

DIVERSIFYING BIHAR'S EXPORTS

Through Value-Added Sectors and MSME
Enablement – **A Strategic Guidebook for Global
Competitiveness**



Table Of Contents

- 01 | **Executive Summary**
- 02 | **Chapter 1**
Bihar's Economic Trajectory and the Imperative for Export Diversification
- 03 | **Chapter 2**
Unlocking Value-Added Sectors: Global Trends and Bihar's Niche Opportunities
- 04 | **Chapter 3**
MSME Enablement: The Engine of Inclusive Export Growth
- 05 | **Chapter 4**
Enablers for Global Competitiveness: Infrastructure, Policy, and Human Capital Development
- 06 | **Chapter 5**
Strategic Recommendations and Implementation Roadmap
- 07 | **Conclusion**
- 08 | **Appendices**

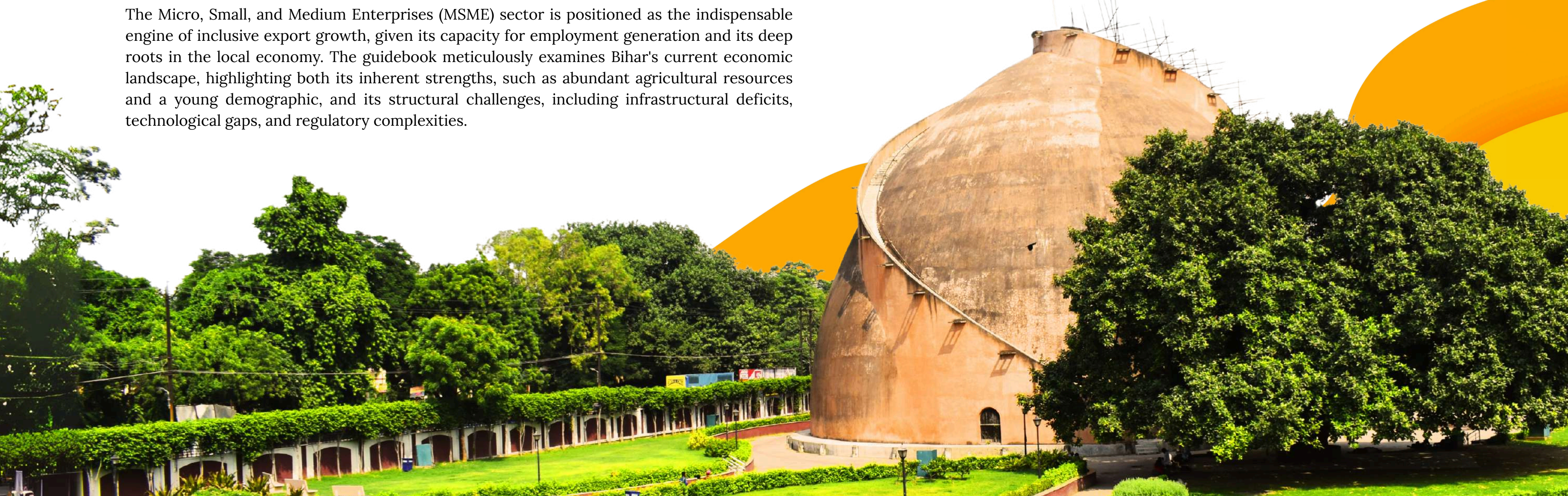
Executive Summary

This strategic guidebook outlines a transformative pathway for Bihar's economic future, moving beyond its traditional agrarian foundation to establish itself as a dynamic global export hub. While Bihar has demonstrated remarkable economic growth in recent years, its low per capita income and heavy reliance on primary agriculture underscore the urgent need for diversification into higher-value sectors. This report identifies key value-added industries, Food Processing, Textiles and Leather, IT & ITeS, and emerging sectors like Renewable Energy Equipment, Agricultural Machinery, and Pharmaceuticals, as pivotal for driving this transformation.

The Micro, Small, and Medium Enterprises (MSME) sector is positioned as the indispensable engine of inclusive export growth, given its capacity for employment generation and its deep roots in the local economy. The guidebook meticulously examines Bihar's current economic landscape, highlighting both its inherent strengths, such as abundant agricultural resources and a young demographic, and its structural challenges, including infrastructural deficits, technological gaps, and regulatory complexities.

To achieve global competitiveness, the report proposes a comprehensive roadmap centered on strategic infrastructure development, robust policy frameworks, targeted human capital development, and transparent governance. Recommendations are pragmatic, focusing on enhancing quality and traceability in food processing, integrating value chains and promoting sustainability in textiles and leather, fostering niche specializations and talent retention in IT & ITeS, and attracting investment in nascent manufacturing sectors. For MSMEs, the strategy emphasizes improved financial access, technology adoption, capacity building, and strong market linkages.

By systematically addressing these areas, Bihar can unlock its immense potential, generate high-value employment, and build a resilient, diversified economy. This strategic shift is not merely an economic imperative but a visionary step towards realizing a "Viksit Bihar" that significantly contributes to a "Viksit Bharat" on the global stage.



Chapter 01

Bihar's Economic Trajectory and the Imperative for Export Diversification

- **1.1 A Historical Perspective:** From Ancient Granary to Modern Aspirations
- **1.2 Bihar Today:** Economic Landscape, Strengths, and Structural Challenges
- **1.3 The Strategic Imperative:** Why Diversify Exports?

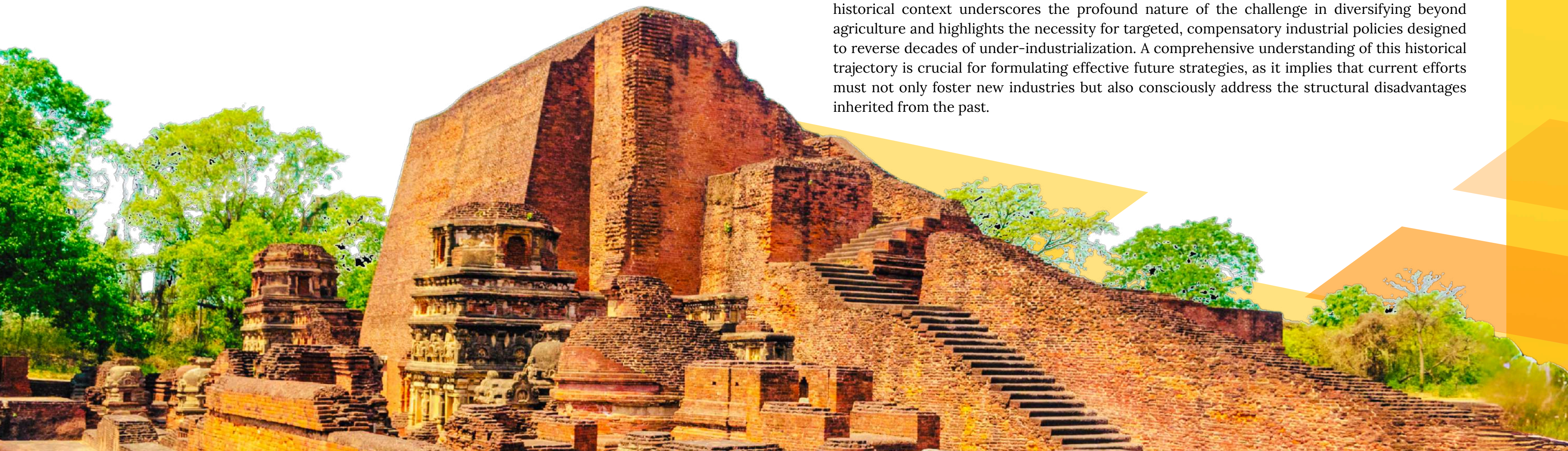
1.1 Historical Perspective

From Ancient Granary to Modern Aspirations

Bihar, historically known as Magadha, was a formidable center of ancient Indian empires, celebrated for its fertile lands and strategic geographical position. This region was once a thriving agricultural powerhouse, contributing significantly to India's food production. In the mid-fifties, for instance, undivided Bihar was responsible for 25% of India's sugar output and 50% of its horticulture products, demonstrating its profound agricultural capabilities. The rich resources of fertile land, abundant water, and a skilled labor force attracted foreign imperialists, notably the Dutch and British, in the 18th century, leading to the establishment of various agriculture-based industries. This historical foundation illustrates Bihar's inherent strength in primary production and its early engagement with agro-industrial activities.

However, Bihar's economic narrative took a **significant turn at the dawn of the 21st century with the bifurcation of the state and the creation of Jharkhand. This administrative division resulted in Bihar losing much of its mineral wealth and heavy industries**, which were concentrated in the southern region that became Jharkhand. This event profoundly strained Bihar's economy, **leaving it with a predominantly agrarian base and a considerably weakened industrial sector. Further exacerbating this de-industrialization was the long-standing Freight Equalization Policy of 1948.** This policy, by making raw materials equally expensive across India regardless of their origin, effectively negated the natural advantage of proximity to mineral resources that regions like undivided Bihar once held, thereby discouraging industrialization within the state.

The current economic structure of Bihar, characterized by a heavy reliance on agriculture and a low industrial contribution, is therefore way beyond a contemporary challenge, but a deeply rooted consequence of these historical policy decisions and geographical reconfigurations. The state's historical status as an "ancient granary" provides a strong foundation for agro-processing industries, but it does not inherently facilitate the development of heavy industry. This historical context underscores the profound nature of the challenge in diversifying beyond agriculture and highlights the necessity for targeted, compensatory industrial policies designed to reverse decades of under-industrialization. A comprehensive understanding of this historical trajectory is crucial for formulating effective future strategies, as it implies that current efforts must not only foster new industries but also consciously address the structural disadvantages inherited from the past.



1.2 Bihar Today

Economic Landscape, Strengths, and Structural Challenges

“Bihar has recently emerged as one of India's fastest-growing state economies”, demonstrating a significant economic resurgence. The state's Gross State Domestic Product (GSDP) at current prices saw a remarkable 3.5-fold increase, rising from ₹2.47 lakh crore in 2011-12 to ₹8.54 lakh crore in 2023-24.

Projections indicate that the GSDP will reach ₹1,097,264 crores (US\$130 billion) in 2025-26, with an impressive GDP growth rate of 22% anticipated for 2025-26.

In terms of sectoral contribution for 2023-24, services dominate the economy at 58.6%, followed by industry at 21.5% (with manufacturing contributing 37% of this industrial share), and agriculture at 19.9%.

“Despite this rapid economic expansion, Bihar continues to face significant structural challenges.” The state records the

§ lowest GDP per capita in India, estimated at \$1,004 (nominal) in 2025.

§ A substantial portion of its population, 15.73%, remained below the poverty line in 2024-25. While there are areas of higher per capita income, such as the capital city Patna, these are localized pockets of prosperity within a broader landscape of economic disparity.

Since November 2005, the state government, under the leadership of Nitish Kumar, has undertaken various economic and social reforms, which have indeed yielded positive improvements. For instance, in June 2009, the World Bank recognized Patna as the second-best city in India to start a business, trailing only Delhi. However, the persistence of corruption remains a significant obstacle that the government acknowledges and strives to overcome. The narrative of “fastest-growing” must therefore be contextualized by the reality of low per capita income and a challenging EoDB environment. This implies that the strategic framework for Bihar must prioritize the quality and inclusivity of growth, focusing on generating high-value employment and systematically addressing the structural impediments that hinder widespread prosperity, rather than merely pursuing aggregate GDP figures.

A critical impediment to broader industrialization and investment attraction is Bihar's standing in the Ease of Doing Business (EoDB) rankings. In 2020, Bihar was positioned 26th out of 36 states and union territories based on the Business Reform Action Plan (BRAP). This low ranking is attributed to a pervasive lack of overall industrial development, deficiencies in supporting infrastructure (including transportation and hospitality), and significant issues with the single-window clearing system. Reportedly, initiating a business in Bihar requires navigating 24 different forms from various government departments, a process deemed excessively time-consuming. This situation indicates that while growth is occurring, it is originating from a very low base and may not be sufficiently inclusive or broad-based to substantially elevate per capita income across the state. The bureaucratic hurdles and infrastructural gaps, despite some reported improvements, continue to act as major deterrents for industrial investment and the formalization of businesses.



1.3 The Strategic Imperative

Why Diversify Exports Beyond Primary Agriculture?

Bihar's economy, while showing impressive growth rates, remains fundamentally vulnerable due to its heavy reliance on primary agriculture. Agriculture is a vital source of wealth, engaging a significant 76% of the state's population. However, Bihar's agricultural sector is characterized by a paradoxical struggle, simultaneously contending with the challenges of floods and droughts. This inherent susceptibility to climatic shocks, coupled with exposure to volatile global commodity price fluctuations, renders the state's economy inherently unstable and limits its potential for sustained income growth.

A critical observation is the relatively low level of food processing within Bihar. Despite its abundant agricultural produce, a substantial portion of the state's yield is either consumed locally or exported in its raw, unprocessed form. This represents a significant missed opportunity for value addition. The current economic structure, therefore, is not only unstable but also restricts overall prosperity because it fails to capture the higher economic returns associated with processed goods.

Diversifying into value-added sectors such as food processing, textiles, IT & ITeS, and other manufacturing industries offers a compelling pathway to mitigate these vulnerabilities and foster robust economic development. These sectors hold substantial potential for generating large-scale employment, particularly for the state's youth, and for significantly increasing overall income levels. The transition from traditional, primary sectors to a more diversified portfolio of high-quality services and manufacturing is crucial for building economic resilience, enabling the state to adapt more effectively to global market fluctuations, promoting sustainable growth, and ultimately improving living standards for its populace.

The strategic imperative for Bihar is clear: simply producing agricultural goods is insufficient. The state must transition from exporting raw potential to exporting processed value. This fundamental shift is essential for building a resilient economy, creating higher-value jobs, and absorbing the large agricultural workforce into more productive and stable sectors. This transformation is not merely an option but a strategic necessity to elevate Bihar from a low-income agrarian state to a diversified, middle-income economy. The focus of this strategic guidebook is therefore on facilitating this profound economic transformation to ensure long-term stability and widespread prosperity for Bihar's vast population.



Chapter 02

Unlocking Value-Added Sectors: Global Trends and Bihar's Niche Opportunities

- **2.1 Food Processing:** Cultivating Global Markets from Bihar's Fertile Lands
- **2.2 Textiles and Leather:** Weaving and Crafting Bihar's Global Footprint
- **2.3 IT & ITeS:** Powering Bihar's Digital Export Frontier
- **2.4 Emerging Sectors:** Renewable Energy Equipment, Agricultural Machinery, and Pharmaceuticals
- **2.5 Tourism:** Transforming Cultural Heritage into Export Revenue

2.1 Food Processing

Cultivating Global Markets from Bihar's Fertile Lands

Bihar possesses exceptional strengths in its agricultural base, positioning it favorably for a significant expansion in the food processing sector. The state ranks as the third-largest producer of vegetables and the fourth-largest producer of fruits in India. It holds the distinction of being the largest producer of Litchi, Makhana (fox nuts), and Guava nationally, and demonstrates strong competitiveness in the production of maize, rice, banana, mango, onions, tomato, potato, and brinjal. Bihar's fertile soil, abundant water resources, and favorable climatic conditions support the cultivation of a diverse array of agricultural commodities, including unique Geographical Indication (GI)-tagged products such as Shahi Litchi, Mithila Makhana, Katarni Rice, and Jardalu Mango.

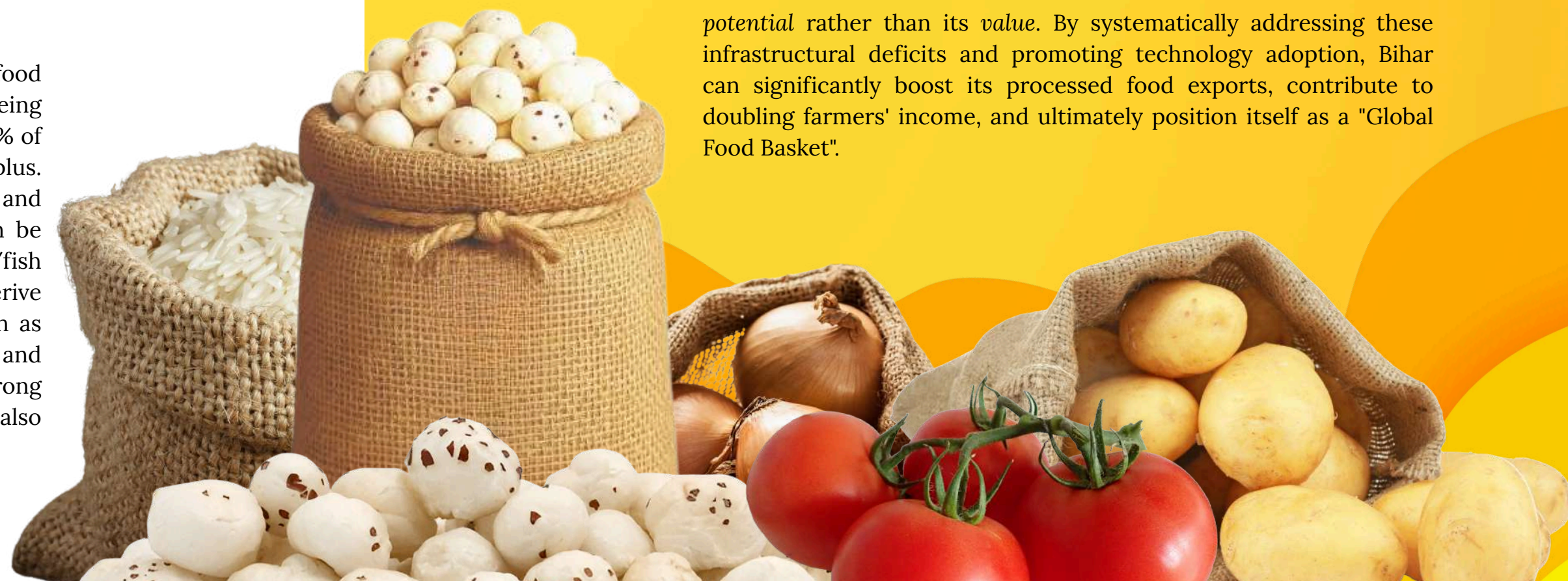
The global food processing market is experiencing robust growth, projected to reach between USD 299.7 billion by 2033 and USD 400.43 billion by 2030. This expansion is primarily driven by evolving consumer preferences, including a rising demand for convenience foods (packaged, ready-to-eat items), a heightened focus on health and wellness (organic, nutrient-dense, plant-based products), and the increasing interconnectedness facilitated by globalization. Crucially, initiatives like 'Tracenet 2.0', launched in 2025, are designed to enhance the traceability and credibility of organic and GI-tagged products, aligning perfectly with global market demands for quality assurance.

Despite these inherent advantages, Bihar's current level of food processing remains low, with much of its agricultural produce being consumed locally or exported in raw form. For instance, only 8-10% of maize is processed within the state, despite a huge marketable surplus. This represents a significant untapped potential for value addition and export. Opportunities abound in various sub-sectors: maize can be processed into corn starch, flakes, ethanol, and crucial poultry/fish feed; modern rice mills can produce specialty rice products and derive valuable by-products like starch and bran oil from varieties such as Katarani, Patna, and Sona Chood ; litchi can be processed into pulp and juice ; and makhana, a unique GI-tagged product, holds strong potential in the wellness food category. Significant opportunities also exist in dairy, meat, and fish processing.

Recognizing this potential, the Ministry of Food Processing Industries, in partnership with APEDA and the Government of Bihar, is actively organizing International Buyer Seller Meets (IBSM) in Patna. These events have attracted strong interest from global players like LuLu Group (UAE), SARTAJ (Japan), Datar & Sons (UAE), and Global Foods Trading (Germany), who are exploring large-scale procurement of rice, spices, makhana, and fruits from Bihar. The presence of a Government of India-approved Mega Food Park at Muzaffarpur further provides a dedicated infrastructure for investors. The record 10,270 loans sanctioned under the PMFME Scheme to micro food processing units in Bihar in FY 2024-25, the highest for any state, underscores the growing enablement of MSMEs in this sector.

However, significant challenges persist, including inadequate infrastructure (particularly cold storage and efficient transportation networks), limited access to finance, low technological adoption, fragmented supply chains, and regulatory bottlenecks. Issues with quality control and adherence to international food safety norms also need to be addressed. The alignment between global market trends (convenience, health, traceability) and Bihar's strengths in organic and GI-tagged products is clear. The primary challenge lies in transforming raw produce into processed, branded, and globally compliant products. The current low processing levels mean that Bihar is exporting its

potential rather than its *value*. By systematically addressing these infrastructural deficits and promoting technology adoption, Bihar can significantly boost its processed food exports, contribute to doubling farmers' income, and ultimately position itself as a "Global Food Basket".



Bihar's Key Agricultural Products: Value-Added Potential & Target Markets

Product Name	Bihar's Production Rank (India)	Value-Added Product Examples	Global Market Trends Alignment	Potential Target Markets
MAKHANA (FOX NUTS)	1 st	Roasted, flavored snacks, flour, health mixes	Wellness Food, Nutrient-dense, Convenience	UAE, Japan, Germany, US, Domestic metros
SHAHI LITCHI	1 st	Pulp, juice, ready-to-drink beverages, preserves	Convenience, Natural flavors, Traceability	Mumbai, Delhi, Hyderabad, Bengaluru, International
BASMATI RICE	Competitive	Specialty rice products, rice bran oil, rice flour	Premium staples, Health, Traceability	UAE, Japan, Germany, Domestic metros
MAIZE	2 nd	Corn starch, flakes, ethanol, poultry/fish feed	Biofuels, Animal feed, Processed cereals	Domestic, Neighboring states
DAIRY PRODUCTS	Significant livestock	Pasteurized milk, milk powder, ice cream, cheese	Convenience, Health, Protein	Domestic, Regional
FRUITS (GENERAL)	4 th	Dried fruits, jams, jellies, purees, concentrates	Convenience, Health, Natural ingredients	UAE, Japan, Germany, Domestic
VEGETABLES (GENERAL)	3 rd	Frozen vegetables, dehydrated products, purees	Convenience, Health, Ready-to-cook	Domestic, Regional

2.2 Textiles and Leather

Weaving and Crafting Bihar's Global Footprint

Bihar possesses a rich heritage and substantial raw material base in the textiles and leather sectors, offering significant potential for export diversification. The state is home to a traditional textiles industry, employing approximately 366,000 weavers. Bhagalpur is particularly renowned for its Tassar silk production, with 60 tonnes produced in 2014-15, while jute production is also significant, reaching 1420 thousand tonnes in 2014-15, supported by the establishment of a jute park. In the leather sector, Bihar benefits from a large raw material base, ranking third nationally in goat population (accounting for nearly 12% of India's total) and producing a substantial 2.64 million bovine hides and 5.09 million bovine skins annually. Existing pockets of skilled artisans in Patna, Gaya, and Muzaffarpur are actively involved in leather footwear production.

Global market trends indicate a strong impetus for growth in these industries. The global textile market is projected to reach USD 974.38 billion by 2030, driven by tightening sustainability regulations, the "China + 1" supply chain diversification strategy, and increasing demand for high-performance technical fabrics. Online apparel sales are also forecast to exceed USD 1.39 trillion by 2033. Similarly, the global leather goods market is projected to reach USD 452.4 billion by 2033, fueled by a rising consumer demand for premium, durable, and stylish products. India already holds a prominent position as the fourth-largest exporter of leather goods globally. Furthermore, Free Trade Agreements (FTAs) with key markets like the UK, US, and EU are opening new avenues for Indian textiles, leather, and processed food products, offering duty-free access that can significantly boost export volumes.

Bihar's policy framework, specifically the Textile & Leather Policy 2022, provides a supportive environment with attractive incentives, including capital subsidies (up to 30%), State-GST reimbursements, interest subventions, employment generation subsidies, and power tariff subsidies. The state has established a Leather Product Park in Muzaffarpur and a Leather Tannery Cluster in Kishanganj, which offer common facilities and ready-to-use plug-and-play sheds, streamlining the setup process for new units. "Bihar has set an ambitious target to increase its leather exports from \$20 million to \$50 million by 2027." Investment opportunities span the entire value chain, from fiber production, spinning, weaving, and knitting to the manufacturing of apparel, home textiles, technical textiles, and a diverse range of leather products.



However, the sector faces critical challenges that must be addressed for sustainable growth. Severe pollution from dyeing plants, as seen in Patwa Toli (Gaya), has significantly impacted local rivers and groundwater, leading to unit closures and mass unemployment. This environmental concern directly threatens the industry's export potential and reputation. Other hurdles include fluctuations in raw material prices, intense global competition from established players like China, Vietnam, and Italy, stringent environmental regulations (particularly concerning chromium pollution from tanneries), and persistent skill gaps within the workforce.

While global demand for sustainable and high-quality textiles and leather products is on the rise, Bihar's existing pollution problems present a major barrier to accessing these premium markets and pose a risk of reputational damage. The issue is not merely about increasing production but ensuring *sustainable* production. Addressing environmental compliance through the establishment of Common Effluent Treatment Plants (CETPs) and Zero Liquid Discharge (ZLD) facilities is not just a regulatory obligation but a strategic imperative for export growth and attracting responsible global buyers. Bihar's potential to emerge as a viable alternative to established leather hubs like Kanpur and Unnao hinges on its ability to offer environmentally compliant tanneries. Furthermore, a strategic focus on technical textiles, a high-growth global segment, offers a pathway to higher value addition and specialized export markets.



Prioritized Textile & Leather Products: Export Pathways & Value Chains

Product Category	Bihar's Strength	Value Chain Activities	Global Market Trends Alignment	Target Markets
SILK APPAREL (BHAGALPURI SILK)	Bhagalpuri Silk, Traditional Weavers	Spinning, Weaving, Dyeing, Garmenting	Premium, Ethical fashion, Heritage	UK, EU, US, Japan
TECHNICAL TEXTILES	Agricultural base, Infrastructure needs	Fiber production, Weaving, Coating, Finishing	Performance, Sustainability, Innovation	Global industrial sectors (Agrotech, Meditech)
LEATHER FOOTWEAR	Goat hides, Skilled artisans	Tanning, Cutting, Stitching, Finishing, Assembly	Durability, Style, Premiumization	Russia (initial), Global
LEATHER GOODS (BAGS, WALLETs)	Goat hides, Artisans	Tanning, Design, Cutting, Stitching, Finishing	Luxury, Craftsmanship, Accessories	Global, particularly Europe & US
JUTE PRODUCTS	Significant Jute production	Fiber processing, Weaving, Bag/fabric manufacturing	Sustainability, Eco-friendly, Packaging	Global, particularly as sustainable alternatives

2.3 IT & ITeS

Powering Bihar's Digital Export Frontier

Bihar possesses a significant demographic advantage that positions it for substantial growth in the IT and IT-enabled Services (ITeS) sector. With nearly 58% of its population under the age of 25 (as per the 2011 Census), the state has a vast pool of educated youth. Historically, many of these young individuals have migrated to other states in search of employment opportunities, leading to a "brain drain". The state government aims to reverse this trend by creating a talented pool of human resources and generating jobs through attracting investments in IT/ITeS and Electronic Hardware Manufacturing (EHM) units. Bihar has already established premier institutions like the Indian Institute of Technology (IIT) Patna Incubation Centre and a presence of the Software Technology Park of India (STPI). Furthermore, IT Parks are planned in strategic cities such as Patna (Bihta), Rajgir, Gaya, Bhagalpur, and Muzaffarpur, designed to offer plug-and-play infrastructure, uninterrupted power supply, and high-speed internet connectivity to attract both emerging tech startups and multinational corporations.

The global IT services market is experiencing exponential growth, projected to reach USD 2.59 trillion by 2030 or USD 2.98 trillion by 2034. This expansion is propelled by the widespread adoption of cloud computing, burgeoning demand for Artificial Intelligence (AI), automation, cybersecurity solutions, and data analytics. The Asia-Pacific region, in particular, is noted as the fastest-growing market for IT services.

Despite Bihar's demographic potential, its current contribution to IT exports is notably low. In 2021, Bihar's Computer Software and Services exports amounted to 268.500 INR million (approximately \$4.48 million), a stark contrast to states like Karnataka, which recorded INR 4,016,760.000 million in the same period. While Bihar ranked 13th in the number of startups in India, the primary challenge remains the "utter lack of senior-level/high-paying jobs" in IT, which continues to drive out-migration. The state's Labour Force Participation Rate (LFPR) of 43.4% in 2022-23, lower than the national average, also indicates a need to integrate more of its workforce into productive sectors.

The significant disparity between Bihar's human capital potential and its current low IT export figures points to a major untapped opportunity. The global demand for IT/ITeS is booming, and Bihar possesses the raw human potential. The challenge lies in bridging the gap between basic education and industry-specific, high-demand skills such as AI, Cloud Computing, and Cybersecurity. Creating an ecosystem that not only attracts but also retains high-value IT firms is paramount. The current low export performance means Bihar is not participating meaningfully in this global growth trajectory.

Emulating successful models, such as Kerala's "hub and spoke" development strategy and its focus on nurturing rural IT talent, could transform Bihar into a vibrant IT/ITeS hub. This approach would convert Bihar's status as a source of migrant labor into a global talent pool. Achieving this requires targeted skill development programs, robust digital infrastructure, and aggressive investment promotion. By focusing on niche specializations and creating attractive local opportunities, Bihar can retain its talent and significantly boost its digital export footprint.



IT & ITeS Sub-sectors: Bihar's Readiness & Global Demand Alignment

IT/ITeS Sub-sector	Bihar's Current Readiness	Global Market Demand	Strategic Focus Areas for Bihar
SOFTWARE DEVELOPMENT	Young workforce, IT Parks planned, Basic training	Trillion-dollar market, Digital transformation drivers	Custom software for local industries (Agri-tech), Mobile app development
BUSINESS PROCESS OUTSOURCING (BPO/KPO)	Large English-speaking youth population, Lower wage rates	Cost efficiency, Scalability, Remote work models	Rural BPOs, Multilingual support for regional markets, Data entry/processing
CYBERSECURITY	Growing global threat landscape, Policy focus	High demand for data security, Compliance solutions	Training in cybersecurity, Managed security services for MSMEs
ARTIFICIAL INTELLIGENCE (AI) & MACHINE LEARNING (ML)	Emerging interest, Skill development initiatives	Rapid growth, Data analytics, Automation	AI-driven solutions for agriculture (crop yield prediction), Healthcare analytics
DIGITAL CONTENT DEVELOPMENT	Young, creative demographic, Growing digital consumption	Gaming, Animation, E-learning, Web design	Animation studios, E-learning content creation, Web design services

2.4 Emerging Sectors

Renewable Energy Equipment, Agricultural Machinery, and Pharmaceuticals

Beyond the established priority sectors, several emerging industries present significant opportunities for Bihar to diversify its export basket and foster industrial growth. These sectors leverage existing state strengths and align with global trends towards sustainability and advanced manufacturing.

Renewable Energy Equipment Manufacturing: Bihar possesses a substantial renewable energy potential exceeding 12.559 GW, with solar energy alone accounting for 11.2 GW, complemented by biomass, bagasse, wind, and waste-to-energy sources. While the state historically faced an electricity deficit, it has made a remarkable transformation to achieve near power-surplus status, with urban areas receiving 23-24 hours of electricity and rural areas 22-23 hours by 2025. This improved power infrastructure is crucial for industrial operations. Major investments are also flowing into the sector, with NHPC planning to invest over ₹5,500 crore in solar, floating solar, and storage projects. On a national scale, India is projected to become the world's second-largest solar module manufacturer by 2025, indicating a robust domestic and international market for such equipment. This confluence of internal potential, improved infrastructure, and national momentum creates a strong case for Bihar to develop manufacturing capabilities for renewable energy equipment, contributing to both its energy security and export profile.

Agricultural Machinery Manufacturing: Given that agriculture remains the mainstay of Bihar's economy, there is a natural and growing demand for modern agricultural implements within the state. Government incentives have already led to increased adoption of power tillers, tractors, and sprayers. Globally, the agricultural equipment market is projected to reach USD 295.28 billion by 2033, driven by the increasing adoption of sustainable farming practices and smart equipment integrated with technologies like GPS, IoT, and AI. This global trend, coupled with Bihar's extensive agricultural land and the need to enhance productivity, creates a compelling opportunity for local manufacturing of advanced agricultural machinery. Exporting such equipment would signify a sophisticated industrial shift beyond basic processing, moving towards high-value manufacturing that directly supports agricultural modernization.



Pharmaceuticals Manufacturing: India holds a prominent position in the global pharmaceutical landscape, ranking third in production volume and fourteenth in value, with exports contributing \$26.5 billion in FY24. Projections indicate that India's pharmaceutical exports are expected to double to \$65 billion by 2030. The sector's growth is driven by a strong focus on generics, biosimilars, and innovative products, supported by significant R&D investments. While specific data for Bihar's pharmaceutical manufacturing is less explicit in the available information, the state can leverage India's broader pharmaceutical growth trajectory. Establishing units for pharmaceutical formulations, particularly generics, could tap into this expanding global market, creating skilled employment and diversifying Bihar's manufacturing base.

The development of these emerging sectors represents a strategic move into higher-value manufacturing that leverages Bihar's existing strengths, such as its agricultural base for agri-machinery and its land and labor for renewable energy, while also addressing its internal needs for energy and agricultural productivity. Exporting equipment and products from these areas would signify a substantial industrial shift, attracting significant capital and contributing to the "Make in India" initiative, positioning Bihar as a regional manufacturing hub for these specialized goods. The state's ethanol policy is a prime example of successful value addition from agriculture into the energy sector, demonstrating the feasibility of such cross-sectoral integration.

2.5 Tourism

Transforming Cultural Heritage into Export Revenue

Bihar possesses an extraordinarily rich cultural heritage and natural beauty, presenting immense, yet underutilized, potential for tourism development. The state is revered globally as the birthplace of Buddhism and Jainism, and it holds significant religious sites for Hinduism, Sikhism, and Islam. Key historical and spiritual landmarks include Nalanda, Vikramshila ruins, and Bodh Gaya. Beyond its spiritual magnetism, Bihar offers vast potential for eco and wildlife tourism, exemplified by the Valmiki National Park, various waterfalls, and the Gangetic Dolphin Sanctuary.

Global tourism trends indicate a robust and expanding market, with the sector's contribution to global GDP projected to reach \$16 trillion by 2034. Contemporary travel preferences lean towards sustainable tourism, active ecotourism, transformative travel, experience-based tourism, wellness travel, and Meetings, Incentives, Conferences, and Exhibitions (MICE) tourism. A crucial aspect of inclusive tourism growth involves supporting small and medium enterprises (SMEs) within the sector.

Bihar's Tourism Policy Guidelines 2024 aim to harness this potential through a collaborative approach, offering incentives and subsidies to attract private sector and local entrepreneurial involvement. Specific initiatives include promoting "Shilp Grams" (Craft villages) and handicraft markets to showcase local artistry. The state is also developing wellness tourism, leveraging natural hot springs in Rajgir and Munger, and exploring Ganga-based tourism through river cruises and dolphin watching. Cinematic tourism is also being encouraged with single-window clearances and incentives. A unique and innovative "Pond Tourism Development Scheme" has been launched to transform large ponds into tourism hubs, directly boosting rural tourism and generating local employment.

Despite these inherent advantages and proactive policy measures, Bihar's tourism potential for generating income and employment remains "underutilized". This underutilization represents a significant opportunity to convert the state's cultural and natural capital into substantial economic value. While tourism is classified as a service export rather than a merchandise export, it directly generates foreign exchange and creates a multitude of jobs, particularly for local communities and MSMEs involved in hospitality, handicrafts, and local guiding services. Leveraging global trends like eco-tourism and MICE, alongside innovative local schemes such as "Pond Tourism," can significantly boost this sector's revenue. Developing tourism can establish a robust service export sector, diversify revenue streams, and provide substantial indirect support to local MSMEs, thereby fostering inclusive growth. Furthermore, a thriving tourism sector enhances Bihar's global image and soft power, attracting further investment and attention.



Chapter 03

MSME Enablement: The Engine of Inclusive Export Growth

- **3.1 The Pivotal Role of MSMEs** in Bihar's Export Ambition
- **3.2 Navigating the Landscape:** Key Challenges for Bihar's MSMEs
- **3.3 Policy Support and Success Stories:** Building a Resilient MSME Ecosystem
- **3.4 Fostering an Export-Ready MSME Base:** Capacity Building and Market Linkages

3.1 The Pivotal Role of MSMEs

in Bihar's Export Ambition

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as the fundamental backbone of India's manufacturing and industrial ecosystem. Their significance extends beyond mere economic contribution; they play a crucial role in bridging the urban-rural divide, fostering entrepreneurship, strengthening local supply chains, and driving economic inclusivity across the nation. Nationally, MSMEs contribute approximately 30% to India's Gross Domestic Product (GDP), employ over 90 million people, and account for a substantial 40-49% of the country's total exports. This demonstrates their profound impact on national economic output and global trade integration.

In Bihar's context, the role of MSMEs is even more critical. The state was awarded the second prize in the 'National MSME Awards, 2022, a testament to its potential in this sector. As of 2021, Bihar was home to 34.8 lakh MSME units, collectively employing 112.4 lakh individuals. A defining characteristic of Bihar's industrial landscape is that more than 95% of its industries are small in nature, with approximately 97% of registered MSMEs falling into the micro-enterprise category. This structure highlights the pervasive presence of small-scale economic activity. Over the past 15 years, Bihar has attracted over ₹36,000 crore in investment, a significant portion of which has originated from the MSME sector.

Given Bihar's predominantly rural character and the high incidence of poverty within the state, MSMEs are not merely important but are absolutely pivotal for achieving its export diversification goals. Their inherent capacity for high labor absorption per unit of capital makes them an ideal vehicle for employment generation in a populous state like Bihar. The reliance on MSMEs for export growth represents a pragmatic approach to industrialization, as these enterprises can effectively leverage local resources and skills. This fosters decentralized industrialization, distributing economic benefits and employment opportunities across rural areas, which is essential for achieving inclusive growth. Therefore, the success of Bihar's ambitious export diversification strategy is inextricably linked to its ability to nurture, empower, and integrate its vast MSME ecosystem into global value chains, transforming local production into globally competitive goods.



3.2 Navigating the Landscape

Key Challenges for Bihar's MSMEs

Despite their pivotal role and inherent potential, Micro, Small, and Medium Enterprises (MSMEs) in Bihar face a complex web of interconnected challenges that impede their growth and ability to participate effectively in export markets. Addressing these systemic issues is crucial for unlocking their full potential.

Financial Constraints: A primary hurdle for Bihar's MSMEs is limited access to affordable credit. Many small enterprises struggle to secure loans due to stringent banking procedures and a lack of adequate collateral. The perception of MSMEs as high-risk ventures, coupled with associated high costs, restricts their access to formal lending channels. This inadequate financing stifles their capacity to expand operations, invest in new technologies, or upgrade existing infrastructure.

Infrastructural Deficits: Bihar's MSMEs contend with significant infrastructural bottlenecks. Poor road connectivity, inconsistent power supply, and a scarcity of well-developed industrial hubs severely limit their operational efficiency and ability to reach wider markets. Furthermore, inadequate cold storage and transportation facilities lead to substantial post-harvest losses, particularly for perishable agricultural produce, increasing costs and reducing competitiveness.

Technological Gaps: A pervasive issue is the low adoption of modern technology and a reliance on outdated machinery within many MSMEs. Limited investment in research and development (R&D) further hinders innovation and the ability to produce goods that meet international quality standards. This technological lag directly impacts their competitiveness in global markets.

Market Access Limitations: Many Bihar-based MSMEs are confined to local markets due to traditional marketing practices and limited adoption of e-commerce platforms. Difficulties in establishing strong branding and a lack of understanding of international market trends restrict their expansion potential. This makes them vulnerable to market fluctuations and limits their ability to scale.

Skill Shortages & Regulatory Hurdles: The available workforce often lacks the specialized technical skills required by modern industries. This skill gap affects productivity and the ability to adopt new technologies. Compounding these issues are regulatory complexities and bureaucratic red tape. Entrepreneurs frequently encounter lengthy processes for obtaining licenses and complying with multiple regulations, which can be time-consuming and discouraging. For instance, the requirement to fill 24 different forms from various departments to start a business significantly hampers the ease of doing business.

These challenges are not isolated but form a complex, interconnected web. Financial constraints, for example, directly limit the ability to invest in technology, which in turn affects product quality and market access. Poor infrastructure exacerbates logistics costs and reduces overall efficiency. Addressing these systemic "lacunas" requires a holistic and coordinated approach rather than piecemeal interventions. Improving the Ease of Doing Business (EoDB) is foundational, as regulatory complexities deter both investment and formalization. Without effectively addressing these fundamental challenges, Bihar's MSMEs will struggle to compete globally, thereby limiting the state's overall export diversification potential.



Critical Challenges for Bihar's MSMEs and Strategic Interventions

Challenge Area	Specific Manifestation in Bihar	Proposed Strategic Intervention
ACCESS TO FINANCE	Stringent loan procedures, lack of collateral, high-risk perception	Streamlined credit access, enhanced credit guarantee schemes, venture capital/seed funding, cross-border factoring services
INFRASTRUCTURAL DEFICITS	Poor road connectivity, inconsistent power, lack of cold storage/hubs	Integrated logistics parks, cold chain network expansion, reliable power supply
TECHNOLOGY ADOPTION	Outdated machinery, limited R&D investment, low digital literacy	Targeted subsidies for modernization, common facility centers, digital literacy programs
MARKET ACCESS	Traditional marketing, limited e-commerce, weak branding	E-commerce enablement, international buyer-seller meets, branding support, participation in trade fairs
SKILL GAPS	Workforce lacks technical skills, low formal training	Export-specific training modules, industry-academia partnerships, mentorship programs
REGULATORY ENVIRONMENT	Bureaucratic red tape, multiple forms, unclear land titles	True single-window clearance system, simplified land acquisition, regulatory predictability

3.3 Policy Support and Success Stories

Building a Resilient MSME Ecosystem

Bihar has demonstrated a clear commitment to fostering its Micro, Small, and Medium Enterprise (MSME) sector through a series of policy frameworks and government schemes. The Bihar Industrial Investment Promotion Policy (BIIPP) 2016 explicitly prioritizes MSMEs, recognizing their efficiency in land utilization and their high capacity for labor absorption. This policy also actively promotes cluster-based development within MSME sectors, aiming to create specialized industrial ecosystems. Complementing this, the Bihar Startup Policy 2022 is designed to cultivate an innovative entrepreneurial environment, offering funding, mentorship, and regulatory support, backed by an initial corpus of ₹500 crore. These policies collectively aim to create a conducive environment for business growth and diversification.

The impact of these policies is evident in various government schemes providing direct support to MSMEs:

- **PMFME Scheme:** In the fiscal year 2024–25, Bihar sanctioned a record 10,270 loans totaling ₹624.42 crore to micro food processing units, marking the highest disbursement for any state under this scheme. This indicates significant progress in enabling MSMEs in the food processing sector.
- **Mukhya Mantri Udyami Yojana (MUY):** This scheme provides crucial financial assistance, with beneficiaries receiving up to ₹10 lakh. In FY 2024-25, 6,584 applicants received aid to establish small and medium-scale industries in diverse areas such as ice cream production, bakeries, spices, and makhana packaging. The scheme aims to generate over 1 lakh employment opportunities.
- **Bihar Small Entrepreneur Scheme:** This initiative has provided direct financial aid, disbursing ₹200 crore to 40,102 beneficiaries.
- **Credit Guarantee Schemes:** The Union Budget 2025-26 introduced significant enhancements, increasing the credit guarantee cover for micro and small enterprises from ₹5 crore to ₹10 crore, and for startups from ₹10 crore to ₹20 crore, coupled with reduced fees. Export-oriented MSMEs are particularly poised to benefit from term loans up to ₹20 crore with enhanced guarantee cover.

- **Public Procurement Policy for MSEs:** This policy mandates that 25% of annual procurement by Central Ministries, Departments, and Central Public Sector Enterprises (CPSEs) must be sourced from MSEs, with specific reservations for Scheduled Caste/Scheduled Tribe (SC/ST) and women-owned MSEs.



These policy interventions have already yielded tangible success stories. Sonu Kumar, an entrepreneur who established a notebook manufacturing unit, and Khushboo Kumari, who built a thriving spice business, exemplify the impact of the Mukhya Mantri Udyami Yojana on grassroots entrepreneurship. In the leather sector, Competence Exports, a footwear manufacturer, has highlighted Bihar's lower wage rates and robust state support as key factors in its success.

While Bihar has established a robust framework of policies and schemes, and some success stories indicate a positive impact, the persistent low Ease of Doing Business (EoDB) ranking suggests that the

effectiveness of implementation and the ease of access to these benefits remain a challenge for many MSMEs. The record loans under the PMFME scheme are a positive indicator of improved access for food processing MSMEs. Furthermore, the reported 80% conversion rate of Memoranda of Understanding (MoUs) to actual production for larger investments at events like Bihar Business Connect suggests that the government's commitment to facilitating investment is translating into concrete results. However, the true test lies in ensuring this ease and support extends transparently and efficiently to the smallest enterprises. Sustained growth and widespread prosperity necessitate not just the

existence of policies but their effective and transparent delivery to the vast number of micro-enterprises across the state. Leveraging these schemes to create more success stories and making them widely accessible will be critical for scaling MSME exports and achieving inclusive growth.



3.4 Fostering an Export-Ready MSME Base

Capacity Building and Market Linkages

For Bihar's MSMEs to transition from local producers to competitive global exporters, a concerted effort is required to enhance their capacity and establish robust market linkages. While Bihar produces many goods with inherent export potential, the ability of its MSMEs to meet stringent global quality standards, undertake effective branding, and navigate the complexities of international markets presents a significant area for development.

Quality & Traceability: Ensuring product quality aligned with international market standards is paramount for export success. Initiatives like 'Tracenet 2.0', launched in 2025, are crucial for enhancing the credibility and export readiness of organic and GI-tagged products by providing end-to-end traceability. This system helps build trust among international buyers who increasingly demand transparency in supply chains.

Branding & Digital Adoption: Effective branding of Indian processed foods in international markets and improving packaging are vital for market penetration. Many MSMEs in Bihar still rely on traditional marketing practices and have limited e-commerce adoption, which restricts their reach to national and international customer bases. Actively supporting MSMEs in onboarding and effectively utilizing national and international e-commerce platforms can significantly expand their market access, as demonstrated by success stories of MSMEs selling products online.

Market Access & Promotion: To facilitate entry into global markets, India's ₹2,250 crore Export Promotion Mission (EPM) aims to strengthen exports, particularly by supporting MSMEs. This mission includes schemes like NIRYAT PROTSAHAN for trade finance and NIRYAT DISHA for market access, branding, warehousing, and addressing non-tariff measures. International Buyer Seller Meets (IBSM), such as those organized in Patna, play a critical role in generating new market linkages and procurement opportunities for local MSMEs and Farmer Producer Organizations (FPOs). Regular participation in global trade fairs is also essential for exposure and networking.

Capacity Building: Addressing the underlying challenges of financial illiteracy, skill gaps, and a lack of awareness regarding government initiatives is fundamental for MSME growth. There is a clear need for formal training programs to equip the workforce with skilled manpower in areas like food technology and processing. These programs must focus on practical skills directly relevant to export-oriented industries.

The ability of Bihar's MSMEs to meet global quality standards, undertake effective branding, and navigate international market complexities represents a significant area for development. Simply producing goods is not sufficient; they must be export-ready. This requires a multi-pronged approach that includes enhancing product quality, adopting digital tools for marketing and traceability, and actively participating in global market access initiatives. Investing in these "soft infrastructure" elements—quality control, branding, and digital skills—is as crucial as developing physical infrastructure for MSMEs to become truly competitive global exporters. This holistic approach will enable Bihar's MSMEs to overcome existing barriers and contribute significantly to the state's export diversification.



Chapter 04

Enablers for Global Competitiveness: Infrastructure, Policy, and Human Capital Development

- **4.1 Strategic Infrastructure Development:** Connecting Bihar to Global Value Chains
- **4.2 Policy Frameworks and Investment Climate:** Attracting and Sustaining Capital
- **4.3 Skill Development and Workforce Readiness:** Cultivating a Global Talent Pool
- **4.4 Governance and Regulatory Streamlining:** Building Trust and Efficiency

4.1 Strategic Infrastructure Development

Connecting Bihar to Global Value Chains

Robust and integrated infrastructure is the bedrock upon which global competitiveness is built. Bihar has made notable strides in developing its infrastructure, yet further strategic investments are crucial to seamlessly connect the state's production hubs to international markets.

Road & Rail Connectivity

Bihar currently boasts a road density of 3,166.9 km per 1,000 sq. km, ranking third nationally. Significant road projects are underway to enhance connectivity, including the extension of the Patna–Purnia Expressway and the development of the Muzaffarpur–Barauni Road, which are vital for streamlining trade and improving travel times. The East Dedicated Freight Corridor (EDFC) passing through Bihar also provides crucial rail freight connectivity. Additionally, the India–Nepal Border Road is nearing completion, which will further improve trade and movement in border regions. While progress is evident, continuous investment in last-mile connectivity and maintenance is essential to ensure efficient movement of goods from production centers to export gateways.

Airports & Waterways

Bihar is served by seven airports, with Patna, Gaya, and Darbhanga located within the state, and four others in neighboring states providing enhanced regional connectivity. Darbhanga Airport, in particular, has emerged as a key export hub for perishable goods like litchis, demonstrating its enhanced cargo handling capabilities through a record 250 tonnes exported to major Indian cities in 2025. This success highlights the potential of air cargo for high-value, time-sensitive exports. Furthermore, Bihar is poised to be connected by seven national waterways, with the Prayagraj–Haldia route already operational, offering a cost-effective mode for bulk cargo transport.

Logistics Hubs & Cold Chain

To support efficient trade, a Multimodal Logistics Park is planned in Fatuha (Patna). However, the state still faces a critical need for improved warehousing and extensive cold chain infrastructure, which are vital for preserving perishable goods and reducing post-harvest losses. While Muzaffarpur is noted for its existing cold storage centers and transport links, a more comprehensive and integrated cold chain network across all agricultural production zones is necessary.



Industrial Parks & Special Economic Zones (SEZs)

Bihar has made over 3,000 acres of industrial land available across 84 industrial areas, complemented by 2.4 million sq ft of ready-to-use plug-and-play industrial sheds. A Mega Industrial Park is planned in Muzaffarpur. The establishment of two Special Economic Zones (SEZs) in Nawanagar (Buxar) and Kumarbagh (West Champaran) is a positive step, but their full operationalization and effective utilization are critical for attracting export-oriented manufacturing.

Dry Port & Export Infrastructure

A significant development is the inauguration of Bihar's first Inland Container Depot (ICD) dry port in Bihta (Patna), which successfully shipped its first consignment of leather shoes to Russia. This facility, along with supporting infrastructure like an Irradiation Centre-cum-Export Pack House and an Integrated Export Pack House (IEPH), enables direct exports from Bihar, reducing reliance on distant ports. The full potential of this dry port, however, depends on its seamless integration with other logistics modes and efficient customs clearance processes.

Power Supply

A historical bottleneck, power supply, has seen remarkable improvement. Bihar has transformed from a power-deficient state to one that is nearly power-surplus, providing 23-24 hours of electricity in urban areas and 22-23 hours in villages by 2025. The peak demand has increased by 1.4 times, with power supply increasing by 1.5 times during 2017-18 to 2023-24. This reliable power supply removes a major impediment for industrial operations.

While significant progress has been made in improving power supply and road connectivity, critical gaps persist in integrated logistics, comprehensive cold chain infrastructure, and the full operationalization of SEZs. The Bihta dry port is a major asset, but its effectiveness is contingent on seamless integration with other logistics modes. Continued, targeted investment in multi-modal logistics, cold chain facilities, and fully functional industrial zones is essential to translate Bihar's production potential into a robust export reality. The state's strategic location can only be fully leveraged with world-class infrastructure that reduces costs and increases export efficiency.



Key Infrastructure Projects: Status, Impact, and Future Needs for Export Logistics

Infrastructure Type	Project/Initiative Name	Current Status/Impact	Future Needs/Recommendations
ROADS	Patna–Purnia Expressway, Muzaffarpur–Barauni Road	Underway, enhancing connectivity	Last-mile connectivity to production clusters, improved road quality
RAILWAYS	East Dedicated Freight Corridor (EDFC)	Passes through Bihar, providing freight connectivity	Enhanced feeder lines, dedicated freight terminals for export cargo
AIRPORTS	Darbhanga Airport Expansion	Key export hub for litchis (250 tonnes exported)	Enhanced cargo capacity, cold storage at airports, more direct international cargo flights
WATERWAYS	National Waterways (Prayagraj–Haldia)	Operational, connecting to ports	Development of inland container depots along waterways, multimodal terminals
DRY PORTS	Bihta Dry Port (ICD)	Operational, first leather consignment to Russia	Full integration with rail/road networks, efficient customs clearance, expanded capacity
COLD CHAINS	Muzaffarpur Cold Storage Centers	Existing, but insufficient statewide	Integrated cold chain network across all agro-climatic zones, private sector investment incentives
INDUSTRIAL PARKS	Motipur Mega Food Park, Leather Product Park, Industrial Areas	Approved/Established, plug-and-play sheds	Full operationalization of all planned parks, demand-driven cluster development
POWER	State Power Grid	Near power-surplus (23–24 hrs urban, 22–23 hrs rural)	Continued investment in renewable energy, grid stability for industrial zones
LOGISTICS HUBS	Multimodal Logistics Park, Fatuha	Planned/Underway	Rapid completion and operationalization, integration with national logistics portals
SPECIAL ECONOMIC ZONES	Nawanagar (Buxar), Kumarbagh (West Champaran)	Established	Attracting export-oriented units, providing full customs and infrastructure support

4.2 Policy Frameworks and Investment Climate

Attracting and Sustaining Capital

Bihar has actively sought to cultivate an attractive investment climate through a series of progressive policy frameworks, aiming to maximize investment and achieve a 15% annual industrial development growth rate.

The **Bihar Industrial Investment Promotion Policy (BIIPP) 2016** serves as a cornerstone, designed to create an industry-friendly environment. It strategically prioritizes key sectors such as food processing, tourism, small machine manufacturing, IT/ITeS, electrical and electronic hardware manufacturing, textiles, plastics, renewable energy, leather, and technical education. The policy offers a range of incentives, including VAT reimbursement, exemption from electricity duty, exemption from stamp duty and registration fees on land transfers, and specific incentives for land or sheds within industrial areas.

Building on this foundation, the **Bihar Export Promotion Policy 2024** was unveiled to specifically bolster economic growth through enhanced export contribution. This policy strategically focuses on sectors with high export potential, including food processing, textiles and garments, IT and ITeS, plastics, renewable energy, electrical and electronic hardware manufacturing, and healthcare. To incentivize export-oriented units, it offers export subsidies, performance-based rewards, and special provisions for marginalized groups, aiming for inclusive growth.

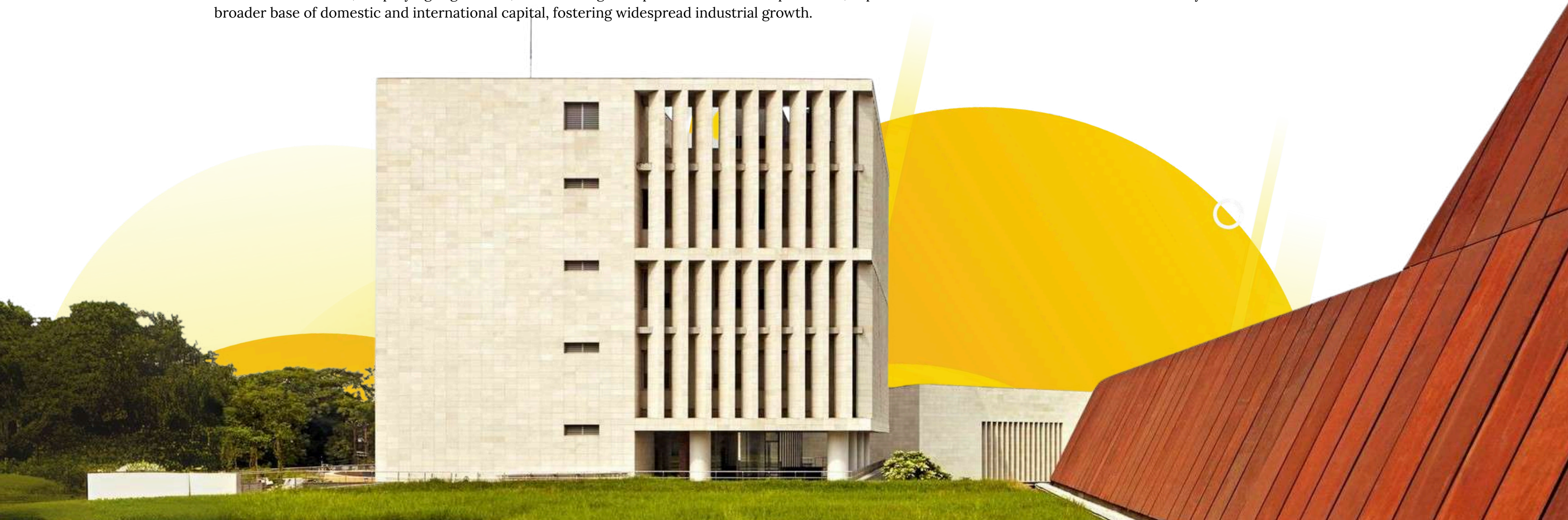
The **Bihar Startup Policy 2022** further strengthens the entrepreneurial ecosystem, with a vision to position Bihar as a preferred destination for startups. It provides crucial funding mechanisms, including seed funding of up to ₹10 lakhs and interest-free loans, alongside mentorship and regulatory support.



These policy initiatives have demonstrably attracted significant investment commitments. The Bihar Business Connect 2023 summit saw Memoranda of Understanding (MoUs) worth over ₹50,000 crore being signed. Building on this success, Bihar Business Connect 2024 attracted even larger investment proposals, totaling nearly ₹1.81 lakh crore across various sectors. Encouragingly, a reported 80% conversion rate of MoUs to actual production has been observed from the 2023 summit, indicating that these commitments are translating into tangible on-ground projects. Major industrial players like Adani Group (₹8,700 crore) and Ambuja Cements (₹1,200 crore) are among those who have committed significant investments.

In terms of **Ease of Doing Business (EoDB)** and governance, while Bihar's EoDB ranking was 26th in 2020 , the state government has implemented reforms such as the UDYOG SAMWAD portal for grievance redressal and an online inspection system. The high conversion rate of MoUs is a positive indicator that large investments are indeed moving to production. However, the persistent low EoDB ranking suggests that the

policy on paper does not always translate into ease on the ground for all investors, particularly for smaller enterprises. The "lacuna" lies in ensuring that the single-window system is truly effective and that bureaucratic complexities are consistently reduced for all business sizes. Continuous refinement of the EoDB framework, with a strong focus on reducing bureaucratic hurdles, simplifying regulations, and ensuring transparent and efficient processes, is paramount. This will build investor confidence beyond initial MoUs and attract a broader base of domestic and international capital, fostering widespread industrial growth.



4.3 Skill Development and Workforce Readiness

Cultivating a Global Talent Pool

Bihar possesses a significant demographic advantage, with a young population where nearly 58% were under the age of 25 in 2011. Historically, this demographic dividend has led to Bihar being a major source of migrant labor for other Indian states. However, there is also a substantial pool of skilled, domicile workers who are readily willing to return to their home state for employment if attractive opportunities arise.

Despite this large workforce, Bihar faces notable skill gaps and challenges related to unemployment. The state's Labour Force Participation Rate (LFPR) stood at 43.4% in 2022–23, which is lower than the national average, and a significant portion of the workforce relies on self-employment and casual labor. Youth unemployment (urban, age 15–29) was recorded at 10.8%. A key challenge is that the available workforce often lacks the specific technical skills demanded by modern industries. This indicates a mismatch between the skills possessed by the workforce and the requirements of high-value, export-oriented sectors, or an insufficient number of quality job opportunities within the state to absorb skilled labor.

To address these challenges, Bihar has initiated several skill development programs:

To address these challenges, Bihar has initiated several skill development programs:

- Bihar Skill Development Mission (BSDM): This overarching mission aims to equip youth with industry-specific skills, providing vocational training across IT, healthcare, hospitality, and manufacturing sectors.
- Kushal Yuva Program (KYP): A crucial component of BSDM, KYP focuses on foundational skills, including soft skills, digital literacy, and communication training, which are essential for employability in today's competitive market.
- Mega Skill Centers: These centers provide technical and vocational education in a range of areas such as automobile engineering, electrical work, tailoring, and computer applications. They are designed to offer industry-standard training and practical exposure.
- Sector-Specific Courses: Specialized training courses are available for Apparel, Leather, Petrochemical, IT-ITeS, Capital Goods, and Handicraft sectors, aiming to create a skilled workforce tailored to these priority industries.
- Women-Centric Initiatives: Programs like Tejaswini Yojana and Mahila Shakti Kendra specifically empower women through vocational training in areas such as tailoring, beauty services, food processing, and handicrafts.

While Bihar has a large, young workforce and a stated commitment to skill development, the continued significant out-migration and persistent skill gaps suggest that the "lacuna" is not merely the absence of skill programs, but their scale, quality, and alignment with the precise needs of export-oriented value-added sectors. The large number of passport applications from Bihar indicates a strong desire for external employment, which could be redirected internally with better opportunities. To effectively retain and attract its talent, Bihar must not only enhance the existing skill development programs but also ensure that these programs are directly linked to the demands of emerging value-added sectors. This includes fostering stronger industry-academia collaboration to make curricula more relevant and promoting entrepreneurship to create self-sustaining employment pathways, thereby transforming its "migrant labor" status into a "global talent pool."



4.4 Governance and Regulatory Streamlining

Building Trust and Efficiency

Effective governance and a streamlined regulatory environment are paramount for fostering investor confidence and promoting industrial growth, particularly for export-oriented businesses operating in a competitive global landscape. Bihar has undertaken significant reforms in this area, yet challenges persist.

Since November 2005, the state government has implemented various economic and social reforms that have yielded positive improvements. For instance, in June 2009, the World Bank recognized Patna as the second-best city in India to start a business, after Delhi. Measures such as the implementation of the UDYOG SAMWAD portal for grievance redressal and the development of an online inspection system have been introduced to improve transparency and efficiency. The government has also acknowledged corruption as an important hurdle that needs to be overcome.

Despite these efforts and positive developments, Bihar's Ease of Doing Business (EoDB) ranking of 26th out of 36 states in 2020 points to persistent regulatory complexities. A significant challenge highlighted by industry representatives is the requirement to fill 24 different forms from various departments to start a business, making the entire process excessively time-consuming. Furthermore, bureaucratic red tape and issues with unclear land titles can cause substantial delays in property transactions, directly impacting investment decisions.

The situation reveals a critical gap between policy intent and ground-level execution. While the government has implemented reforms and achieved some successes, the perception and reality of "ease of doing business" for new entrants and particularly for Micro, Small, and Medium Enterprises (MSMEs) still present a significant "lacuna". The complexity of obtaining clearances and the challenges in land acquisition directly influence investment decisions and operational efficiency. For export-oriented businesses, which operate with tight margins and global deadlines, regulatory predictability, transparency, and speed are non-negotiable.

To achieve its ambition of becoming a "global standard" export hub, Bihar requires a governance framework that is not just improving but exemplary. This necessitates continuous and aggressive reforms aimed at simplifying regulations, ensuring transparent land acquisition processes, and systematically eliminating corruption. A truly integrated, digital single-window clearance system that processes all necessary approvals within defined, short timelines is crucial to remove bureaucratic impediments and foster a truly investor-friendly environment. This will build long-term trust and confidence among investors, both domestic and international.



Chapter 05

Strategic Recommendations and Implementation Roadmap

- **5.1 Prioritized Sectoral Strategies**
 - **Food Processing:** Cultivating Global Markets
 - **Textiles and Leather:** Weaving and Crafting a Global Footprint
 - **IT & ITeS:** Powering Bihar's Digital Export Frontier
 - **Emerging Sectors:** Renewable Energy, Agri-Machinery, and Pharma
 - **Tourism:** Transforming Cultural Heritage into Export Revenue
- **5.2 Strengthening the MSME Export Pipeline**
- **5.3 Cross-Cutting Policy Interventions**
- **5.4 Monitoring and Evaluation Framework**

5.1 Prioritized Sectoral Strategies

Food Processing

Cultivating Global Markets

Bihar's agricultural abundance offers immense potential for value addition and export.

- **Product Diversification:** Focus should be on high-value processed products derived from Bihar's unique GI-tagged items, such as roasted and flavored Makhana snacks, litchi pulp, juice, and ready-to-drink beverages, specialty rice products (e.g., rice bran oil from Katarni rice), and mango pulp or dried slices from Jardalu mango.
- **Quality & Traceability:** Implement global quality certifications (e.g., HACCP, ISO 22000) across food processing units. Leverage and expand 'Tracenet 2.0' to ensure robust traceability for organic and GI-tagged products, building trust and meeting international market demands.
- **Infrastructure Enhancement:** Rapidly expand integrated cold chain logistics, including modern warehouses and specialized cold storage facilities, particularly in key agricultural zones, to minimize post-harvest losses and ensure product freshness for export. Develop and fully operationalize mega food parks, such as the one in Muzaffarpur.
- **Market Entry & Promotion:** Intensify participation in international buyer-seller meets and trade fairs. Focus on niche global markets driven by health-conscious consumers and demand for convenience foods. Explore and facilitate MSME participation on international e-commerce platforms for direct-to-consumer exports.



Textiles and Leather

Weaving and Crafting a Global Footprint

Leveraging traditional craftsmanship and raw material availability requires modernization and sustainability.

- **Value Chain Integration:** Promote the establishment of integrated units that cover multiple stages of the value chain, from spinning to garmenting in textiles, and from tanning to finished goods manufacturing in leather. This approach helps capture higher value within the state.
- **Technical Textiles Development:** Invest in research and development and manufacturing capabilities for technical textiles (e.g., Agrotech, Buildtech, Meditech), capitalizing on Bihar's agricultural base and growing infrastructure needs.
- **Sustainability & Compliance:** Mandate and incentivize the adoption of eco-friendly dyeing and tanning processes, including Common Effluent Treatment Plants (CETPs) and Zero Liquid Discharge (ZLD) systems. This is crucial for meeting stringent global environmental standards and enhancing brand image, particularly for markets in Europe and North America.
- **Branding & Design:** Develop a distinct "Bihar Silk" or "Bihar Leather" brand identity that combines traditional craftsmanship with contemporary designs to appeal to global consumers. Actively leverage Free Trade Agreements (FTAs) with key markets like the UK, US, and EU to secure duty-free access for these products.



IT & ITeS

Powering Bihar's Digital Export Frontier

Harnessing Bihar's young demographic requires targeted skill development and infrastructure.

- **Niche Specialization:** Encourage specialization in niche IT services that align with Bihar's strengths, such as Agri-tech solutions (e.g., precision agriculture software, supply chain management for food processing), digital content development (animation, e-learning), and specialized Business Process Outsourcing (BPO)/Knowledge Process Outsourcing (KPO) services.
- **Talent Development:** Establish advanced training centers and programs focused on high-demand global technologies like Artificial Intelligence (AI)/Machine Learning (ML), Cloud Computing, Cybersecurity, and Web Technologies. These programs must be industry-aligned to bridge existing skill gaps and create an export-ready workforce.
- **Infrastructure Development:** Accelerate the development of state-of-the-art IT Parks with reliable, uninterrupted power supply, high-speed internet connectivity, and robust incubation facilities to attract major IT players and foster a vibrant startup ecosystem.
- **Diaspora Engagement:** Actively engage the Bihari diaspora in the IT sector globally. Encourage their investment, mentorship, and the establishment of operations in Bihar, facilitating a "reverse brain drain" and bringing global expertise to the state.



Emerging Sectors

Renewable Energy Equipment, Agricultural Machinery, and Pharmaceuticals

These sectors represent a strategic shift towards diversified manufacturing.

- **Targeted Incentives:** Offer specific, attractive incentives for manufacturing units in these sectors, particularly those with a clear export orientation. This could include capital subsidies, tax breaks, and R&D grants.
- **Cluster Development:** Promote the formation of specialized industrial clusters for renewable energy equipment (e.g., solar panel components, biomass converters), advanced agricultural machinery, and pharmaceutical formulation units. These clusters can provide shared infrastructure and foster a collaborative environment.
- **R&D Linkages:** Foster strong collaboration between industry, universities, and research institutions to drive innovation, product development, and technological advancement in these sectors, ensuring Bihar's products are globally competitive.



Tourism

Transforming Cultural Heritage into Export Revenue

Tourism, as a service export, offers significant foreign exchange earnings and employment.

- **Product Diversification:** Develop and aggressively market diverse tourism circuits, including spiritual (Bodh Gaya, Nalanda), cultural (heritage sites, festivals), eco-tourism (Valmiki National Park, waterfalls), wellness (Rajgir hot springs), and MICE tourism, ensuring world-class amenities and services.
- **Rural & Community-Based Tourism:** Scale up innovative initiatives like the "Pond Tourism Development Scheme" and promote "Shilp Grams" to ensure inclusive growth, directly benefiting local communities and artisans through homestays, handicraft sales, and local services.
- **Digital Marketing & Promotion:** Launch aggressive digital marketing campaigns showcasing Bihar's unique attractions to global audiences, leveraging social media, virtual tours, and travel influencers.
- **Private Investment:** Actively attract private investment in tourism infrastructure (hotels, resorts, convention centers) through the Bihar Tourism Policy Guidelines 2024, offering attractive incentives and a streamlined approval process.



5.2 Strengthening the MSME Export Pipeline

Food Processing

The success of Bihar's export diversification hinges on empowering its vast MSME sector.

Bihar's agricultural abundance offers immense potential for value addition and export.

Financial Access

- **Streamlined Credit:** Ensure seamless and rapid access to enhanced credit guarantee schemes and term loans for exporting MSMEs, particularly leveraging the increased limits announced in the Union Budget 2025-26.
- **Venture Capital & Seed Funding:** Strengthen the Bihar Startup Policy's provisions for seed funding and interest-free loans, with a particular focus on MSMEs in tech and value-added agri-sectors.
- **Factoring Services:** Actively promote and facilitate the adoption of cross-border factoring services to improve cash flow and liquidity for MSME exporters, especially those dealing with international transactions.

Technology Transfer & Adoption

- **Subsidies for Modernization:** Provide targeted subsidies and financial incentives for MSMEs to adopt modern machinery, automation, and digital tools (e.g., IoT, AI) to enhance productivity, improve product quality, and reduce waste.
- **Common Facility Centers:** Establish more common facility centers (CFCs) equipped with specialized machinery, testing laboratories, and quality control infrastructure. This reduces the individual investment burden for MSMEs and ensures adherence to global standards.

Capacity Building & Skill Development

- **Export-Specific Training:** Develop and deliver specialized training modules for MSMEs covering international trade regulations, export documentation, global quality standards, advanced packaging techniques, and digital marketing strategies tailored for export markets.
- **Mentorship Programs:** Create formal mentorship programs that connect aspiring MSME exporters with experienced industry leaders and successful exporters, providing practical guidance and networking opportunities.

Market Linkages

- **E-commerce Enablement:** Provide active support and training for MSMEs to onboard and effectively utilize national and international e-commerce platforms, expanding their market reach beyond traditional channels.
- **Buyer-Seller Platforms:** Regularly organize international buyer-seller meets and facilitate MSME participation in prominent global trade fairs and exhibitions to directly connect them with international buyers.
- **Branding Support:** Offer assistance for product branding, securing intellectual property protection (e.g., GI tags), and developing marketing campaigns specifically tailored for international markets to enhance product visibility and appeal.



5.3 Cross-Cutting Policy Interventions

To create a truly enabling environment for export-led growth, several overarching policy interventions are essential.

Ease of Doing Business (EoDB) Enhancement:

- **True Single Window System:** Implement a truly integrated and digital single-window clearance system that processes all necessary approvals within defined, short timelines. This system must eliminate the need for multiple forms and departmental visits, providing a seamless experience for investors and entrepreneurs.
- **Regulatory Predictability:** Ensure consistent, stable, and transparent policy frameworks to build long-term investor confidence and reduce perceived risks.
- **Land Bank & Acquisition:** Accelerate the creation and transparent allocation of industrial land banks, including the provision of ready-to-use plug-and-play facilities, to streamline the process of setting up new units.

Logistics Efficiency

- **Multi-modal Integration:** Develop seamless integration between road, rail, air, and waterways, fully leveraging assets like the Bihta dry port and upcoming logistics parks. This will optimize freight movement and reduce transit times and costs.
- **Freight Subsidies:** Consider targeted freight subsidies for MSMEs, especially for perishable goods, to reduce their export costs during the initial phase until the state's logistics infrastructure fully matures and becomes cost-competitive.

Human Capital Development

- **Industry-Academia Linkages:** Strengthen partnerships between educational institutions (universities, vocational training centers) and industries to ensure skill development programs are demand-driven, providing practical exposure and internships.
- **Entrepreneurship Promotion:** Embed entrepreneurship education across all levels of schooling and vocational training to foster an entrepreneurial mindset from an early age.
- **Return Migration Incentives:** Create attractive incentives and support mechanisms for skilled Bihari diaspora to return to the state and contribute their expertise and capital to its industrial and export growth.

Investment Promotion

- **Targeted FDI:** Actively court foreign direct investment (FDI) in high-priority, value-added sectors through global roadshows, investor summits (like Bihar Business Connect), and dedicated investor facilitation cells.
- **Domestic Capital Mobilization:** Implement policies and create a conducive business environment that encourages and mobilizes domestic private sector investment, recognizing its critical role alongside foreign capital.



Monitoring and Evaluation Framework

A robust monitoring and evaluation framework is essential to track progress, identify bottlenecks, and ensure the effective implementation of the strategic recommendations.

Key Performance Indicators (KPIs):

Define clear, measurable KPIs for various aspects of the strategy. These should include:

- Overall export growth and sectoral export growth.
- MSME contribution to total exports and employment generation.
- Investment realization rates (conversion of MoUs to operational units).
- Improvements in Ease of Doing Business (EoDB) rankings and specific regulatory simplification metrics.
- Number of skilled individuals trained and placed in value-added sectors.

Periodic Review:

Establish a high-level task force comprising representatives from relevant government departments, industry associations, and academic experts. This task force should conduct quarterly reviews of progress, identify emerging challenges, and adapt strategies as needed.

Feedback Mechanisms:

Implement robust and transparent feedback mechanisms from exporters, MSMEs, and investors. This continuous feedback loop will be crucial for refining policies and addressing ground-level implementation challenges in real-time.

Benchmarking:

Continuously benchmark Bihar's performance against leading Indian states (e.g., Gujarat, Tamil Nadu, Karnataka) and successful developing countries that have achieved significant export diversification (e.g., Vietnam, Kerala, Odisha, Costa Rica, Senegal). This comparative analysis will provide valuable insights and best practices for continuous improvement.

Conclusion

Bihar's Ascent as a Global Export Hub – A Vision for Viksit Bihar

Bihar stands at a pivotal juncture in its economic history, poised for a transformative leap from a predominantly agrarian economy to a dynamic global export hub. The analysis presented in this strategic guidebook underscores that by deliberately diversifying its exports beyond primary agricultural commodities and by empowering its vast Micro, Small, and Medium Enterprise (MSME) ecosystem, Bihar can unlock unprecedented economic growth and foster widespread prosperity.

The state possesses inherent strengths: a rich agricultural base capable of yielding high-value processed foods, a traditional craftsmanship legacy in textiles and leather, and a young, aspirational demographic ready to be trained for the digital economy. While impressive strides have been made in economic growth and infrastructure development, particularly in power supply and road networks, persistent challenges related to per capita income, ease of doing business, and skill-job mismatches highlight areas where focused intervention is critical.

The pragmatic implementation of the outlined recommendations is key to this transformation. This involves:

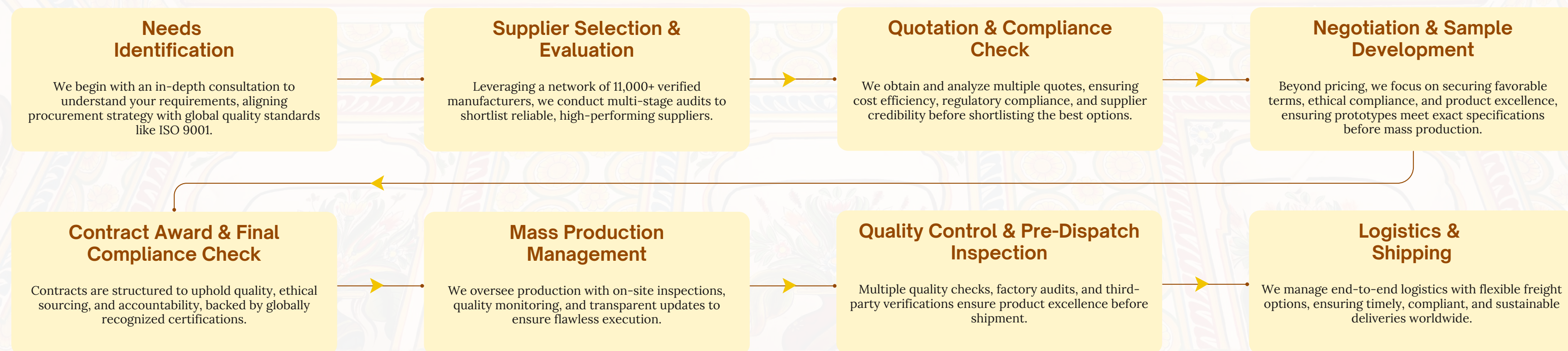
- **Strategic Sectoral Development:** Cultivating global markets for value-added food products, integrating value chains and ensuring sustainability in textiles and leather, fostering niche specializations in IT & ITeS, and nurturing emerging manufacturing sectors like renewable energy equipment and agricultural machinery.
- **Empowering MSMEs:** Providing seamless financial access, promoting technology adoption, building export-specific capacities, and creating robust market linkages to enable local enterprises to compete globally.
- **Strengthening Enablers:** Continuously refining the Ease of Doing Business framework through a truly single-window system, optimizing multi-modal logistics, investing in demand-driven human capital development, and ensuring transparent and efficient governance.

This strategic shift is not merely an economic adjustment; it is a visionary commitment to fundamentally alter Bihar's economic landscape. By transforming its raw potential into processed value, its demographic dividend into a skilled global workforce, and its historical challenges into opportunities for innovation, Bihar can build a resilient, dynamic, and inclusive economy. The collective efforts of the government, industry, academia, and citizens, guided by this strategic roadmap, will position Bihar as a significant contributor to India's global trade ambitions, realizing the profound vision of a "Viksit Bihar" that stands tall on the global stage, contributing meaningfully to a "Viksit Bharat."



Our Procurement Process

After extensive research, our team has crafted a tested, structured procurement process that ensures top-quality products, competitive pricing, and seamless imports—backed by global standards. Our eight-step procurement framework ensures quality, compliance, and risk-free sourcing for maximum value.



At **Inductus Global**, we go beyond procurement—we build supply chain excellence with trust, transparency, and a commitment to global standards

For a detailed technical Explanation, [Click Here](#)

Our Services

1 PRODUCT SOURCING

Finding, vetting, and selecting retail vendors for the provision of goods and services.

2 PRODUCT DESIGN & DEVELOPMENT

Our design & Development process elevates your brand and boosts sales with functional, visually appealing products.

3 BUSINESS NEGOTIATION

Negotiation services to create favourable terms and help businesses acquire maximum value and quality.

4 MASS PRODUCTION MANAGEMENT

Focus on quality, time, and resources to ensure constant production line flow, competitiveness, and profitability.

5 PACKAGING MANAGEMENT

Offering tailored solutions to boost efficiency while reducing cost and creating a strong brand presence.

6 LOGISTICS & SHIPPING ARRANGEMENT

Providing end-to-end shipping solutions and regulating all aspects of packing, labelling, shipping, and documentation.

7 QUALITY CONTROL & INSPECTION

Quality control procedures to build investor confidence, reduce risks, and ensure legal compliance.

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