

Reframing Development in Lagging Regions: A Management and Governance Perspective on Bihar, India

Sujit Kumar¹

Abstract

This paper examines the development trajectory of Bihar, one of India's economically lagging states, through a management and governance lens. Drawing on institutional theory, human capital theory, and strategic public management, the study analyses how governance quality, institutional capacity, infrastructure, and human resource development shape socio-economic outcomes. Using a descriptive-analytical design based on secondary data from government reports, national surveys, and peer-reviewed literature, the paper develops a conceptual framework and testable hypotheses to explain Bihar's development experience. The findings suggest that improvements in governance, public-sector management efficiency, and infrastructure have contributed to higher growth rates, but structural constraints such as weak industrialization, skill gaps, and institutional capacity limitations continue to hinder inclusive and sustainable development. The paper offers managerial and policy implications relevant for public administrators, development managers, and scholars in emerging economies.

Keywords: Regional Development; Public Management; Governance; Human Capital; Bihar; Emerging Economies

1. Introduction

Regional disparities continue to pose a major challenge to inclusive development in emerging economies. While national-level economic growth may show positive trends, significant variations persist across regions due to differences in institutional capacity, governance quality, infrastructure, and human capital. In India, these disparities are particularly pronounced across states, where historically lagging regions struggle to translate economic potential into sustained development outcomes. Bihar represents one of the most significant cases of such regional imbalance, making it a critical context for examining development from a management and governance perspective.

Bihar is among the most populous states in India and has traditionally been characterized by low per capita income, high poverty levels, limited industrialization, and large-scale out-migration. Despite its abundant natural resources, fertile agricultural land, and demographic advantage in the form of a young workforce, the state experienced decades of developmental stagnation. Scholars attribute this underperformance to weak institutions, inadequate infrastructure, poor law and order, and limited administrative capacity. These factors underscore that development challenges in Bihar are not merely economic in nature but are deeply rooted in managerial and institutional failures.

Since the mid-2000s, however, Bihar has witnessed notable changes in its development trajectory. The state has recorded relatively high growth rates in Gross State Domestic Product (GSDP), expanded road and electricity networks, and improved access to basic public services such as education and healthcare. Governance reforms aimed at strengthening law and order, fiscal discipline, decentralization, and digital service delivery have played a significant role in this turnaround. While these improvements have attracted attention in policy debates, they have been analysed largely through economic or political lenses, with limited focus on the underlying management processes that enabled or constrained these outcomes.

From a management perspective, development is not solely the result of financial resources or policy announcements; it is shaped by strategic planning, leadership, coordination among institutions, efficient implementation, and performance monitoring. Public management literature emphasizes that effective governance systems and capable public institutions are central to delivering development outcomes, particularly in regions facing structural disadvantages. In this context,

¹ **Sujit Kumar**, Section Officer, PSE & SJMC; Aryabhata Knowledge University, Patna- 800001

Email-Id: sujitkshatriva@gmail.com ; **Mobile:** 9199070660

Bihar offers a valuable case to explore how management practices within the public sector influence development performance in a lagging region.

This paper positions Bihar's development experience within the broader discourse of management and governance in emerging economies. By integrating insights from institutional theory, human capital theory, and strategic public management, the study seeks to move beyond descriptive accounts of growth and examine the mechanisms through which development policies are designed and executed. The focus on managerial processes allows for a deeper understanding of why certain reforms yield positive outcomes while others fall short.

The objective of this study is to analyse Bihar's development trajectory through a management lens, with particular emphasis on governance quality, institutional efficiency, infrastructure development, and human capital formation. By doing so, the paper contributes to management scholarship by demonstrating how development outcomes are closely linked to public-sector management practices. The findings have implications not only for Bihar but also for other lagging regions in developing countries that seek to achieve sustainable and inclusive growth through improved governance and strategic management.

2. Review of Literature

The literature on regional and economic development consistently emphasizes that variations in development outcomes across regions are strongly influenced by differences in institutional quality, governance structures, and managerial capacity. Early contributions in institutional economics argue that effective institutions reduce uncertainty, enforce property rights, and enable productive economic activity, whereas weak institutions perpetuate inefficiencies and underdevelopment (North, 1990; Williamson, 2000). Acemoglu and Robinson (2012) further demonstrate that inclusive institutions are central to long-term development, particularly in historically lagging regions.

From a public management perspective, governance quality and state capacity have emerged as critical determinants of development performance. Studies by the World Bank (2017) and UNDP (2016) show that regions with stronger administrative systems and accountability mechanisms deliver better outcomes in infrastructure, education, health, and poverty reduction. Strategic public management literature highlights the importance of goal alignment, performance measurement, inter-agency coordination, and leadership in improving policy effectiveness (Osborne, 2010; Bryson, 2018).

Human capital theory provides another important lens for understanding regional development. Becker (1964) and Schultz (1961) emphasize that investments in education and health enhance labour productivity and economic growth. Empirical studies confirm that regions with higher levels of human capital experience faster growth and better social outcomes (Barro, 2001; Hanushek and Woessmann, 2015). In developing regions, however, the effectiveness of human capital investments depends heavily on management efficiency within education and health systems (Pritchett, 2013).

Infrastructure development is also widely recognized as a key driver of regional growth. Aschauer (1989) and Calderón and Servén (2010) find that public investment in transport, power, and communication infrastructure positively affects productivity and private investment. From a management standpoint, infrastructure outcomes are shaped not only by funding levels but also by project planning, procurement systems, and monitoring capacity (Flyvbjerg, 2014).

In the Indian context, inter-state disparities have been extensively studied. Ahluwalia (2000), Dholakia (2015), and Nagaraj et al. (2012) identify governance quality, infrastructure availability, and human capital as major factors explaining differential growth across states. Several studies focusing on Bihar highlight historical underinvestment, weak law and order, and poor institutional capacity as key constraints on development (Mishra, 2008; Singh, 2009). More recent analyses document improvements in growth rates, infrastructure, and fiscal management since the mid-2000s, attributing these changes partly to governance reforms (Mukherjee and Zhang, 2018; NITI Aayog, 2021).

Despite these contributions, the existing literature on Bihar remains largely descriptive and economics-oriented, with limited application of management theories. Few studies systematically examine how managerial processes such as strategic planning, implementation capacity, and performance monitoring influence development outcomes. This paper addresses this gap by integrating institutional theory, human capital theory, and strategic public management to analyse Bihar's development experience, thereby contributing to management scholarship on development in lagging regions.

3. Theoretical Framework

This study is anchored in three complementary theoretical perspectives that are widely used in management and development research.

3.1 Institutional Theory

Institutional theory posits that economic and social outcomes are shaped by the quality of formal institutions, including laws, regulations, governance structures, and enforcement mechanisms (North, 1990). In the context of Bihar, reforms related to law and order, decentralization, transparency, and digital governance can be examined as institutional changes that influence development performance.

3.2 Human Capital Theory

Human capital theory emphasizes investments in education, health, and skills as key drivers of productivity and long-term growth (Becker, 1964). Bihar's demographic profile, marked by a large youth population, makes human capital development a critical strategic priority. From a management standpoint, the effectiveness of education and health systems depends on planning, resource allocation, and performance management.

3.3 Strategic Public Management

Strategic public management focuses on how public organizations set goals, allocate resources, measure performance, and coordinate with stakeholders to achieve desired outcomes (Bryson, 2018). Development policies in Bihar can be analysed in terms of strategic alignment between objectives, implementation mechanisms, and outcomes.

Objectives of the study

- **O1:** To analyze the developmental status of Bihar in comparison to national and regional benchmarks.
- **O2:** To examine governance and institutional factors influencing development outcomes in Bihar.
- **O3:** To assess the role of management practices in public administration and development programs.
- **O4:** To identify structural constraints and policy gaps limiting inclusive and sustainable development.
- **O5:** To propose governance and management-oriented strategies for reframing development in lagging regions.

Hypotheses of the study

- **H1:** Weak governance structures and institutional inefficiencies significantly constrain development outcomes in Bihar.
- **H2:** Effective management practices in public administration positively influence economic and social development in lagging regions.
- **H3:** Policy implementation capacity mediates the relationship between development planning and actual development outcomes.
- **H4:** Improved coordination among government institutions enhances infrastructure and human development indicators.

Research & Methodology

This study adopts a mixed-method research design to examine development challenges and governance mechanisms in Bihar from a management and public policy perspective. Secondary data were collected from government reports (NITI Aayog, Economic Survey of Bihar, Census of India), World Bank and UNDP datasets, and published academic literature. Quantitative indicators such as Gross State Domestic Product (GSDP), sectoral growth rates, infrastructure development indices, governance indicators, and social development metrics were analyzed using descriptive statistics and trend analysis.

In addition, qualitative insights were generated through document analysis of policy frameworks, development programs, and institutional reforms implemented in Bihar. The study applies a comparative analytical framework, benchmarking Bihar against national averages and selected peer states. The management lens focuses on institutional capacity, leadership, coordination efficiency, and policy implementation effectiveness. This integrative methodology enables a holistic assessment of development dynamics in lagging regions.

Results and Discussion

This section discusses the empirical outcomes of Bihar's development trajectory in light of the objectives and hypotheses outlined earlier. The results are synthesized thematically, presenting quantitative data alongside interpretive insights into governance and management structures that shape these outcomes.

1) Economic Growth and Structural Change

Objective 1 & Hypotheses H1, H2

Bihar's economy has demonstrated consistent growth over the past decade, with Gross State Domestic Product (GSDP) rising sharply in both absolute size and growth rates. According to the Government of Bihar's statistical dashboard:

- Bihar's GSDP at current prices was approximately ₹8.77 lakh crore in 2023-24 and rose to nearly ₹9.92 lakh crore in 2024-25.
- The GSDP growth rate was 14.94 % in 2023-24 and 13.09 % in 2024-25.
- Per capita income also expanded from ₹62,201 (2023-24) to ₹69,321 (2024-25).

These figures confirm a rapid pace of economic expansion, with growth rates often exceeding the national average and positioning Bihar as one of India's faster-growing states in recent years. Such expansion supports H2, indicating that improved economic output aligns with strengthened management practices and policy implementation initiatives.

However, Bihar's growth remains structurally imbalanced. Agriculture, which employs nearly 80 % of the workforce, continues to contribute over 22 % to GVA, while industry shares are modest and service sectors dominate value addition. This reflects structural constraints: despite growth, Bihar's industrial base remains under-developed relative to national peers, limiting high-value job creation and broader structural transformation.

This underlines Hypothesis H1: institutional and governance weaknesses, particularly in attracting investment and industrial development, dampen growth's translation into broader structural diversification.

2) Governance, Institutional Capacity, and Policy Outcomes

Objectives 2, 3 & Hypotheses H1, H3

While macro-economic data indicate progress, governance and institutional performance paint a mixed picture.

Fiscal Management: Bihar's fiscal data show that:

- The state returned to a revenue surplus of ₹2,833.06 crore in 2023-24, reversing earlier deficits, and reduced the fiscal deficit to ₹35,659.88 crore.
- However, liabilities continue to expand, especially internal debt, which comprised nearly 59 % of total liabilities.

These dynamics reflect positive fiscal consolidation efforts, yet persistent debt burdens and high committed expenditures (salaries, pensions) illustrate ongoing governance challenges. The ability to manage finances effectively aligns with H3, suggesting that policy implementation capacity mediates the link between planning and outcomes. Bihar's fiscal surplus and controlled deficits demonstrate improved execution of financial governance, while structural liabilities highlight areas for ongoing reform.

Infrastructure Development: Major infrastructure achievements are notable:

- Over 55,000 km of rural roads have been constructed in the past decade, significantly improving connectivity.
- Electricity and water supply access expanded to more than 1.5 crore households.
- Major rail and transport projects—including express trains and new lines—are underway.

Progress in infrastructure supports the claim that governance mechanisms, particularly implementation of central schemes and state initiatives, are generating tangible improvements—validating one dimension of H2 (effective management contributing to service delivery).

Despite these advances, governance gaps remain evident in social indicators and public service delivery. Bihar's literacy and human development outcomes lag significantly:

- Average literacy rates in Bihar, particularly female literacy (51.5 %), are among the lowest in India.
- The overall literacy rate remains below national averages.

These figures highlight structural governance limitations in the education sector, where reforms and institutional capacity have not yet translated into large-scale human capital improvements—supporting H1.

3) Human Development and Social Indicators

Objective 1, 2 & Hypotheses H1, H2

While economic statistics tell a story of growth, human development indicators reveal persistent challenges:

Human Development Index (HDI): Bihar's HDI remains lower than the national average, reflecting deficits in education, health, and income dimensions.

Specific health and education metrics underpin this:

- Bihar records one of the highest infant mortality rates in India (≈ 46.8 per 1,000 live births), above the national average.
- Female school attendance is notably low (≈ 61 %), and higher education enrolment remains well below national averages.
- Child marriage rates are significantly elevated, reflecting social development gaps.

These challenges illustrate that economic growth does not automatically translate into human development. While service delivery and infrastructure improvements (e.g., rural water connections) have advanced—94 % of rural households now have tap water under state schemes—progress in education, health systems, and gender equity remains uneven.

This divergence between economic expansion and human outcomes underscores a key governance issue: service delivery systems in education and health have not kept pace with economic policies, dampening human development. Such patterns strongly support H1 and partially contradict H2, as growth alone does not ensure equitable social transformation without targeted governance reforms.

4) Sectoral Performance and Job Creation

Objective 2, 3 & Hypothesis H2

Sectoral data reveal that the service sector contributes over 54 % to Bihar's economy, while agriculture continues to employ the majority of the workforce despite its declining GVA share.

The transition toward services and industry is essential for job creation—especially in higher-productivity areas—and underpins the management argument for structural reforms.

However, employment data indicate persistent job market constraints: educated unemployment remains high (over 52 lakh unemployed youths). This suggests that despite economic growth and diversification, job creation has not kept pace with labor force expansion, particularly in sectors that absorb skilled workers. This gap aligns with governance and management factors—such as limited private investment, skill mismatches, and weak industrial policy execution—that restrain inclusive growth.

5) Integrated Interpretation Across Objectives and Hypotheses

Across economic, governance, and human indicators, the data confirm distinct patterns:

- Economic growth in Bihar is robust, with high GSDP growth rates and rising per capita incomes—affirming key aspects of H2 and indicating progress in economic management.
- Institutional governance shows improved fiscal performance and strong infrastructure delivery but remains weak in sectors crucial for human development, supporting H1 and illustrating conditional support for H3.
- Human development outcomes lag behind economic gains, suggesting that growth alone—without deeper governance reforms and institutional strengthening—cannot yield balanced development.

Together, these findings underscore a central theme: Bihar’s developmental progress is real but uneven, shaped by governance capacity, policy prioritization, and structural constraints. Growth alone is not sufficient to ensure broad-based improvements; targeted institutional reforms are essential to translate economic expansion into human development and quality of life enhancements.

Conclusion

This study set out to reframe development in lagging regions through a management and governance lens, using Bihar as a representative case. The findings clearly indicate that Bihar’s recent economic performance, reflected in high GSDP growth rates and improving fiscal indicators, marks a significant departure from its earlier stagnation. However, the results also demonstrate that economic growth alone has not been sufficient to ensure balanced and inclusive development. Persistent deficits in human development indicators—particularly in education, health, employment generation, and gender outcomes—underscore the limitations of growth that is not adequately supported by strong institutional and governance mechanisms.

From a management perspective, the study highlights that governance quality, policy implementation capacity, and institutional coordination play a decisive role in translating development plans into tangible outcomes. While Bihar has made notable progress in infrastructure expansion, fiscal consolidation, and service delivery in select sectors, weaknesses remain in strategic planning, inter-departmental coordination, monitoring, and accountability. These governance gaps dilute the impact of public investment and constrain structural transformation, especially in industrial development and quality job creation.

The study concludes that reframing development in lagging regions like Bihar requires shifting the policy focus from a narrow emphasis on resource allocation and growth targets to a broader framework centered on institutional strengthening and management reforms. Enhancing administrative capacity, adopting performance-based governance, strengthening decentralization, and investing in human capital are critical for sustaining long-term development gains. Bihar’s experience offers important lessons for other lagging regions in India and developing economies, emphasizing that sustainable development is fundamentally a governance and management challenge rather than merely an economic one.

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