

Chapter-1

Economy & The History Of Its Development

The idea of Indian Economy has always been with us. The root of this is very deep. Before we got independence on 15th August, 1947, India was ruled by the Britishers for almost about 200 years. That was the period when the metaphor “The Golden Bird” was used for our country. But the Golden Bird was exploited brutally by the Britishers which resulted in the slow economic development which became negligible with time.

During independence, it was a challenge before our policy makers to prove our social, cultural, economic, and political strength before the world.

In this chapter, an introduction of economy, its development, the scale of development, and its various indexes, the situation of development in Bihar, the role of Bihar's economic development and its contribution in the country's economy development, basic features in context to development have been thrown light upon.

Economy : An Introduction

The British Government had colonized our Indian economy. Their policy of “**Divide and Rule**” made us their slaves. Despite India being an agricultural country, it was far ahead of other countries in terms of industries, business, transport and sub-structures but due to exploitation and repressive policies, the economic condition of India became ineffective and powerless. An empire of poverty, illiteracy, superstition, disparity and exploitation was created during the British rule. There was no development in Indian economy in those 200 years of British rule. There was no income stability, over-

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dependence of the population on agriculture, the downfall of handicraft industries and devastated industries make it very clear that the Britishers exploited our Indian economy to its maximum.

Colony

When a particular country is under the control of administration of most prosperous nation and its economic and commercial activities are directed and controlled by the most prosperous country then this type of administered country is known as Colony of the most prosperous nation. India remained the colony of British rule for almost about 200 years.

The Meaning of Economy

In our daily life we see that almost all people are engaged in various activities to earn their livelihood. These actions are mainly related to the production of commodities and services. For example, farmers in fields and barns, workers in factories, teachers in schools and colleges, lawyers in their court are engaged in their own work. Now the question is why are these people engaged in their own work?

The answer to this is that these people earn because they want to fulfill the demands and needs of their family members. **Our all such activities which generate income are known as Economic Activities.**

Economy is such as structure under which various financial or economic activities are performed, for example agriculture, industry, business, banking, insurance, transport and telecommunication etc. These economic activities on the one hand make good use of resources and services and on the other hand provide employment to the population so that they are able to fulfill their needs and demands from the resources available in our country.

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Thus, we can say that economy functions at two different levels:

- i.) for the satisfaction of needs of the people a variety of goods and services are produced,
- ii.) provides employment opportunities to people.

Some economists have defined the economy in the following ways:

According to Arthur Lewis, **"Economy 'means' a nation whose entire practice is based on the satisfaction of human needs for which the resources are used."**

According to Brown, **"Economy is system of earning livelihood."**

In other words, **"The economy is an organization of economic activity under which people work to earn their livelihood."**

In short, **"The social economy is a the sum of all economic activities."**

Thus the **Economy of Bihar** means the study of absolute economic activities of the Biharis on the basis of which their basic necessities can be fulfilled by the resources made available to them.

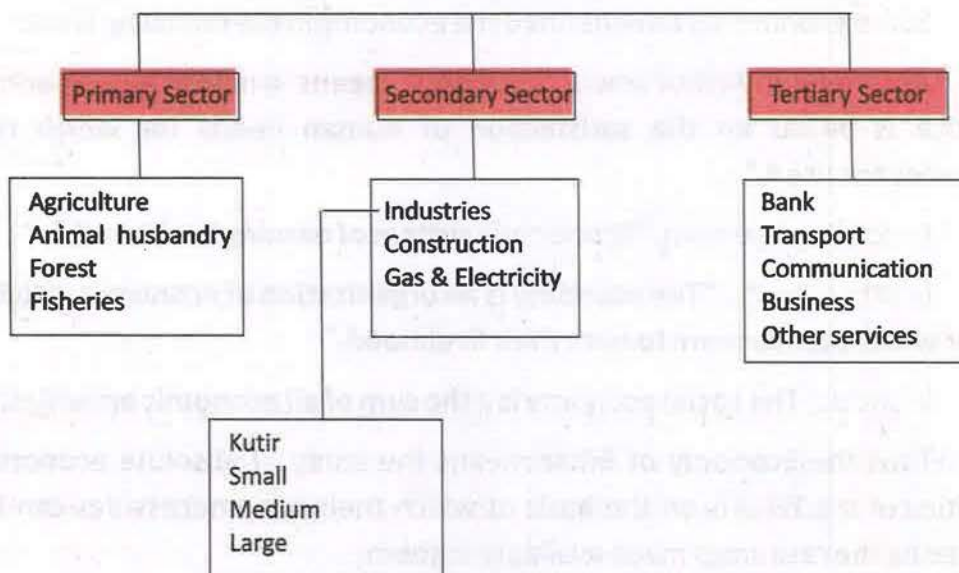
Structure of Economy:

The structure of economy means its division into various production areas. Since various economic activities such as agriculture, industry, business, banking, insurance, transport, communication etc function within an economy, these activities can be divided into three different sections:-

- i.) **Primary Sector**
- ii.) **Secondary Sector**
- iii.) **Tertiary Sector or Service Sector**

Like every economy, the structure of Indian economy can be divided into three different sectors. This can be explained properly through the chart given below.

Structure of the Indian Economy



- i.) **Primary Sector- It is also known as the agricultural sector.** Agriculture, animal husbandry, fish farming, resources from forests come under this category.
- ii.) **Secondary Sector- It is also known as the industrial sector.** It includes mineral production, construction, public services.
- iii.) **Tertiary Sector- It is also known as the service sector.** Banking and insurance, transportation, information, and trade etc. are included in this sector. All these activities provide help to activities performed in primary and secondary sectors, so it is known as service sector.

With the help of a Table, we can understand the contribution of all these sectors in national income-

Table 1.1 Contribution of Different Sectors in National Income

Sector	1901	1947	2007
1. Primary Sector	63.6%	58.7%	22.0%
2. Secondary Sector	12.7%	14.3%	22.0%
3. Tertiary Sector	23.7%	27.0%	56.0%
	100.0%	100.0%	100.0%

Table 1.1 makes it clear that during independence, the primary sector contributed 58.7 per cent which is now only 22 percent. The secondary sector contributed 14.3 per cent in 1947, now has increased upto 22 per cent. The contribution of the tertiary sector in 1947 was 27.0, which is 56 per cent now. This means that post-independence India is gradually moving with prosperity towards strategic development.

Types of Economy

The following three types are found in the world economy today-

i.) Capitalist Economy- Capitalist economy is the economy where private individuals own the means of production who use it for their own advantages. Ex- America, Japan, Australia, etc.

ii.) Socialist Economy- Socialist economy is the economy in which means of production are owned and operated by the government of the country which is used for social welfare. China, Cuba etc. have socialist economy. Over the years, the format of socialist economy began to change due to globalization and liberalization.

iii) Mixed Economy- Mixed economy is a mixture of capitalist and socialist economy. Mixed economy is the economy where means of production are owned by the government and private individuals. There is Mixed Economy in India. It is a mid way between capitalism and socialism.

Growth of Economy

Development of the economy has a long history. Development of the economy is like the growth of a plant. The plant evolution and maturation occurs gradually and in that situation its fruit and branches are used for human welfare, the same way the economy has grown since primitive times. We can bring changes in the economy and this is the story of development of economy.

We will have to look at India's economic growth situation to see development of the economy. The position of India's economic growth is not a miracle of only a period of time. It has its own history.

For the growth of the economy, we shall interpret the following two conditions which are both mutually cooperative actions:-

(i) Economic Development (ii) Monetary Development

(i) Economic Development:

First we shall discuss economic development which takes place through economic planning. So first it is essential to know what is economic growth?

There is difference of opinions among the economists regarding the definition of economic development. No universally acceptable definition can be given about it. Still you should know some of the important definitions of Economic Development. According to **Prof. Rostow**, "Economic Development is the relationship between rate of increase in Labour power and population growth".

Inclusive Growth

The process of economic growth which helps in improving the standard of living of all sections of the society and not a single section of society remains untouched with the fruits of development is known as Inclusive Growth.

According to **Prof. Meier and Baldwin**, "Economic Development is a process whereby an economy's real national income increases over a long period of time."

Therefore, it is clear that economic development is essentially a process of transformation. Due to this, changes occur in the structure of the economy. The real per capita income varies and the determinants of economic growth is constantly changing. **The main objective of economic development is to increase the productivity of all sectors of economy.** For this we have to adopt a speedy development process.

Now after understanding the concept of economic development, we must know the difference between **Economic Development, Economic Growth and Economic Progress**. Generally, it is accepted that there is no difference between Economic Development and Economic Growth. Both the concepts can be used interchangeably. But now-a-days, we have started differentiating both the concepts.

According to **Mrs. Urshala Hicks**, "The concept of growth is used with respect to developed countries from economic point of view when the term development is used with reference to developing economies." According to **Dr. Bright Singh**, the word Growth can be used for developed countries also.

Sustainable Development

The process of present utilization of natural resources for ex coal gas petroleum forest water resources, solar energy etc will deprive the coming generation from these natural resources. Not only this, the present production technique has created the grave problem of environmental pollution. All productive activities are polluting water air and land which is the subject of grave concern. Because of all these problems, the process and activity of development cannot be sustained. All these grave problems gave birth to new concept of **Sustainable Development**.

The word meaning of sustainable development is that development which can be sustained. It includes the present as well as the future generation.

According to **Brundland Commission**, "Sustainable development is that process of development which fulfills the present needs of economy/population without compromising with the abilities and capabilities of the future generation."

Maddison, a renowned economist, is of the view that **Economic Growth** is the indicator of increasing level of income of rich countries and economic development is the indicator of increasing level of income of poor countries.

The concept of Economic Progress is wider in comparison to economic development and economic growth because it is used for any economic unit and it includes both the economic growth and economic development. Generally, the word 'economic growth' or 'economic development' is used in place of 'economic progress'. Economic growth and economic development are used interchangeably. Infact, the meaning of the word Growth is inherent

in the word 'Development'. Thus there is no difference between economic development, economic growth and economic progress. Practially all three are understood as same. **Prof. Lewis** is of the same opinion.

Now we will study about Economic Planning according to which economic development is aimed at.

The meaning of economic planning is a time-bound programe under which all available resources of economy are used for fulfillment of pre-determined economic and social objectives.

There is a Planning Commission in India which plans for economic development for the coming five years. **This commission was constituted on 15th March, 1950.** The prime minister of the country is the ex-officio president of this commission. The first president of Planning Commission was Prime Minister Jawaharlal Nehru.

According to Planning Commission, "Economic planning means utilization of country's resources into different development activities in accordance with national priorities."

India has completed its 10 Five Year Plans and development is going under 11th Five Year Plan. The duration of the First Five Year Plan was 1951-1956 and the duration of 11th Five Year Plan is 2007-2012. The credit goes to planning for the economic development of India. The main objectives of planning in India are, to increase the rate of economic development, modernization of agriculture and industries, to achieve self sufficiency and promote social justice.

Meaning of Economic Planning

The use of resources of a country in different development activities according to priorities of the nation.

Planning commission of India was constituted on 15th March, 1950. The Prime Minister of India is the ex-officio president of this commission. There is a deputy president to look after the activities and eight members of the commission help the deputy president in the whole functioning.

Table 1.2 Planning in India

Planning	Period
First Five Year Plan	1951-1956
Second Five Year Plan	1956-1961
Seventh Five Year Plan	1985-1990
Tenth Five Year Plan	2002-2007
Eleventh Five Year Plan	2007-2012

National Development Council- N.D.C.

It was constituted on 6th August 1952 in India. This was constituted basically to maintain the cordial relationship and cooperation between state government and planning commission for the implementation of economic planning. Chief Ministers of all states are ex officio members of National Development Council. The function of Planning Commission is to formulate each five year plan and ultimately it is approved by National Development Council.

ii.) Monetary Development- In the present 21st century, there are many facilities available for people. If you go into the details of history of past years, it is clear that people had to struggle for the availability of all the comforts and facilities. In the absence of money as a means of exchange, people used to satisfy their wants by exchanging one good in terms of other.

This condition of Economic Planning is known as **Barter System**. This was the preliminary stage of Economic Development. During that time, the population as well as their demands and needs were limited. Because of their limited wants, exchange of goods was possible.

Later on, the demands of the people increased and as population increased, people started spreading out in villages and towns. Because of the development of small villages into big towns, wants of people started increasing. Amidst all this, on the basis of all the thinking of the people, **Money** was developed as a unit of exchange. Instead of goods, money became a means of exchange. Because of this development of money as a means, it was not required to move bundles of goods from one place to another. **Money became a common measure/means of exchange**. At that time, to administer a group of people, **Government came into existence**. **Money came into existence on the basis of acceptance of the government and the faith and confidence of people**.

People started demanding more lighter means of exchange with the development of economy.

Consequently, under the authority of the Government, banking system was constituted with the help of which it became more easier to transfer money from one place to another, known as Cheque. This is issued by one individual or institution in the name of another individual or institution and money is exchanged and transferred under the authorization of the **Government**.

In the present age, a machine known as **Computer** has replaced the mental working of the people. This is an invention of the human mind which has a more memorizing capacity in comparison to men. The computer, which runs on electricity, has made the transfer and exchange of money much easier. What is a Computer ? Look at the picture 1.1. Today, computer has

become a means of information, education and knowledge. Due to the scientific invention and its usage, where bigger computers were in use, now-a-days laptops have taken its place. Due to the increasing demands and scientific inventions, computer technicalities can be used on mobile phones also. This has been possible only due to the increasing demands of the people and scientific inventions.



Pic. 1.1 Computer : A new Invention

Nowadays, a plastic card with a magnetic stripe and with a chip has facilitated the transfer and withdrawal of money. When a person is able to do transaction of money without any delay, it is known as **Core Banking System**. In the same manner, a person who has a plastic card with mechanical marks can easily withdraw money from an indicated place any time. All this is done with the help of an electrically operated computer. The indicated place from where the customer can withdraw money is known as ATM (Automatic Teller Machine).

Per capita Income :

The most preferred indicator to measure economic development is Per capita Income. Per capita income is the average income of individuals living in the country. National income when divided by the total population of the country and that which is the quotient, that is called per capita income. As a formula-

$$\text{Per-capita Income} = \text{National Income} / \text{Total Population}$$

The World Development Report, 2006 of World Bank stated that in 2004 countries where per capita income was 4,53,000 rupees per annum or more, they are developed countries and countries whose per capita income was Rs 37,000 per annum or less are the low-income country India falls in low-income countries, because India's per capita income was only Rs 28,000 per annum in 2004.

A study of some selected states shows that there is low per capita income in Bihar. It is evident from the following table-

Table 1.3 Per capita Income of Selected States

State	Per capita Income for the year 2000-2003 (in rupees)
Punjab	26,000
Kerala	22800
Bihar	5700

From Table 1.3 it is clear that in these states Punjab has the highest per capita income and Bihar has the lowest per capita income. If per capita income is used to measure the development in these three states, then Punjab will be considered the most developed state and Bihar an undeveloped state.

Human Development Index- Human Development Index as proposed in first **Human Development Report** was prepared by **United Nation Development Program (UNDP)** under the direction of Mahbub-UI-Haq. Human Development Report as published by UNDP compares different countries on the basis of level of education, health status and per capita income. As far as **Human Development Index (HDI)** is concerned, it has three indicators: (i) Life-expectancy (ii) Level of education (iii) Standard of living

In the form of formula :

$$\text{HDI} = \text{Life expectancy index} + \text{Education Level Index} + \text{Standard of living index}$$

HDI is the average of all these indexes. The scale of measurement of HDI of all countries varies from zero to one.

Human Development Report of India and its neighbouring countries for the year 2004 can be explained with the help of table given below:

Table 1.4 : HDI of Different countries for the year 2004

Country	HDI Value	HDI Serial
Norway	0.965	1
Austria	0.957	3
Srilanka	0.755	93
Pakistan	0.539	134
India	0.611	126
China	0.768	81
Bangladesh	0.530	137

Source : UNDP Human Development Report, 2006

HDI for 177 countries was computed in the year 2006. The value of HDI is 0.611 in India and it is on 126th position. This indicates that the human development is of moderate level. On the basis of Gender Development Index (GDI) India improved from 105th position in 2000 to 96th position in 2004.

Thus we can see how we have progressed from the Barter System to the system of Money Exchange. Today, we have entered into Core Banking System which has surpassed the use of Cheque. Besides ATM, we also have the facility of **Debit Card** and **Credit Card**. This is also one of the areas of Economic Development.

A Short Account of Monetary Development

1. Barter System- Goods exchanged for goods.
2. Monetary System- Exchange of goods and services in terms of money.
3. Banking System- The exchange activity through the medium of cheque.
4. Core Banking System- Under the Core Banking System, by the use of one indicator for one individual, money is transferred to another individual in another place.
5. ATM- The facility of withdrawal of money at any bank at any time by the use of a plastic card with a magnetic stripe.
6. Debit Card- Debit Card is a plastic payment card that provides the card holder electronic access to his or her bank account at a financial institution.
7. Credit Card- A Credit Card is a payment card issued to users as a system of payment which allows the card holder to pay for goods and services based on the holder's promise to pay for them.

Story of The Village Singhasini

A boy named Chottu of Village Singhasini under Ramgrahwa thana in the East Champaran district of Bihar usually observed that his mother used to exchange vegetables for grains. Whenever he was in need of sugar, paper, pencil etc., his mother used to give him grains which he exchanged for the essentials that he needed. When his father used to go to the town, he exchanged grains for Chottu and his mother's

cloth. Shyam Kumar, a relative of Chottu, was working in Patna. He once invited Chottu during Holi. One day he took him to the market on his car. After purchasing from a shop, Shyam Kumar made the payment with a small piece of plastic card.

Chottu was amazed and he questioned Shyam Kumar as to how did he get the things that he had purchased without giving anything. Shyam Kumar explained to Chottu that before evolution of money, there was barter system as your mother used to exchange grains for goods. It was monetary system in which your father sold grains for money and which he exchanged for goods and today in this computerized banking system, the price of a good is paid with a small piece of plastic card. Today we can make payments with the help of cheque also. The small piece of plastic known as **Credit Card** or **Debit Card** is also used for making payments. He was amazed to hear facts from Shyam Kumar and was determined to communicate the development of exchange with his friends of school and village.

Index and Measure of Economic Development

National Income :

It is considered the main indicator of economic development. The monetary value of all goods and services produced within a country in a particular year is known as National Income. Generally when there is more national income, the country is known as developed and when the national income is low, the country is under developed or developing.

It is surprising to know that our neighbouring country Sri Lanka is ahead of India and India being such a large country is at the lowest position in the world. But because of the increasing growth rate, situation has started improving in India.

National Human Development Report (NHDP)-

On the basis of Human Development, the first Human Development Report of India was released in April 2002 by UNDP (United Nation Development Program). The report prepared by Planning Commission was released by the then Prime Minister Atal Bihari Vajpayee on 23th April, 2002 in New Delhi. This report of Indian republic was considered as an important document by Shri K.C. Pant, the then President of Planning Commission, who was of the view that this report can form a basis for the preparation of structure of planning of different states. This first National Human Development Report (NHDR) included the estimation of the values of Human Development Index (HDI) of states and union territories for the year 1981, 1991 and 2001. Kerala was at the top most position while Bihar, Madhya Pradesh, Assam, Rajasthan and Uttar Pradesh (BIMARU) occupied lowest ranking.

Human Poverty Index as proposed in the report to know the status of poverty is very much similar to traditional poverty ratio of poverty measurement. According to National Human Development Report, Human Poverty Index (HPI) of Himachal Pradesh, Tamil Nadu, Maharashtra, Jammu Kashmir, etc has decreased. There is hardly any difference in the Human Poverty Index (H.P.I) of Bihar, Uttar Pradesh and Rajasthan.

Infrastructure

Infrastructure denotes all those facilities and services which are helpful in economic development of country. **All these factors for ex- electricity, transport, information, banking, school, college, hospital etc. are the basis of Economic Development of a country. These are known as Infrastructure.** Infrastructure is very important in the economic development of a country. A country with developed infrastructure is more developed.

In the first **National Human Development Report**, it is stated that during the past years expenditure of rural mass has decreased while it has increased in urban areas by considering consumer expenditure as an indicator of economic development.

Development of Bihar

Bihar has a glorious historical background. Gautam Buddha got enlightenment in Bihar. Here only Mahavir gave the message of peace. All great persons like Chandragupta, Ashok, Sher Shah, Guru Gobind Singh, Babu Veer Kunwar Singh, Gem of Nation Dr. Rajendra Prasad were born in Bihar. Mahatma Gandhi had initiated **Champaran Movement** in Bihar only. Loknayak Jai Prakash had given the slogan of "Total Revolution". Folk singer Bikhari Thakur was also born in Bihar.

But today Bihar has become a victim of various problems. There is problem of poverty, unemployment, corruption and violence prevalent in Bihar. Bihar is in a miserable condition in spite of its abundant and rich resources. Today Bihar is amongst one of the backward states.

The causes of backwardness of Bihar- These are the main causes of Backwardness of Bihar from economic point of view:

1. Increasing Rate of Population : Population is increasing very rapidly in Bihar because of which resources of development are exhausted in the fulfillment of their needs and requirements.

The causes of backwardness of Bihar

1. Increasing Rate of Population
2. Lack of Infrastructure
3. Dependence on Agriculture
4. Loss due to Flood and Famine
5. Industrial Backwardness
6. Poverty
7. Poor Legal System
8. Lack of Able Administration

2. Lack of Infrastructure : Infrastructure is very important for the development of any state or country but Bihar is backward in this state. There is lack of road, electricity and irrigation facility. There is less availability of education and health facilities. Because of this also Bihar is backward.

3. Dependence on Agriculture- Bihar's economy is based on agriculture. Majority of its population depends on agriculture for their livelihood but the situation of our agriculture is pathetic. Our agriculture is very backward. Because of this there is low productivity.

4. Loss due to Flood and Famine- Basically in Bihar water coming from Nepal causes flood in North Bihar. Every year Bihar is flooded. We have faced the disaster of Kosi flood in 2008. We have suffered so much of loss from this flood. In 2009, we also suffered from flood caused by the Baghmati River flowing from Nepal. It caused great loss to crops in its neighboring places like Sitamarhi, Darbhanga and Madhubani etc. This can be explained with the help of picture 1.2



Pic. 1.2 : Flood situation

In the same way, south Bihar also faced great famine. Because of these natural calamities, our farmers face the problem of drought. This can be explained with the picture 1.3.



Pic. 1.3 : Famine situation

Thus, our Bihar suffers from both flood and famine at the same time.

5. Industrial Backwardness- Development of industry is very important for any state or country. But we don't see any kind of industrial development in Bihar. All minerals and industries and engineering institutions are now in Jharkhand after partition of Bihar. For this reason there is negligible number of functioning industrial unit in Bihar.

6. Poverty- Bihar is suffering from immense poverty. The per capita income in Bihar is less than the half of the national average. For this reason also, Bihar is backward. There is vicious circle of poverty in Bihar.

7. Poor Legal System- Peaceful atmosphere is very important for any state or country but in Bihar there was weak legal system for years which prohibited people from peaceful operation of industries. Thus poor legal system is one the most important causes of its backwardness.

8. Lack of Able Administration- There is lack of transparency in the administration of Bihar. That is why a number of instances of corruption can be seen.

Country	Bihar	India
Population as per 2001	8.29 Crore	102.9 Crore
Population growth rate	2.5%	1.9%
Literacy rate (Total)	47.53%	65.4%
Literacy rate (Male)	60.3%	75.8%
Literacy rate (Female)	33.5%	54.1%
Annual Development rate	2.7%	6.0%
Agricultural Development rate	73%	60.0%
Population of BPL	42.6%	26.0%
Per capita Income	Rs. 3948	Rs. 13226

Source : Different Govt. documents

The present Governor on 27th June, 2005 in the National Development Council presented the economic condition of Bihar which is evident in the above mentioned table. From the above mentioned table, it is clear that the economic development is very slow in Bihar, but in the present, according to the estimation of C.S.O where the G.D.P in 2003-04 was negative by -5.15 % which drastically changed from 2004-05 to 2008-09 into 11.03 % and this rapid development made its stand next only to Gujarat which was a faster developing state. The growth rate of Gujarat in 2008-09 was 11.05 % while the growth rate in Bihar was 11.03%. This rapid development in Bihar is called by some economists as Miracle Economics.

Steps to remove the backwardness in Bihar- Rapid economic development is the solution to improve the condition of Bihar. To enhance the economic development in Bihar it is necessary to curb its backwardness. The former president of India Dr. A.P.J. Abdul Kalam has rightly said, "India cannot be developed without the development of Bihar." Bihar is a big state and progress in its development would ultimately lead to India's progress.

The following steps can be taken to remove the backwardness in Bihar-

1. Population Control- The population should be kept well under control. Family planning programme should be put into practice. For this the people of Bihar, esp. women should be given education.

2. Rapid Growth in Agriculture- Bihar is an agriculture based state. So new techniques and machines should be used. Good quality of fertilizers and seeds should be used so that there is increase in production. This agricultural development in Bihar would automatically improve its economic development.

3. Flood Control- Flood is one of the major hindrances in the development of Bihar. Crops are destroyed due to floods and there is loss of

life too. Many of the rivers of North Bihar originate from the Himalayas. With the help of Nepal government flood control could be made successful.

Unfortunately the southern Bihar is in the grip of famine which can be improved by adopting new techniques of irrigation.

4. Development of Infrastructure- There is shortage of electricity in Bihar. So, electricity generation should be increased. Roadways should be improved. To enhance the rate of economic development, there must be improvement in education and health facilities.

5. Industrial Development-

After Bihar Jharkhand partition, Bihar was deprived of industries. Only the sugar mills which were closed were left in Bihar. For the revival of the industries, during the past few years, effort was made to increase and promote the foreign capital investment in the country.

6. Removal of Poverty-

Poverty has the biggest impact on Bihar. More than 42 % of the people are under poverty line. Employment facilities should be increased. To increase self-employment, the people of Bihar should be given training in different fields.

7. Establishment of Peaceful Environment- There should be a peaceful environment in Bihar which would encourage the industrialists/businessmen to establish themselves in Bihar which would facilitate the rapid economic development.

Steps to remove the backwardness in Bihar:

1. Population Control
2. Rapid Growth in Agriculture
3. Flood Control
4. Development of Infrastructure
5. Industrial Development
6. Removal of Poverty
7. Establishment of Peaceful Environment
8. Clean and Honest Administration
9. Transfer of Resources from the Centre

8. Clean and Honest Administration- For the economic development of Bihar, a clean and honest administration is essential.

9. Transfer of Resources from the Centre- For the development of Bihar, transfer of resources from the centre is essential. By providing status of special states, more assistance from the Centre can be provided to them. After being declared as a 'Special State', Jammu and Kashmir, Punjab and North Eastern States of India have been getting this special assistance.

From the economic point of view, Bihar has been considered a backward state. After the Bihar Jharkhand partition on 15th November, 2000, many of the mineral enriched areas went into Jharkhand state and Bihar was left with some industries and fertile lands. Majority of the population's dependence on agriculture, lack of irrigation facilities, high rate of increase in population and poverty are some of the major concerns of Bihar. Mostly there is flood in North Bihar and famine in South Bihar. In 2008 the effect of the Kosi flood was devastating. In these adverse conditions, development of roads, electricity, canals and health facilities need extra requirement. The internal resources are unable to fulfill these requirements. So these days more emphasis is given for providing status of 'Special State' to Bihar. Several political efforts were made in this respect. More assistance from the Centre for the development and exemption from different taxes will be given to Bihar after securing the status of Special State, which will accelerate the growth rate of development in Bihar. But there is a lot of practical and administrative problems in giving the status of Special State to Bihar.

Role of Development of Bihar in Economic Development of the Country

Bihar is an important state of the country. Bihar has its own importance in India from geographical area and population point of view. So it is rightly said that **development of Bihar is necessary for the development of the country**. With respect to the determination of the scale of

development and political participation, Bihar cannot be ignored. A famous economist, Kuznetts was of the view with respect to the world, "Poverty is just like cancer. As cancer of a small part of body poisons the whole body, in the same way poverty of a small section harms the prosperity of the whole world."

The justification of the above statement is that we cannot think of development and growth of India leaving behind poor and backward Bihar.

Bihar is such a state of the country where there is more fertile land. There are continuous flowing rivers from Himalayas. We get water at the lower level of the earth. We can save North Bihar from adverse effect of flood and South Bihar from drought by providing irrigation facilities, by river interlinking of Bihar and implementing planning of use of water resources.

There is no shortage of skilled human resources in Bihar. Today Bihar is not only more participative in technological area but less educated labourers also contributed towards development by moving to other states. Human resources of Bihar have contributed in information technology of the country and agricultural development of Punjab.

Biharis have contributed significantly towards the economic development of every area of the country. By developing agriculture of Bihar and agro-based industries with the contribution of natural resources and industrious human resources, the state can be developed. Recently the rate of development has accelerated in Bihar. According to Central Statistical Organization (C.S.O.), the present rate of development of Bihar is 11.03 % which is second in the country after Gujarat 11.5 %.

Agro-Based Industry

All those industries which are dependent on agricultural production or get raw materials from agriculture in their production are known as Agro-Based Industries. For ex. to prepare pickle from mango and tomato sauce from tomato etc.

In the recent years, the rate of development has accelerated in India. Because of the accelerated rate of development, there was less adverse effect of economic crisis of present time on economy of India. It is a matter of immense satisfaction that different efforts were made for the development of Bihar in the last few years. This progress of Bihar has been acclaimed worldwide. If the country and Bihar participate in the present process of development, then India will be amongst the developed countries in the 21st century from the economic point of view. So it is clear that the economic development of Bihar has an important role to play in the economic development of the country.

Relation Between Basic Wants and Development

The minimum basic requirement of the people of the country is food, clothing and shelter. There is repetitive strong slogans for food, clothing and shelter in the corridors of administration so that minimum requirements of the people are fulfilled by the development of the country. The desire of the poor people of the country is to fulfill these minimum basic requirements. Many programmes were implemented for the

Poverty Line :

A border line has been defined by Planning Commission to understand poverty. It has been defined as per calory standard. 2400 calory for rural areas and 2100 calory per person for urban area has been established as standard line.

People who live below this standard line defined as Below Poverty Line, which is called BPL in short form.

development of the country from more than past sixty years of its independence. Increasing population is a major obstacle in the development process. Even increasing rate of development could not alleviate poverty. Because of this the total number of people below the poverty line has not decreased.

MNREGA

MNREGA is a national scheme for rural employment. Under this rural labourers are provided at least 100 days of employment per year. For this, minimum wage is fixed.

Food can be provided to the people through the integrated justifiable **Public Distribution System**. Income of the people can be increased through employment opportunities in the country which will make them available food, clothing and shelter. There are national employment schemes for

the poor labourers of rural areas in the country. This scheme started under National Rural Employment Guarantee Act. In short, it is known as “**NREGA**”. This scheme is a major employment scheme of the world to provide rural employment.

The concept of development means the integrated development of all areas and sectors of the country. By all areas we mean agriculture, industry, business etc. and development of all sections mean development of the whole society without any discrimination and bias. These days the concept of integrated development of all sections has become important which is known as “**Inclusive Growth**” in economic dictionary. Thus our effort is to fulfill basic requirements of the people with the development of the country.

SUMMARY

- The idea of Indian economy development has always been with us. The roots of this development are very deep. Before the British rule, India was known as the 'Golden Bird' but during the British rule of 200 years, the Indian economy was exploited to its maximum.
- Economy is the system of earning livelihood.
- The structure of economy means its division into different productive areas. Indian economy has been divided into three parts (i) Primary

- The world economy has been categorized into (i) Capitalist Economy, (ii) Socialist Economy and (iii) Mixed Economy. India has Mixed Economy.
- Economic Development is such a process in which there is increase in actual National Income of a economy.
- The credit goes to Planning for economic development.
- The meaning of Economic Planning is the best possible use of resources of the country in different developmental activities on the basis of the Nation.
- Per Capita Income is the best possible index for measuring Economic Development.
- According to the Human Development Report- HDR published by UNDP, the educational status, health conditions and per capita income are some of the index on which different countries can be compared.
- In spite of its rich resources, the condition of Bihar is miserable. Bihar comes under the category of a backward state. This state suffers from flood and famine every year and this is the major cause of its backwardness.
- The condition of Bihar can be improved by accelerating the rate of Economic Development. Former President A.P.J. has rightly said “The development of India is impossible without the development of Bihar.”
- Today the status of 'Special State' for Bihar is demanded from the Central Government. If this demand of the people of Bihar is accepted by the Central Government, then Bihar may get a special economic package. Bihar can improve itself economically with the help of this special economic package.
- Central Government is facing many practical and administrative problems in providing the status of 'Special State' to Bihar.

Questions

Objective Questions

I. Tick the correct option

1. The following are known as Primary Sector

- (a) Service Sector
- (b) Agricultural Sector
- (c) Industrial Sector
- (d) None of these

2. Which country has a Mixed Economy ?

- (a) America
- (b) China
- (c) India
- (d) None of these

3. When was Planning Commission constituted in India ?

- (a) 15th March, 1950
- (b) 15th September 1950
- (c) 15th October 1951
- (d) None of these

4. The country which has more National Income is known as —

- (a) Underdeveloped
- (b) Developed
- (c) Partially Developed
- (d) None of these

5. Which of these are known as Backward State

- (a) Punjab
- (b) Kerala
- (c) Bihar
- (d) Delhi

II. Fill in the blanks :

1. India was a of British rule.
2. The British Rule has the Indian Economy.
3. Economy is the of livelihood.
4. Secondary Sector is known as
5. Necessarily economic development is
6. The credit of Economic Development of India goes to
7. is the most appropriate measure of Economic Development.

8. Bihar is, even though it is rich in natural resources.
9. is the basis of life in Bihar.
10. is the main obstacle in the development of Bihar.

III. Short-Answer Question :

1. What is Economy ?
2. What is Mixed Economy ?
3. What is Sustainable Development ?
4. What do you understand by Economic Planning ?
5. What is Human Development Report ?
6. Give a short account of Infrastructure.

IV. Long-Answer Question :

1. What do you understand by Structure of Economy ? What are its different parts ?
2. What is Economic Development ? Differentiate between Economic Development and Economic Growth.
3. Use some of the index to measure Economic Development.
4. What are the causes of economic backwardness in Bihar ? Suggest some remedies to remove its backwardness.

Project Work:

1. Present a project proposal for the Economic Development of your town/village.

Answers to Objective Questions :

- I. 1. (b) 2. (c) 3. (a) 4. (b) 5. (c)
- II. 1. Colony 2. Exploitation 3. System 4. Industrial Development
 5. Change 6. Planning 7. Per Capita Income 8. Miserable
 9. Agriculture 10. Flood.

