

## CHAPTER – 21

### PROBLEMS AND PROSPECTS

21.01 Orissa has enormous growth potential with its abundant stock of natural and human resources. But ironically the state exhibits an image of overt poverty with cramped development for so many decades. The preceding chapters show the success-failure mix of plan investments and performances in the state. These neutralizing factors continue to slow down the State's economic prospects over the years. It compels to address the problem areas with reorientation of plan strategies, approaches and priorities continuously exploring new options. Recurrence of natural calamities like flood, cyclone, and droughts etc. at regular intervals over the decades have hurt the State's efforts to accelerate the pace of economic prosperity. Super cyclone, floods, severe drought and erratic rainfall came in quick successions between 1999 and 2005 causing severe damage to economic stability of Orissa. As per Advance Estimate, the Gross State Domestic Product (GSDP) for Orissa increased from Rs.18,536.66 crore in 1993-94 to Rs.29,487.94 crore in 2004-05 at 1993-94 prices registering a compound annual growth rate of 4.31%. The per capita income of Orissa increased from Rs.6487 in 2003-04 to Rs.6555 in 2004-05 (Advanced Estimate) at constant

prices. The advanced estimate of 2004-05, which indicates the growth scenario close to approximation, shows that there is marginal fall of compound annual growth rate for Orissa from 4.46% in 2003-04 to 4.31% in 2004-05. The gap between per capita income of Orissa and at the National level also widened from Rs.5128 in 2003-04 to Rs.5859 in 2004-05. Down swing in the sectoral contribution of primary (by 0.38%) and secondary sectors (by 0.75%) over previous year have led to the marginal fall in the growth rate in the State. At present Orissa is in a transitional phase of industrial development after which the State expects to increase its growth rate appreciably.

21.03 All along Orissa economy has been characterized by high level of poverty caused by large scale unemployment and under-employment. But a recent phenomenon 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 labour intensive rural development and wage-employment programmes. Capital

intensive Industrialization and technology might lessen the burden of under employment of educated skilled labour and boost the economy to new height in long run. But being an agrarian economy, it is equally important that the State needs to emphasize on agro based industrialization to reduce the burden of unemployment in vast unorganized sector both in short run and long run.

21.04 The living standard of the people of Orissa is lower as compared to other major states as well as the all India average. Higher Engel's ratio of Orissa is indicative of this low standard of living. The only positive trend is the marginal decline in the Engel's ratio in rural Orissa between 2001 and 2003. There is need to pursue mutually supportive growth measures in different production sectors with adequate investment for social sectors and poverty alleviation measures. This apart, specific policy initiative and programmes are required to create large scale self-employment avenues with emphasis on using the skill-pool of the State. The Employment Mission launched by the State Government is intended to address this.

21.05 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 needs 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 envisions greater income generation in agricultural sector; extensive application of advanced farming technology; better scope for entrepreneurship in the areas of agro-based and food processing industries; self sufficiency in fruits, vegetables, flowers, poultry and dairy products and extension of irrigation potential up to 50% of total cultivated areas of the State. The Policy resolves to ensure efficient production and management of quality seeds, fertilizers, bio-fertilizers, making available soil health cards to farmers, soil reclamation, crop insurance, fisheries and animal resources etc. The new Policy visualizes revamping of 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.

21.06 In the sectoral allocation of funds, water resources sector has been accounting for the major share in the successive plans. ( it was around 18% during 2003-04). But as on March, 2005 only 46% of net area sown of Orissa has been brought under irrigation which is much lower than Punjab and Haryana. The utilization of available irrigation potential is also very low in the State. Severe water logging 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 the sector against the climatic uncertainty with provision of assured irrigation, there is need to develop cost effective micro watersheds. The State government have an ambitious target to create additional irrigation potential of 5.40 lakh hectares for Kharif crops from different sources during 10<sup>th</sup> five year plan, including 50.24 thousands hectares in 2005-06.

21.07 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. The forest area in Orissa has dwindled much below the minimum prescribed limit of 33% of total geographical area. The forest area diverted to non-forest use account for 30,331 hectares by the end of 2004-05. 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 potential solutions to revive the forest cover in the State. The tenth plan aims at promoting sustainable forest management in the state with a larger goal of supporting the rural livelihoods.

21.08 Stock of animal resources and fisheries has greater employment – income generating potential in Orissa. Rivers and 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 fish culture and capture.

21.09 The per-capita availability of milk in our State during 2004-05 was 92 gms. /day as against 232 gms. /day at all-India level. This is due to genetic erosion and fodder scarcity. As per livestock census 2003, out of total cattle and buffalo population only 7% 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 called for.

21.10 With very low per capita income and highest poverty ratio among the states, Orissa exhibits large scale poverty both in term of intensity and extent of spread. This has a strong bearing on the low level of human development in the State. Taking note of this, the State Government has been giving utmost importance to the poverty alleviation measures. A Poverty Task Force (PTF) has been constituted which is activity examining the nature of poverty in the State and advising the Government in specific measures to tackle the same. This apart, in the successive Annual plans of 10<sup>th</sup> plan period, the State Govt. has been giving thrust on generation of adequate gainful wage employment opportunities for unorganized labour force; development of social sector infrastructure base and provision of universal access to the Basic Minimum Services like health

care, education, sanitations etc. that would ensure an acceptable human development index and quality of life for the people of Orissa.

21.11 The process of industrialization in Orissa has been slow. The share of secondary sector in NSDP has been 11.84% as per Advanced Estimate of 2004-05. There have been marginal increases in the number of units and investment in SSI sector. Taking advantage of available natural and human resource stock, the State has geared up to face the challenges and commitments of industrialization envisioned in the liberalized industrial policy resolution, 2001. While promoting private sector participation in industries, the policy resolution also aims at ensuring quality, productivity and skill development in industrial sector. The State expects to generate more employment opportunities, raise income and economic conditions of people through rapid industrialization process initiated by the Government with signing of a series of MOUs with private foreign investors as well as steps taken for developing infrastructure facilities in power, railways, tele-communications, ports, airport, road net work etc. This apart, the State Government organizations like IPICOL, IDCOL, IDCO, OSFC and OSIC are making concerted efforts to promote private investment in manufacturing, mining and infrastructure projects in the State under liberalized policy regime.

21.12 Power sector reform in Orissa has succeeded in making it a power surplus State with availability of Power of 1996 MW during 2004-05 as against an estimated requirement of 1986 MW. One problem area in power sector has been its over dependency on Hydropower projects. Climatic uncertainties, resource crunch and possible river water sharing disputes among the neighboring States call for lessening the dependence on Hydro power with generation of more of thermal power. Agriculture sector accounts for a meager 1.93% of total power consumption even though it contributes a major share to the NSDP of Orissa. It is a matter of concern which needs to be addressed with priority. The State is optimistic about accelerating 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 environment friendly non-conventional source of energy. With around 80% of villages electrified at present, the State Government is committed to achieve 100% village electrification by 2010.

21.13 Road transport plays the anchor role in economic development of the State because of the 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.

21.14 Credit-deposit ratio in Orissa increased from 57.32 during 2003-04 to 62.19 in 2004-05 as against the all-India average of 66.04. But the ratio remains significantly lower than Tamil Nadu (98.44), Maharashtra (95.20), Andhra Pradesh (75.09) and Karnataka (74.13). In Orissa the average population served by a bank branch is 16.99 thousand while at the all-India level the same is 16.00 thousand. There is need to expand and modernize banking facilities to raise domestic savings.

21.15 The literacy rate of Orissa (63.1%) is close to all India rate (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.

21.16 The infant mortality rate is a crucial component of human development. The IMR improved marginally in the State from 87 per 1000 in 2002 to 83 in 2003 but it is still much higher than national average of 60. Decadal growth rate target fixed for the decades 2001-2011 at the national level has already been realized in the State during 1991-2001. The projected expectancy of life (at birth) in Orissa is very low for males (60.1 years) & females (59.7 years) as compared to all India level of 64.1 years and 65.4 years respectively. There should be significant increase in the per capita expenditure on health sector including family welfare, water supply and sanitation. The Tenth Plan emphasizes, on improved access to health care facilities in rural and tribal areas. The State government have set up an infant mortality Reduction Mission with the objective of reducing the IMR substantially.

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 major proportion of population belonging to these communities, 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. TSP envisages integrated development of the tribal areas, where in all programme 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. Like wise SCP for SCs aims at ensuring adequate flow of funds for the scheme benefiting SC.

21.18 Savings and investment are core input to growth of out put and employment in the State. 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. The State Government contemplates for selective disinvestments in public enterprises to reduce mounting debt burden. 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 expected to accelerate the process of resolutely. The strategy of large scale economic development and reduce the private sector participation in many incidence of poverty in the State to a great economic sectors during 10<sup>th</sup> Plan period is extent in the coming years.

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