

# CHAPTER 21

## PROBLEMS AND PROSPECTS

21.01 Orissa has enormous growth potential in terms of natural resources as well as human resources. With about 4.7% of India's land mass and 3.58% of the population, the State is 8<sup>th</sup> largest and 11<sup>th</sup> most populous in the country. It has 11% of the total water resources of the country with 21.01 lakh hectare meter of replenishable ground water to meet any magnitude of water requirement. There is a coastline of 480 kms with 24,000 sq. kms. of continental shelf area along the Bay of Bengal. It is also endowed with 6.70 lakh hectare of inland fresh water area and 4.18 lakh hectare of brackish water area which provide enormous potential for fish production. In the mineral side, Orissa is one of the richest States having Chromite, Nickel, Bauxite ore and Coal deposits to the extent of 97.9%, 92.5%, 50.98%, 33.17% and 24.61% respectively of the total deposits of the country. But in contrast, to this richness in natural resources, Orissa continues to be an underdeveloped State. The per capita income of the State in 1993-94 prices during 2002-03 was Rs.5747 which was 52.2% of the national average of Rs.11013. The average monthly per capita consumer expenditure, as per 61<sup>st</sup> round of NSS (July, 2004 to June, 2005) was Rs398.89 in the rural areas and Rs.757.31 in the urban areas of the State as compared to Rs.558.78 & Rs.1052.36 respectively at the national level.

Consistent with this unfavourable macro parameters the over all poverty in the State has remained quite high with 39.90% of the population below the poverty line as compared to 21.80% at the national level, as per the last available estimates for 2004-05. Thus, Orissa economy reflects a paradoxical situation of poverty amidst plenty.

21.02 The main factors contributing to the under-developed status of Orissa economy are the undiversified economy, low level of investment, slow economic growth and frequent occurrence of natural calamities. Orissa economy heavily depends on the primary sector which accounts around 35% of the GSDP as compared to 26% at the national level. Since the main constituent of the primary sector is Agriculture and Allied Activities which is susceptible to shocks caused by drought conditions and other natural calamities, the over all macro economy has become prone to instability. Apart from this, because of inadequate investment in private sector and thereby slow industrialisation process, dependence of the state economy on primary sector is not reducing.

21.03 During Tenth Plan however, some positive changes have taken place in the State economy. The dominant development strategy of the State during the Tenth Plan was the sustained efforts to encourage

private sector investment for rapid industrialisation. The Revised Industrial Policy, 2001 was put in place to reduce bureaucratic and procedural bottlenecks and to create an investment friendly industrial environment in the State to attract entrepreneurs. Simultaneously, State pursued a pragmatic fiscal and administrative reform process and continued with the high Government investment in social sectors. This policy shift has already created a positive impact on the economy as well as on human development scenario. The State has signed MoUs with around 67 industrial houses with an expected investment of about Rs.310256.00 crore. The growth rate in GSDP during the Tenth Plan has been 7.17% as against the targeted growth rate of 6.2%. The life expectancy at birth in case of male has improved from 60.30 years in 2001-05 to 62.3 years in 2006-10 while the corresponding improvement in case of female is from 62.3 years to 64.8 years. The Infant Mortality Rate has come down from a level of 96 per thousand live births in 1997 to 73 per thousand live births in 2006. An outline of the present scenario, achievements already made and the challenges ahead in different sectors is given below.

### **Macro Economy**

21.04 As per Advance Estimate, the Gross State Domestic Product (GSDP) of Orissa has increased from Rs.42527.07 crore in 1999-2000 to Rs.63774.71 crore (AE) in 2006-07 at 1999-2000 prices registering a

compound annual growth rate of 5.96%. The per capita income of Orissa has increased from Rs.13748 in 2005-06 to Rs.14371 in 2006-07 (Advanced Estimate) at constant (1999-2000) prices. There has been marginal increase in annual growth rate in GSDP of Orissa from 5.90% in 2005-06 to 6.02% in 2006-07. But the gap between per capita income of Orissa and at the National level widened from Rs. 5354 in 1999-2000 to Rs.6268 in 2003-04 to Rs.8008 in 2006-07 at constant price. Down swing in the sectoral contribution of primary (by 0.91%) and increase in secondary sectors (by 1.33%) over previous year have led to the marginal rise in the growth rate in the State. However the overall macro-economic performance during 10<sup>th</sup> Plan has been quite good. As against 5.30% average annual growth rate during 9<sup>th</sup> Plan, a growth rate of 7.17% has been realised during the 10<sup>th</sup> Plan. The main constituent of this robust growth is 18.15% growth rate exhibited by the manufacturing sector. MFG reflectivity sectors. This shows that the State is in the process of improving to a higher sustainable growth rate mainly with the support of rapid industrialisation process.

### **Industrial Upswing**

21.05 The process of industrialization in Orissa has been slow rendering the economy to depend heavily on primary sector in general and Agriculture and allied activities in particular. In order to change this impasse and transform the industrial sector to become the main engine of growth, State

put in place a liberalized industrial policy resolution, 2001. While promoting private sector participation in industries, this policy resolution also aims at ensuring quality, productivity and skill development in industrial sector. Besides steps have been taken for the development of supporting infrastructure facilities like power, railways, telecommunications, ports, airport, road net work etc. This apart, the State Government organizations like IPICOL, IDCOL, IDCO, OSFC and OSIC have been making concerted efforts to promote private investment in manufacturing, mining and infrastructure projects in the State under liberalized policy regime. The efforts of the State Government have already started rendering results. State Government has already signed as many as 67 MoUs, with different industrial houses with expected investment of Rs.310256 crore. Out of which, 25 of these units have started production / part production. The share of Manufacturing and Minerals sector together was 13.7% of the NSDP (in 1999-2000 price) at the beginning of 10<sup>th</sup> Plan. This has increased to 18.59% of NSDP by the end of the 10<sup>th</sup> Plan i.e. 2006-07. The average annual Growth rate of GSDP of mining and manufacturing (regd.) sector have also gone up from 6.31% and 5.63% in 9<sup>th</sup> Plan to 16.03% and 22.33% during the 10<sup>th</sup> Plan i.e. 2002-07.

***Agricultural Growth***

21.06 With 65% work force, directly and indirectly engaged in agriculture sector,

Orissa remains an agrarian economy. But the agricultural practices remain very traditional and dependent on rainfall. The overall productivity of the sector is, therefore, low as compared to the agriculturally developed states like Punjab and Haryana. The State is continuously trying to bring about technological and structural improvement in the thrust areas of agriculture sector to counter the climatic uncertainties, uneven distribution of precipitations during monsoon; traditional practices of operation etc. There is need to promote cash crops; develop small and medium irrigation facilities and harness available ground water resources, educate farmers on adoption of advanced technology and implement, land reform measures in the state to ensure increased agricultural production and productivity. Accordingly, the State Agricultural Policy, 1996 envisages more income generation in agricultural sector; extensive application of advanced farming technology; creating better environment for entrepreneurs in the agro-based and food processing industries; self sufficiency in producing fruits, vegetables, flowers, poultry and dairy products and extension of irrigation potential up to 50% of total cultivated area of the State. The Policy resolves to ensure efficient production and management of quality seeds, fertilizers, bio-fertilizers, making available of soil health cards to farmers, soil reclamation, crop insurance, promotion of fisheries and animal resources etc. The new Policy visualizes revamping the existing

administrative structure and establishment of Agricultural Aid Centers at the block level. Agriculture has been given the status of industry under the Agricultural Policy, 1996.

***Fisheries & Livestock Development***

21.07 Animal resources and fisheries sector has greater employment opportunities and income generating potential in Orissa. Rivers along-with 480 kms. long coastline of Orissa have considerable potential for inland and marine fish production that can boost exports to generate income for the State. Incorporating fishery development as a major policy measure, the State Agricultural Policy, 1996 emphasizes on adoption of scientific methods of pisciculture, provision of assistance to fishermen, intensive fishing operation in deep sea, training of fishermen on pisciculture and capture. Next to crop production, animal husbandry is the most important income generating activity in rural household. During 2006-07, 1430.69 TMT of milk were produced in the state with per capita availability of 103 gms./day, which lags behind the all India figures. This is due to genetic erosion and fodder scarcity. As per livestock census 2003, out of total cattle and buffalo population, only 7.6% were crossbreed/improved varieties and 1.69% belonged to crossbreed milch category. In order to boost up milk production to a significant level, large scale artificial insemination is being emphasized in the ongoing Plan Programmes. During 2006-07, about 1425 million eggs were produced in

the state with per capita availability of 38 eggs per annum.

***Power***

21.08 Power sector reform in Orissa has succeeded in making it a power surplus State with availability of Power of 2120 MW during 2006-07 as against an estimated requirement of 1760 MW. The problem areas in power sector are it's over dependency on Hydropower projects which is prone to Climatic uncertainties, transmission loss and resource crunch. The dependence on Hydro power is however reducing gradually with generation of more and more of thermal power. The State is promoting power generation by encouraging private investment in the sector envisaged under Orissa Electricity Reform Act, 1995. The State Government is also keen to promote renewable and eco-friendly non-conventional sources of energy. With around 81% of villages electrified at present, the State Government is committed to achieve 100% village electrification by 2012. In the consumption side, one disturbing fact is that Agriculture sector accounts for a meager 1.68% of total power consumption even though it contributes a major share to the NSDP of the State. It is a matter of concern which needs to be addressed with priority.

***Road Transport***

21.09 Road transport plays the anchor role in economic development of the State because of limited network of other modes of transport like railways, airways, water ways.

The sector generates substantial revenue for State exchequer. But the rapid increase in traffic has led to menace of road accidents and auto pollution for which an improved transport system management is called for in Orissa. Stringent road safety measures, including control of overloading, control of auto pollution measures and modernization process of transport sector have been contemplated and initiated by the State Government. Introduction of a State Transport Policy is under active consideration of the State Govt., which would aim at ensuring efficiency, expansion and transparency in transport administration and management.

***Irrigation & Water Management***

21.10 Water is the most important input for agriculture. But agriculture is still carried out mostly in rainfed condition in the state as adequate irrigation facilities have not been made available in all areas. As on March, 2007, about 29% of net area sown of Orissa has been brought under assured irrigation which is much lower than Punjab and Haryana. The utilization of available irrigation potential is also very low in the State. Also severe water loggings as well as water losses in many areas and recurring soil-losses due to soil erosion adversely affect fertility of land. In order to insulate agriculture against the climatic uncertainty through provision of assured irrigation, there is need to develop cost- effective micro watersheds.

***Banking***

21.11 Credit-deposit ratio in Orissa has decreased from 81.62% during 2005-06 to 79.51% in 2006-07. The average population served per bank branch stood at 14.37 thousand during 2006-07, as against 17.0 thousand in 2005-06. There is need to expand and modernize banking facilities to raise domestic savings. Timely repayment of loans acts like a catalyst for the progress of banking sector. Unfortunately performance of the State in this regard is not satisfactory. As a result of this, the non performing asset (NPA) of different Orissa based banks have increased, affecting the resource position as well as profitability of banks. In a poverty stricken state like Orissa, where public sector investment is inadequate to meet the requirement, the recovery position needs to be improved for expanding credit facilities towards developmental investment. To realise this, coordinated approach by Government, Banks and PRIs, is called for.

***Outlook in Forestry Sector***

21.12 Rapid deforestation is a major concern for Orissa. With a series of mining and large scale industrial projects in the pipeline, the rate of deforestation is expected to increase at a faster rate in future. While the recorded forest area of the state is 37.34%, the effective forest area has reduced below the minimum prescribed limit of 33% of total geographical area. The forest area diverted to non-forest use accounted for 33,136 hectares by the end of 2006-07 including 886 ha during 2006-07. This has

resulted in serious environmental degradation which has put a question mark on ongoing sustainable development process in the State. Perspective environmental planning, massive afforestation, joint forest management (JFM), pollution control measures and provision of mandatory green budget for the ongoing large scale industrial projects etc. are the specific measures that are being taken to revive the forest cover in the State. The tenth plan aimed at promoting sustainable forest management in the state with a larger goal of supporting the rural livelihoods.

### ***Poverty & Standard of Living***

21.13 Poverty has been the most intractable problem of the State and primary concern of the State Government. Orissa exhibits large scale poverty both in terms of intensity and extent of spread. This has adversely affected the overall human development in the State. The angel's ratio, which indicates standard of living in an increase way, is very high in Orissa. Taking note of this, the State Government has been pursuing a multi pronged strategy for poverty alleviation. Apart from the normal target group oriented poverty alleviation programmes State Government has been focusing on poverty reduction among depressed social groups like Scheduled Castes and Scheduled Tribes and backward areas like KBK region. A Poverty Task Force (PTF) has been constituted, which is actively examining the nature of poverty in the State and advising the Government in specific

measures that need to be taken. The State Govt. has also been giving thrust on generation of adequate gainful wage employment opportunities for unorganized labor force; development of social sector infrastructure base and provision of universal access to the Basic Minimum Services like health care, education, sanitation etc. that would ensure an acceptable human development index and quality of life for the people of Orissa. Besides, the state has made significant progress in organizing Self Help Groups to promote entrepreneurship and employment, which is helpful in reducing extent of poverty in rural areas. These measures have generated a positive impact. The Human Development Index (HDI) value, indicative of overall development in Human development has improved from 0.345 in 1981 to 0.404 in 2001.

### ***Unemployment and under employment***

21.14 Large scale unemployment and under-employment is the main cause of poverty. The unemployment situation arises when the growth in labour force outstrips the new employment opportunities coming up in the economy, which has been the case in Orissa. As the state has been successful in controlling population growth the decadal growth has come down to 16% as compared to all India average of 21.05% (DGR). It is expected that annual addition to the labor force will come down because of this thereby reducing the size of unemployment to some extent. Another outcome of this which has become a matter of serious concern is the

growing joblessness among the educated youth. This calls for higher level of investments to create more gainful employment opportunities. But the issue needs to be approached at regional and sectoral level rather than at macro level. The solution to this problem lies in labor intensive rural development and wage-employment programmes. Capital intensive Industrialization process will certainly have a positive impact in reducing unemployment among skilled manpower. But, it is equally important that the State needs to emphasize on extending agro based industries which have more spread effect. State Government have launched an Employment Mission to address the unemployment problems in the State.

### ***Education***

21.15 The literacy rate of Orissa (63.1%) is close to all India rates (64.8%). Low women literacy rate and high drop out of children at primary education level are major factors responsible for low level of human development index. The State Government is therefore keen to universalize primary education as a part of Millennium Development Goals. The State has launched various schemes for achieving reduction in dropout rates with focus on Scheduled Caste, Scheduled Tribe and girl students.

### ***Health Care***

21.16 The Infant Mortality Rate (IMR) is a crucial determinant of human development.

Because of effective Government intervention, the IMR has improved in the State from 87 per 1000 in 2002 to 73 in 2006 but it is still much higher than national average of 57. Decadal growth rate target fixed for the decade 2001-2011 at the national level has already been realized in the State during 1991-2001. The projected expectancy of life (at birth) during 2006-10 in Orissa is very low for males (62.3 years) & females (64.8 years) as compared to all India figures of 65.8 years and 68.1 years respectively. Attempt is being made to increase significantly the per capita expenditure on health sector including family welfare, water supply and sanitation. The Tenth Plan emphasized, on improved access to health care facilities in rural and tribal areas. The State Government have launched an Infant Mortality Reduction Mission with the objective of reducing IMR substantially. It has been targeted to reduce IMR to 37 and Maternal Mortality Rate (MMR) to 1.9 per 1000 live birth and to reduce fertility rate to 2.1.

### ***Welfare of ST & SC Communities***

21.17 Development of Scheduled Castes, Scheduled Tribes, other backward classes and minorities is essential for achieving all-round and sustainable development in the State. With high proportion of population belonging to these communities, having normally low socio-economic base, the State Government have accepted the development of ST and SC communities as its core strategy and has adopted Tribal Sub Plan

(TSP) and Special Component Plan (SCP) approach from the 5<sup>th</sup> Five Year Plan and 6<sup>th</sup> Five Year Plan respectively. Tribal Sub Plan (TSP) envisages integrated development of the tribal areas, wherein all programmes, irrespective of their sources of funding, operate in unison to achieve the common goal of bringing the tribal area under main stream of development process. Likewise, SCP for SCs aims at ensuring adequate flow of funds for the schemes benefiting the scheduled caste category.

***Fiscal Reforms***

21.18 Savings and investment are core input for growth of out put and employment. High rate of domestic savings and adequate mobilization of resources are essential

requisites for macro-economic stability of the State. This necessitates significant and sustained reductions in the revenue and fiscal deficit of Government. There is need to increase public savings and reduce the deficit by augmenting tax and non-tax revenue. Steps are also necessary to curb low priority expenditure and to enhance the financial efficiency of public enterprises. The State has been addressing this resolutely through ongoing fiscal reform process. The strategy of large scale private sector participation in many economic sectors during 10<sup>th</sup> Plan period has accelerated the process of economic development and reduce the level of poverty in the State to a great extent.

