



## Summary Report for the State of Bihar



## ***1. Demography***

As per the 2023 Census population projections, Bihar's population is 127 million, representing 9.1 per cent of India's total population.<sup>1</sup> The projected population growth rate for Bihar is higher than the national average, as of 2022-23. Bihar's population density (1,307 persons per sq. km.) as well as its dependency ratio (70.2 percent) have consistently exceeded their respective national averages, as per 2021 projections. According to 2023 projections, a large majority of the population, that is, about 88 per cent, still resides in rural areas. As per the National Family Health Survey (NFHS V, 2019-21), the sex ratio at birth at 908 female births per 1000 male births in the State is lower than the national average.

As of 2022-23, Bihar's annual unemployment rate, at 3.9 per cent, is slightly above the national average of 3.2 per cent, and the Female Labour Force Participation Rate is lower than the national average. The working population in Bihar is predominantly concentrated in the Agriculture, Forestry, and Fishing (49.6 per cent); Services (26 per cent); and, Construction sectors (18.4 per cent). The proportion of workers engaged in the Manufacturing sector is only 5.7 per cent of the total share of workers in 2022-23.<sup>2</sup>

## ***2. Economic Structure (Growth and Sectoral Composition)***

Bihar's real GSDP grew at an average rate of 5.0 per cent between 2012-13 and 2021-22, which is lower than the national average growth of 5.6 per cent during the same period.<sup>3</sup> During the last three decades, Bihar's share, in nominal terms, in the national GDP decreased from 3.6 per cent in 1990-91 to 2.8 per cent in 2021-22. Its nominal per capita income was only 30 per cent of the national per capita income in 2021-22.

The Services sector has the highest share in GSVA (57 per cent), followed by Agriculture (24.9 per cent) and Industry (18.2 per cent) in that order. During the period 2013-14 to 2022-23, the State's Services, Industry, and Agriculture sectors have grown by 6.4 per cent, 8.6 per cent, and 2.6 per cent, respectively.<sup>4</sup>

## ***3. Socio-economic Indicators***

Bihar's literacy rate, at 61.8 per cent, is much lower than the national average of 73 per cent, as of 2011.<sup>5</sup> As of 2016-17, the State had higher school dropout rates (39.7 per cent for Classes VIII to X) and lower pass percentages (55.4 per cent for Class X and 67.2 per cent for Class XII) than the corresponding national averages. The Gross Enrolment Ratios at the Higher Secondary (35.6 per cent in 2015-16) and Higher Education (15.9 per cent in 2021) levels are

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<sup>1</sup> Projected data on population growth rate, dependency ratio, population density, and urban population is sourced from "Population Projections for Indian States 2011-2036" by the Technical Group on Population Projections, National Commission on Population, Ministry of Health and Family Welfare, Government of India.

<sup>2</sup> Data on unemployment, female labour force participation, and workforce distribution is from the Periodic Labour Force Survey, 2017-18 to 2023-24.

<sup>3</sup> Data on Economic Structure is sourced from Ministry of Statistics and Programme Implementation (MoSPI), as of August 2023.

<sup>4</sup> Data used is sourced from MoSPI, as of March 2024.

<sup>5</sup> Literacy data is sourced from Office of the Registrar General and Census Commissioner, Ministry of Home Affairs, 2011.

also below the respective national averages.<sup>6</sup> For people aged 18 to 23 years, the Gender Parity Index in Higher Education (the ratio of girls to boys enrolled in higher education institutions) has improved, but it still continues to be lower than the national average, as of 2021.<sup>7</sup>

As of 2020, life expectancy in Bihar, at 69.5 years, is nearly at par with the national average. The Infant Mortality Rate (27 deaths per 1,000 live births in 2020) is also close to the national average, but the Total Fertility Rate, at 3 children per woman, is higher than the national average for the same period (2019-21). The share of fully immunised children, at 71 per cent, is also lower than the national average for 2019-21. Access to basic amenities such as household access to drinking water and electricity is either above or close to the national average, but the State continues to lag behind in access to sanitation facilities.

#### ***4. State of Public Finances and Tax Devolutions***

Bihar's debt-to-GSDP ratio, at 39.6 per cent, in 2022-23,<sup>8</sup> is significantly higher than that of a median State. Its contingent liabilities are also higher than those of the median State, as of 2022-23.<sup>9</sup> Additionally, the State had a Fiscal Deficit of 3.9 per cent of its GSDP and a Primary Deficit of 1.8 per cent of its GSDP in 2021-22, both higher than a median State in the same year.

Bihar collects less in own tax and non-tax revenues as compared to a median State. Transfers from the Centre are significantly above the level of a median State and constitute around 75 per cent of the total revenue receipts. Its expenditure-to-GSDP ratio is higher, as both revenue and capital expenditure as a percentage of GSDP in 2021-22 were higher than a median State. Its expenditure to GSDP ratio is nearly 4 percentage points more than its total Revenue Receipts.

Moreover, the Debt Sustainability Analysis shows that under the baseline scenario (where the debt level, primary deficit, real GDP growth, and real effective interest rate remain constant at their decadal average from 2012-13 to 2021-22), Bihar's debt-to-GSDP ratio is not projected to decline over the next five years, starting from 2021-22. The debt-to-GSDP ratio can be expected to take a downward trajectory only with higher growth, or lower primary deficit, or with a combination of the two.

Bihar's share in Taxes from the Centre, as per the Finance Commission (FC) recommendations, increased from 9.7 per cent under the 14<sup>th</sup> FC to 10.1 per cent under the 15<sup>th</sup> FC. Its share in the total grants-in-aid increased by 0.5 percentage points under the 15<sup>th</sup> FC, compared to the 14<sup>th</sup> FC, at 5.3 per cent.

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<sup>6</sup> Data on dropout rates, pass percentage of students, and Gross Enrolment Ratio at Higher Secondary Level is taken from Unified District Information System for Education, 2015-16.

<sup>7</sup> Gross Enrolment Ratio at Higher Education Level, Data on Gender Parity Index and College Density is taken from the All-India Survey on Higher Education, 2020-21.

<sup>8</sup> Data on fiscal variables is sourced from Reserve Bank of India, State Finances Report, as of December 2023.

<sup>9</sup> For calculation of a median State, the variable as a percentage of GSDP was computed for each State, with the median across 22 major States shown (excluding all Union Territories and North Eastern States, except Assam). The Macro and Fiscal Landscape State brief includes this benchmark in the States' Median (Large States), Column 6, Table 4A.

## 5. Fiscal Rules

Following recommendations of the 12<sup>th</sup> FC, the Bihar Government enacted the Bihar Fiscal Responsibility and Budget Management (BFRBM) Act in 2006 in accordance with the Union FRBM, 2003.<sup>10</sup> Since 2006, the BFRBM Act has been amended six times, in 2010, 2016, 2020, 2021 (twice), and 2022.

Initially, the Act mandated to reduce revenue deficit/GSDP ratio every year by at least 0.1 per cent depending upon the economic situation, to eliminate revenue deficit by 2008-09 and generate revenue surplus thereafter, and to reduce the fiscal deficit/GSDP ratio every year by at least 0.3 per cent if it was more than 3 per cent, to not more than 3 per cent by 2008-09.

In 2010, an amendment was made to include the recommendations of the 13<sup>th</sup> FC, which mandated the State to bring down debt as a percentage of GSDP from 48.2 per cent in 2010-11 to 41.6 per cent in 2014-15. And, the fiscal deficit target was raised to 3.5 per cent of GSDP for 2010-11 and to 3 per cent thereafter.

In 2016, under the recommendations of the 14<sup>th</sup> FC, the Act was amended to anchor the fiscal deficit to an annual limit of 3 per cent of GSDP with some flexibilities to extend the limit to 3.5 per cent if the interest payments were more than or equal to 10 per cent of the revenue receipts in the preceding year. The 2020 amendment allowed the State to increase the fiscal deficit cap by Rs. 5,688 crores over and above the previously prescribed limits.

The BFRBM was further amended in 2021 twice, wherein the first one raised the fiscal deficit and annual borrowing limit to 5 per cent of GSDP each for 2020-21, and the second one revised them to 4 per cent and 4.5 per cent, respectively, for 2021-22.

The 2022 amendment fixed the normal net borrowing limit to 3.5 per cent of GSDP for 2022-23, and 3 per cent for the period 2023-24 to 2025-26. The annual borrowing limit for the period 2022-23 to 2024-25 was increased by another 0.5 per cent subject to the condition set forth by the Government of India.

**Fiscal Discipline:** As per the State Finances Audit Report of the Comptroller and Auditor General of India (CAG), during the five-year period from 2017-18 to 2021-22, Bihar could meet the revenue deficit targets for only two years (2017-18 and 2018-19) and the fiscal deficit targets for three years (2018-19, 2019-20, and 2021-22). With regard to debt as well, the State was able to meet the targets for only two years (2020-21 and 2021-22).

The CAG report has recommended several action points in various areas to bridge the persisting gap, such as review of the budget preparation exercise; devising a mechanism to collect revenues expeditiously; steps to improve the financial health of the State Public Sector Enterprises (SPSEs); and, restructuring of the loans.

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<sup>10</sup> Data is sourced from State Audit Report of the CAG for the respective years and the State Government Gazette.