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Bihar's Big Chance: Be Bold and Basic



On November 14 the result of the state legislative election in Bihar was announced by the Election Commission of India (ECI). The incumbent National Democratic Alliance (NDA) coalition led by the Janata Dal-United (JD-U) and the Bharatiya Janata Party (BJP) won the election, significantly increasing their seat shares. These results are important to business in showing strength of the coalition as well as improving the coalition's ability to increase its numbers in the upper house of India's Parliament. Beyond these factors, India's plan for "Viksit Bharat 2047" requires accelerated growth from big states. The Bihar government needs to shift from laggard to leader.

Bihar remains India's poorest state by a significant margin. In 2021-22 the state's per capita income was around $600 per year. The next lowest, Uttar Pradesh, had a per capita income over 25% higher. Bihar has a population of 127 million—higher than Japan and on-par with Mexico. While the make-up of his coalition has changed over time, the JD(U)'s chief minister, Nitish Kumar, has led the state since 2005, barring a pair of short interregnums. He won global plaudits early in his tenure for improving law and order, building basic infrastructure, and improving education and school attendance. Despite these key steps early in his tenure, the state has not been able to generate strong interest from the business community.

The JD-U has shifted alliances to remain in power, bouncing between the BJP and another Bihar-based party the Rashtriya Janata Dal (RJD) over the years. But the BJP-JD(U) coalition has remained relatively strong during this last 5-year term, and when the BJP fell short of a single-party majority following the spring 2024 national Parliamentary election, the JD(U)'s 12 seats in Parliament provided crucial coalition support to enable Prime Minister Modi's third term.

This election is significant to the business community for two important reasons that are unrelated to Bihar's own business environment.

1. **Show Strength of Coalition:** The BJP and JD(U) are both strong in Bihar. The fact that the coalition was able to agree on "seat sharing"- determining which seats each party would contest—did not trigger meaningful discord.
2. **Improving Seats in the Rajya Sabha:** The Rajya Sabha, or upper house or Parliament, is indirectly elected by state legislatures for staggered 6-year terms. Currently, the RJD holds 5

of the 16 seats from Bihar. This will decrease over time, accruing to the JD(U) primarily due to the party's significant increase in seats from 2020 to 2025.

Now What?

The NDA coalition's election manifesto largely focuses on an expansion of voter-friendly social programs. This includes promises of government-driven employment, rural subsidies, and programs to improve the lives of women and lower caste citizens.

The state needs a far stronger economy to meet these pledges. This massive mandate and the strength of the coalition offers a once-in-a-generation opportunity to improve the state's economic fundamentals.

Chief Minister Nitish Kumar will be 79 years old when this term ends. This is a chance to cement an important new legacy as an economic modernizer.

- **Lift oppressive Labor Regulations:** Even once the Union government's Industrial Relations Code is finally enacted, Bihar could shine compared to peer states by pushing for greater labor flexibility.
- **Build Key Cities:** Focus heavily on urban development; the modern economy will reside in cities.
- **Build Basic Industries:** While most states chase capital-intensive sectors like semiconductors and data centers, Bihar could make a mark by loudly pushing ahead with employment and export-creating sectors like textiles, paper mills, and basic chemicals, some of which was reflected in the coalition's election manifesto.
- **Create Great Industrial Policies- With Stellar Execution and Monitoring:** While state policies and incentive programs are nice, they are often under-utilized. Bihar should look at adopting information tools including artificial intelligence to improve execution, tracking, and modulation.
- **Allow Private Participation in Electricity:** Bihar could consider allowing private electricity distribution for large cities, akin to Mumbai, Kolkata, and Delhi. Or for the entire state, akin to Odisha. Industry needs electric power, and Bihar's two electricity utilities have improved, but the state should strive to leap from middling to leading. Bihar's negative experiences with private electricity in the past could benefit from other states' recent experiences.

Clearly, the incumbent government must improve the lives of its farmers, disadvantaged groups, and rural citizens. But improvements for these groups need not come at the expense of economic modernization. The world continues to modernize and grow, and Indian states like Tamil Nadu, Gujarat, and Andhra Pradesh could further separate from the pack on the back of significant new investments by global technology majors.

There is an old phrase, “never let a crisis go to waste,” indicating that big troubles can trigger big reforms. But in Bihar’s case, let’s hope the government does not let massive success go to waste and delivers on promises made in its manifesto.

KEY DATA

+13%	+2%	(-) $11 bn
U.S.-INDIA GOODS TRADE, 12-MONTH	**FOREIGN DIRECT INVESTMENT, 12-MONTH**	**FII ASSETS NET FLOWS, 12-MONTH**