and agri produce in Bihar is very significant. It represents the 10th largest dairy market in India with milk procured in 2019 at 10.4 bn litres. It is the 3rd largest producer of potato; largest producer of okra; 2nd largest producer of cabbage in India; largest producer of litchi; 3rd largest producer of pineapple and 4th largest producer of mango in India.

Despite this, the inadequate infrastructure for food processing is a big hurdle in the growth of this industry. Bihar has only 5 cold storage units vs. Punjab's 20, AP's 15, and TN's 11.

Bihar should aim to replicate the model built by Amul in Gujarat wherein it transformed the dairy sector. Gujarat now has 17 cooperative dairy unions, 25 private dairy plants and 15,000+ primary milk cooperative societies.

It should establish adequate cold storage and processing units for primary fruits/ vegetables such as mango and litchi, and grain processing units for wheat and maize near farm locations. Processing units for litchi in Muzaffarpur and Samastipur districts, for mango in Madhubani, Muzaffarpur & Darbhanga, and for makhana in Darbhanga would be ideal. A robust public-private partnership can be explored to achieve this.

Today, local industries avail of food testing and certification services from Kolkata, Hyderabad or Bengaluru. The government needs to set up food safety standards and testing facilities within the state.

## Our Views

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#### Suggestion for agriculture sector

Bihar has a high proportion of agriculture in land and labour force. 74% of the population is employed in agriculture v/s national average of 60%. Also, 55% of the State land is used in agriculture. It is predominantly a food-grain growing state with ~80% of its gross cultivation area mapped for rice, wheat and maize.

The main issue is lack of agricultural warehousing and the processing capacity. Only 8-10% of maize is processed within the state, despite the rising marketable surplus. The installed capacity of rice milling is insufficient to meet the existing demand, despite rice having 45% share in food-grains. With the new agriculture policy of the central Government, it is possible to attract private sector participation in contract farming, warehousing and transportation. Setting up of large scale maize processing units in the districts like Khagaria, Madhepura and Begusarai; and rice processing unit in high productivity district of Rohtas could be explored.

The state should also focus on agri-financing and private/ online mandis to improve price realisation for farmers.

Incubation and promotion of tech-enabled solutions (full stack solution for farmer inputs and marketing requirements) to assist farmers with end-to-end solutions ranging from procuring agri-inputs to connecting with institutional financiers and buyers, would be useful. Also focus on agri-supply chain startups that provide affordable warehousing solutions to farmers would help bridge the shortfall in agriculture storage.

We believe that these measures can play a transformative role in the inclusive economic growth of Bihar.

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<https://economictimes.indiatimes.com/markets/stocks/news/states-are-important-for-indias-revival-overall-economic-growth/articleshow/79460304.cms>