Chapter - VI

The Madhya Pradesh Economy - An Overview

1. INTRODUCTION

1.1 The State Finance Commission is expected to recommend its scheme of devolution of resources from the state government to local bodies against the background of a review of finances of the state government. Such a review needs to be made against the backdrop of the state economy, in terms of its growth in different manifestations. The state economy and its growth would provide the economic base for generating resources to be mobilised and deployed by the state government and local bodies, for the socio-economic development of the people of the state. The quantum of resource generation, both tax and non-tax revenue, is inextricably linked with the process of growth of the economy in different directions. The demands for public expenditure are largely to be met by the availability of resources for achieving a normative level of economic development. It becomes, therefore, necessary to make a quick review of the performance of the state economy and also of the constraints on the process of development and change in the state.

2. Madhya Pradesh - A Less Developed State

2.1 Madhya Pradesh (M.P.) presents a spectacle of under-development and wide-spread poverty along with tremendous potential for development, manifesting a case of missed opportunities for development. A motley conglomerate of former princely states and tribal societies, dating back almost to pre-historic times, the present state had inherited much of its backwardness at the time of its birth on first November, 1956 - its feudal character, its large size, its large population of socially and economically disadvantaged people and its poor social and physical infrastructure. Despite more than 50 years of planned development, not much progress could be achieved to overcome its under-development and improve its relative position among the states of Indian Union. The state continues to be reckoned among the five major states of India which are nick named as "BIMAROU" states of India, these being, Bihar, Madhya Pradesh, Rajasthan, Orissa and Uttar Pradesh.
2.2. The state was bifurcated into Madhya Pradesh and Chhattisgarh, on 1st November, 2000. The combined population of the two states at 8.11 crores would have placed it at the third position in terms of population and first position in terms of area in the country. The re-organised state of M.P. has a population of 6.03 crores as per 2001 census. The state occupies 7th rank in terms of population and second in terms of area, next to Rajasthan. The growth rate of population has come down from 27.24% in the previous decade to 24.34% during 1991-2001. The average population density of the new state of M.P. has been placed at 196 per sq.km. as against the national average of 324.

2.3. This chapter presents mainly the process of growth in the composite state of Madhya Pradesh, since our major concern is to make a review of the state economy during the period 1990-91 to 1999-2000. However, attempt has been made to present separate information regarding Madhya Pradesh and Chhattisgarh, depending upon its availability.

3. Causes of Under Development

3.1. The huge potential of the state in terms of its forest, mineral and land resources, by and large, has remained under-utilised due to lack of integrated efforts, gradual erosion of political commitment to long term perspective of development, frequent deviations from plan priorities, lack of trade-off between different objectives of planning, weak and dysfunctional planning machinery and inadequate and poor social and physical infrastructure. The under-development of the state may be partly attributed to regional and partly to national factors. The sheer size of the state, characterized by scattered nature of settlements and sparse population, militates against effective implementation of development and welfare programmes. The unit cost of administration is very high. The state is carrying a much higher burden of economically and socially backward population, with 35.3% of its population consisting of scheduled castes and scheduled tribes, as against 24.6% in the country as a whole, according to 2001 census.
3.2. The demographic scenario of the state is still characterized by high birth rate (31.1 against 26 in India in 1999) and significantly high death rate (10.4 as against 8.7 in India), as well as high infant mortality rate (91 in 1999 as against 70 in India). Life expectancy in the state during 1990-95 was 54.7 years for males and 54.6 years for females, as against 59.7 and 60.9 years respectively for India. There is non-availability of safe drinking water to nearly 50% of house-holds in the state. The literacy rate in the undivided state was 44.2 in 1991, as against 52.21 in India. Now it stands at 64.11%, registering a growth of 22%. In 1991, the male literacy rate stood at 64.11% and the female literacy rate 29.35%. In 2001 census, the comparable figures are 76.5% and 50.5% respectively. The newly carved out state, Chhattisgarh with a literacy rate of 65.18% is placed higher than M.P. There has been a marginal improvement in sex ratio in M.P. where it has gone up from 912 to 1991 to 920 in 2001, as against 933 in the country as a whole.

3.3. The rural-urban mix of population in the undivided state was 77:23 in 1991. In the new state, the ratio is 73:27. The low level of urbanization is quite consistent with overall pattern of economic development in the state. A little more than 50% of urban population is concentrated in Class I cities, each with a population of one lakh and above.

4. **Infrastructure Development**

4.1. The state has poor and inadequate infrastructure to support and sustain increasing development effort. The infrastructure in the state tends to be more capital intensive, partly because of its topography and partly because of the nature of its settlement hierarchy. Almost in respect of all indicators of physical infrastructure - per capita consumption of power, net irrigated area, length of roads and railways per unit of area, number of banking offices per lakh of population, per capita bank deposit and credit, the state fairs poorly. It is because of inadequate development of infrastructure, both physical and social that the state has missed opportunities for achieving high rates of growth with social justice. There seems to be little improvement in the ranking of the state in terms of index of physical infrastructure and index of human resource development. (vide Tables 1,2,3,4, in the appendices). Table No.5 gives the difference
of M.P. from the highest ranking state in terms of different social and economic indicators and the ground that the state has to cover to fill the gaps.

4.2. There has been deterioration in the level of physical infrastructure, more particularly after the fifth five year plan when perspective planning lost much of its significance in the state and in its place populist policies started gaining ascendancy. This is evidenced by declining percentage share of physical infrastructure and social services in the total public expenditure of the state, more particularly since the initiation of economic reforms in the country. There have been major cuts in plan allocations on different components of physical and social infrastructure, though some improvement is discernible in recent years in respect of public expenditure on social services.

5. **Human Resource Development**

5.1. Against the abysmally low level of human resource development in the state, the picture seems to be depressing when we look at the trends in public expenditure on education, public health and other components of social sectors. There are big gaps in the availability of health services and requirements. (Table VI in the appendix). There are considerable back-logs in areas like literacy, levels of nutrition, drinking water supply, basic health and poverty. Infant mortality is very high compared to the national average. These are historical gaps which need to be filled up in the shortest possible time.

5.2. The State Government constituted seven Rajiv Gandhi Missions on 20th August 1994, to initiate action in certain selected areas. These Missions are operating in the field of primary education, watershed management, control of diarrhoea diseases, elimination of Iodine deficiency disorders, rural industries, fisheries development and sanitation. Among the major achievements of these Missions are, the Education Guarantee Scheme and the Watershed Development Scheme which have gained recognition not only within the country but also at the international level. To disseminate the contents of the programmes and take the feedback from the people, Lok Sampark Abhiyans have led to better understanding of the needs and problems of the people. The Panchayat raj institutions have provided the institutional framework for decentralised
solution of the felt-needs of the people, and constitute the major instrument of economic and social change through people's participation. But the journey to be covered still remains to be very long. The drama is still unfolding. The efforts in the direction of human resource development are laudable.

5.3. The Human Development Report, Madhya Pradesh, 1995, had identified some areas in social services where policy initiatives were to be taken, efforts intensified and allocations stepped up. The Second Human Development Report was brought out in 1998. The first Report had served one useful purpose, as the second Report observes: "New initiatives in the field of education, health and livelihood security, have moved over substantially to community centered management. There is better understanding for public -private understanding of collaborative action. In fact, there has been a shift in the modal of action with participatory action replacing state directed delivery". The new approach is expected to create an entirely new cadre of people, assuming leadership roles at different levels in different areas, to replace the bureaucratic modal of governance.

5.4. The first HRD Report in 1995 had dealt with the status of education, health and gender issues and the policy initiative required in these fields, the second Report in 1998, concentrates on standard of living and access to resources for a good quality of life. The process of human resource development in the state has started in terms of empowerment of grass-root institutions and also empowerment of weaker sections and women in the state. It will take some time for tangible results to come out.

5.5. The National Human Development Report prepared recently by the Planning Commission reveals that in the decade of 1990s momentum for improving Human Development Index(HDI) was maintained in only three states of India, Madhya Pradesh being one such state. The state has registered a steady and continuous progress over the last decade. The quality of life has improved both in rural and urban areas at a pace higher than the previous decade. The emphasis of the state on primary education, primary health and rural livelihood has enabled the state to show significant improvement in these critical areas.
5.6. The state has improved its rank in terms of HDI in the country, from 13\textsuperscript{th} rank in 1991 to 12\textsuperscript{th} rank in 2001. Over the last decade, the HDI of M.P. has improved from 0.328 in 1991 to 0.394 in 2001. The number of people below the poverty line, though still high, has declined from 42.52\% in 1993 to 37.43\% in 1999-2000, urban poverty having declined from 40.64\% to 37.06\% and rural poverty from 48.38\% to 38.44\% during the same period.

5.7. During 1993-94 to 1999-2000, M.P. has recorded 1.8\% annual growth in employment, as against the national average of 1.6\%. The growth in rural employment was 1.4\% per annum, as against the national average of 1.3\% and urban growth in employment being 3.3\% per annum as against 2.4\% in the country as a whole. As already observed in an earlier section of this chapter, the state has made significant improvement in literacy level and in health indicators. The couple protection rate has increased and the total fertility rate has come down in the decade of 90s.

6. The Physical infrastructure

6.1. The power sector in the state has deteriorated over time, showing a gap between demand and supply to the tune of nearly 20\%, mainly due to absence of perspective planning, resulting in sluggish growth of installed capacity, low plant load factor and high transmission and distribution losses and irrational tariff policy. The power sector is being reformed through revamping and restructuring of the MPEB. Consequent upon bifurcation of the state, whereas Chhattisgarh is having surplus power, the re-organised state of M.P. is facing power shortage.

6.2. The state has the highest proportion of India's dryland districts within its area, 23\% of country's 177 dryland districts, occupying 19\% of India's dry area are to be found in Madhya Pradesh. Irrigation facilities are inadequate. There has been decline in the growth of irrigation potential created by government sources and also in the utilisation ratio of potential created (vide table No.7 in the appendix), mainly due to poor allocations to this sector, poor maintenance of irrigation works and inadequate on-farm activities by the cultivators. A large number of irrigation projects of earlier plans have spilled over to subsequent plans due to lack of allocations in the plans. The state is endowed with rich water resources which if fully harnessed could irrigate nearly
57% of the gross cultivated area in the state, as against 29% at present. The Watershed Development Programme of the state, the largest in the country, is intended not only to utilise water resources but also integrate poverty reduction, employment generation and environmental improvement, through community-led watershed management committees with panchayat support. The initial results are extremely encouraging. Despite the noticeable improvement in performance, the experience gained raises a number of important issues having a bearing on sustainability of the programme. Five major issues which should engage our attention are (1) Institution building and leadership formation for ensuring effective participation of the people on a sustained basis; (2) Capacity building through training at various levels; (3) Independent valuation of the programme; (4) Convergence of agricultural development programmes with watershed development, and (5) According high priority to the strategy for the development of rain-fed areas in the state.

6.3. Though road transport should constitute the backbone of transport system in the state in view of inadequate new-work of railways in relation to area, progress in this area seems to be slow, both in terms of maintenance and improvement of existing roads and expansion of road net-work. The length of all types of roads per 100 sq.km. in 2001-02 was 22 kms in the state, as against 29 kms in India, and of pucca roads only 20 kms, as against 24 kms in the country. The policy initiatives in this sector in collaboration with the private sector and foreign capital, would yield better results in the near future.

7. Growth performance of the economy

7.1. The state economy has manifested a slow rate of growth because of physical, social, institutional, financial and administrative constraints. The forces of growth have not yet been released to the extent that the state may make rapid strides in different directions. The state continues to be at the lowest rung of the ladder in the country in respect of almost all indicators of development.

7.2. Table No.8 in the appendix presents per capita Net State Domestic Product (NSDP) and ranks of different states at 1960-61 prices. The table shows that M.P. had
occupied 17th rank among 20 states of India in 1960-61, for which data were presented; in 1971-72, 18th rank among 24 states; in 1981-82, 25th rank among 27 states. There has been some improvement in the ranking of the state in 1991-92 and 1994-95, the state occupying 22nd and 20th ranks respectively among 27 states. Despite this improvement, the state could not come out of the group of BIMAROU states of India.

7.3. Table No.9 in the appendix presents the estimated rates of growth of SDP in the major states of India in the pre-reform period, 1980-81 to 1990-91, and the post-reform period, 1991-92 to 1997-98. The growth rate for each state in each period is estimated on a log linear trend. There are considerable variations in the performance of individual states, with some growing faster than the average and others below. The range of variation was much larger, from a low of 2.7% for Bihar to a high of 9.57% for Gujarat. The variation in per capita income in the 80s ranged from a low of 2.1% for M.P. to a high of 4.07% for Rajasthan, and in the 90s it ranged from a low of 1.1% in Bihar and 1.2% in U.P. to a high of 7.6% in Maharashtra. Madhya Pradesh has performed reasonably well during this period. The growth rate of M.P. was below the average for the 14 states in the 1980s but accelerated significantly in the 1990's. Bihar, U.P. and Orissa experienced sharp deceleration in growth rates. There was also a deceleration in Punjab and Haryana but such deceleration was from relatively high rates of growth in the 80s and these states were also the richest in the country.

7.4. Table No.10 presents a comparative picture of growth of per capita income in M.P. and the country as a whole since 1980-81. The annual average rate of growth of per capita income in the state has been 2.3% during 1980-81 and 1997-98 at 1980-81 prices, as against 3.4% in the per capita income of the country. The NSDP of the state at constant prices (1993-94) has recorded an annual compound rate of growth of 5.55% and a per capita income growth rate of 3.43% during 1993-94 and 1999-2000 compared to 6.3% and 4.3% respectively of Indian Economy during the same period. The per capita income of the re-organised state of M.P. at 1993-94 prices increased from Rs. 6577/- in 93-94 to Rs. 7003/- in 2000-2001. The NSDP has increased by 35% and per capita income by 19.44% between 1993-94 and 1999-2000 at 1993-94 prices. This is the highest growth rate ever achieved in M.P. over the six year period. However, because of drought conditions and recessionary trends in the country the
annual exponential rate of growth during 1993-94 and 2000-2001 in the state recorded a lower rate of 4.20% and per capita growth rate of 2.16%.

7.5. The above analysis of the growth performance of the state economy shows that the state has not yet been put on the trajectory of high growth rate and, therefore, could not make much dent on its poverty. Table No.11 in the appendix shows that the state is among the poorest in the country, with 42.5% of its population below the poverty line in 1993-94, Bihar and Orissa are worse off than Madhya Pradesh. The decline in poverty ratio was faster in 1987-88 over 1983, compared to 1993-94 over 1987-88.

7.6. The above comparative analysis shows that though Madhya Pradesh belongs to the group of low-income states in the country and has manifested an up trend in the growth process but still it has to make a considerable leeway to join the group of middle level income states of India.

8. Structural Changes in the State Economy

8.1. The state economy has undergone slow structural changes, represented by shift in the relative contribution of different sectors to the Net State Domestic Product (NSDP). The following table presents the contribution of different sectors to the NSDP of Madhya Pradesh:

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</thead>
<tbody>
<tr>
<td>1. Primary</td>
<td>63.4</td>
<td>62.2</td>
<td>52.53</td>
<td>42.65</td>
<td>41.23</td>
<td>42.06</td>
<td>37.8</td>
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<tr>
<td>2. Secondary</td>
<td>13.8</td>
<td>14.7</td>
<td>20.64</td>
<td>25.79</td>
<td>26.81</td>
<td>21.84</td>
<td>23.2</td>
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<tr>
<td>3. Tertiary</td>
<td>22.8</td>
<td>23.1</td>
<td>26.87</td>
<td>31.6</td>
<td>31.86</td>
<td>36.9</td>
<td>39.0</td>
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<tr>
<td>Total</td>
<td>100</td>
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<td>100</td>
<td>100</td>
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(* Figures for 1993-94 and 1999-2000 relate to the re-organised state of M.P. and for other years to composite state.)

8.2. The share of primary sector has gone down from 63.4% in 1960-61 to 37.8% in 1999-2000 and further to 32.6% in 2000-01 and that of secondary sector has increased from 13.8% to 23.20% and further to 24.6% in the same period. The contribution of tertiary
sector has gone up from 22.8% in 1960-61 to 42.78% in 2000-01. These structural changes in the state economy in terms of shifts in the relative contribution of different sectors to the NSDP, are slow when compared to such changes in the national economy. Less than 2/5 of state income originates from the primary sector, 1/4 from the secondary sector and more than 1/3 from services sector. In the primary sector, agriculture predominates, though its share in NSDP has come down from 41.22% in 1980-81 to 31% in 1999-2000, indicative of diversification of rural economy in the state. The secondary sector has been expanding mainly due to increase in the percent share of manufacturing sector and indication of growing industrialisation of the state. The tertiary sector has improved its percent share mainly due to increase in the contribution of public administration. The above table also shows the fact that the re-organised state of M.P. has lower percent contribution of Primary sector to NSDP lower percentage contribution of Secondary sector and higher percentage contribution of Services sector compared to the composite state. This may be due to larger share of Chhattisgarh state in power generation and industrial development compared to the re-organised state of Madhya Pradesh.

8.3. Corresponding to changes in the relative contribution of different sectors to NSDP, there seems to be very slow shift of employment from primary sector to other two sectors, and the profile of employment in the state still exhibits a traditional agrarian employment structure. The employment structure has not responded much to shifts in sectoral shares in NSDP.


9.1 The following table presents the employment profile of the state alongwith that of India:-
### Table No. 2
Occupational pattern of workers in M.P. and India (Percent of working force)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Madhya Pradesh</th>
<th></th>
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<th>India</th>
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<tbody>
<tr>
<td>A. Agriculture</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(i) Cultivators</td>
<td>81.3</td>
<td>78.0</td>
<td>76.8</td>
<td>72.0</td>
<td>68.7</td>
<td>67.3</td>
</tr>
<tr>
<td>(ii) Agri. Labour</td>
<td>52.9</td>
<td>52.0</td>
<td>51.8</td>
<td>43.3</td>
<td>41.6</td>
<td>38.7</td>
</tr>
<tr>
<td>(iii) Live Stock, forestry and fisheries</td>
<td>26.6</td>
<td>24.2</td>
<td>23.5</td>
<td>26.3</td>
<td>24.9</td>
<td>26.1</td>
</tr>
<tr>
<td>B. Industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Mining &amp; quarrying</td>
<td>8.0</td>
<td>10.2</td>
<td>9.1</td>
<td>11.2</td>
<td>13.5</td>
<td>12.7</td>
</tr>
<tr>
<td>(ii) Manufacturing</td>
<td>0.6</td>
<td>0.9</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>(iii) Construction</td>
<td>6.6</td>
<td>7.9</td>
<td>6.8</td>
<td>9.4</td>
<td>11.3</td>
<td>10.1</td>
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<tr>
<td>C. Services</td>
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<td></td>
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<tr>
<td></td>
<td>10.0</td>
<td>11.8</td>
<td>14.0</td>
<td>16.8</td>
<td>17.8</td>
<td>20.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>100</td>
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<td>100</td>
<td>100</td>
<td>100</td>
</tr>
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</table>

(Source - Census Reports)

9.2 The above table shows that there has been little shift of workers from agriculture to non-agricultural occupations. A much higher percentage of total workers is engaged in
agriculture compared to the national average. Nearly, 77% of total working force engaged in agriculture in the state, contributes only 40% share to the NSDP, whereas 14% of working force engaged in services is contributing nearly 39% share in NSDP of the state. Similarly, 9 to 10% of working force engaged in industry is getting a share of 23% in the NSDP. It is worth mentioning that nearly 65% of GSDP originates from un-organised sector, mainly due to the predominance of agriculture in the state economy.

10. AGRICULTURAL DEVELOPMENT IN MADHYA PRADESH

10.1 Since agriculture constitutes the economic base of the state economy, more particularly of the rural economy, it would be quite pertinent to devote some space to the role of agriculture and its performance in the state.

10.2 Agriculture in the state continues to be less developed, depending mainly on natural factors. The new agricultural strategy that had ushered in the Green Revolution in certain parts of the country since mid-60s of the last century, almost did not touch Madhya Pradesh, where crop output in dryland rainfed areas, continued to be characterized by weather-induced year-to-year fluctuations. The degree of instability in agriculture growth rate is more than twice the all-India average, though there has been progressive decline over time.

10.3 Unfortunately, this sector of the state economy has been receiving lesser capital investment since 1980-81, evidenced by declining rate of capital formation as percent of total capital formation in the state. Gross fixed capital formation in agriculture as percent of total capital formation in the state, has declined from 18.6% in 1980-81 to 11.6% in 1992-93 and further to 9% in 1995-96 and as a percent of GSDP has declined from 4% in 1980-81 to 2.5% in 1995-96. The decline is more marked in the public sector compared to the private sector. Between 1985-86 and 1995-96, the annual average rate of growth of Gross Fixed Capital Formation (GFCF) in agriculture in the state has been 11.3% which does not show real growth when considered alongwith inflation rate. In the public sector, the rate of growth of GFCF in agriculture was only 5.4%, on an average per annum. In real terms, the growth rate was negative
in the public sector.\textsuperscript{1} In the face of declining rate of growth of capital formation, infrastructure for agriculture could not grow at the desired rate. The growth performance of agriculture is bound to be lacklustre. The inadequacy of social and physical infrastructure does not permit agriculture to grow at a faster rate.

10.4 The distribution of land continues to be skewed. Small and marginal households, as percent of total households in the rural economy of the state, increased from 57\% in 1971-72 to nearly 60\% in 1990-91, and percentage of area owned by this category of farmers has registered an increase from 12.9\% to 18.3\% in the same period. Large holdings, though registered a decline from 4.8\% of total land holdings to 3.8\%, accounted for 24\% of the total area in 1990-91.

10.5 The low agricultural yield in the state is partly due to lower consumption of fertilizer which in turn is due to lower irrigation facilities. In 1996-97, the per hectare consumption of fertilizer in the state was 39.2 kg only, as against the all-India average of 76.87 and Punjab average of 158.4 kg, per hectare. In the re-organized state of M.P. the per hectare consumption of fertilizer in 1998-99, was higher than the composite state, 48 kg, as against 90 kg. in India. The new state of M.P. has higher percent of gross sown area under irrigation, higher cropping intensity and higher per hectare yield compared to Chhattisgarh state. The Madhya Pradesh cropping intensity is 125 as against 121 of Chhattisgarh. The low yield rate of major crops is reflected in per hectare value added by agriculture which during the trennium 1986-87 and 1988-89 was Rs.2661/- in the composite state, as against Rs.4646 in the country as whole. All this shows that agriculture in the state has to go a long way to catch up with the all-India average.

11. Cropping Pattern Changes

11.1 In Madhya Pradesh, area allocated among different crops has shown a measure of structural rigidities, reflecting the traditional character of agriculture. Foodgrains remain the most predominant crop though the percent share in total cultivated area has declined from 86.5\% in the trennium ending 1970-71 to 80.9\% in 1987-88, and further

to 73.3% during the trennium ending 1996-97, as shown in Table 12 in the appendix. Although the introduction of new technology has made a small dent in the cropping pattern, the impact was not so significant up to the beginning of 1980's. The area under rice has not undergone any change and as percent of total cultivated area, has hovered between 20 to 21%. Similarly area under wheat has not shown any large increase, remaining at 15 to 16% of the total cultivated area, whereas in the country as a whole, there has been phenomenal increase in area under wheat. There has been slight decline in the percent share of pulses from 21.9% in 1983-84 to 20% in 1996-97. Because of changes in relative profitability and low yield, cheap coarse cereals have been displaced by oilseeds, particularly soyabean. Except this change, there seems to be no significant change in cropping pattern of the state.

11.2 The re-organized state of M.P. has lower percentage of total cultivated area under foodgrains and higher percentage under non-food grains, mainly due to oilseeds, particularly soyabean, compared to the composite state. It has more diversified cropping pattern compared to the Chhattisgarh state. In Chhattisgarh known as the "rice bowl" of Madhya Pradesh, rice is the main crop and covers 77% of the net shown area. It is mainly grown under rainfed conditions and the main source of irrigation is canals which are also dependant on rains. Chhattisgarh suffers from lack of irrigation and periodic droughts, causing migration of large work force from the state every year. There is a new thrust on horticulture development in the state since the creation of the new state.

12. Sources of Growth of agriculture

12.1 In respect of agricultural growth, the period 1980-83 to 1992-95 marks a turning point an interesting feature of the period being that agricultural growth permeated to eastern and central regions, and significant acceleration is witnessed in growth of agriculture in these states, including Madhya pradesh. The following table in respect of growth rate of yield and area confirms the trend:
Table No. 3
Growth rates of yield area and productivity in M.P.

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<tbody>
<tr>
<td>1. Annual Compound Growth Rate</td>
<td>1.97</td>
<td>1.28</td>
<td>4.71</td>
<td>2.83</td>
</tr>
<tr>
<td>2. Annual compound rate of growth of crop yield</td>
<td>1.07</td>
<td>0.80</td>
<td>3.75</td>
<td>2.04</td>
</tr>
<tr>
<td>3. Annual growth of Area</td>
<td>0.89</td>
<td>0.48</td>
<td>0.93</td>
<td>0.77</td>
</tr>
<tr>
<td>4. Annual compound rate of growth of net sown area</td>
<td>1.37</td>
<td>0.23</td>
<td>0.31</td>
<td>0.54</td>
</tr>
<tr>
<td>5. Percent share of incremental value of output in India</td>
<td>8.6</td>
<td>4.32</td>
<td>11.29</td>
<td>9.04</td>
</tr>
<tr>
<td>6. Growth rate of male productivity</td>
<td>0.19</td>
<td>-0.36</td>
<td>2.85</td>
<td>1.06</td>
</tr>
<tr>
<td>7. Growth rate of male agri-labourer productivity</td>
<td>1.79</td>
<td>1.65</td>
<td>1.80</td>
<td>1.75</td>
</tr>
</tbody>
</table>

(G.S. Bhalla and Gurmail Singh-Recent developments in Indian agriculture-a state level analysis-Economic and Political Weekly-March 29, 1997)

12.2 The table shows that area growth was the major source of growth of output in the earlier period 1962-65 to 1970-73, but the contribution of crop yield was the major source in the third period, 1980-83 to 1992-95. Another factor was changes in cropping pattern involving from low value coarse cereals to high valued crops particularly oil seeds. Despite achieving higher rate of growth of foodgrains production, the relative position of M.P., as shown by percent share in total foodgrains production in the country, has not improved, rather there has been marginal decline from 10.2% in 1990-91 to 10.0% in 1999-2000. In respect of wheat, the percent share of M.P. has marginally improved but in respect of rice, it has declined during the same period. There has been substantial decline in the percent share of coarse grains but the share of pulses has, more or less, remained constant.

13. Growth Performance of Agriculture

13.1 Let us have a look at the growth performance of agriculture in the post reform period. The food grains production recorded an annual exponential rate of growth of 1.68% during the period 1991-92 and 1998-99 which is more or less equal to the growth rate
of the country. Rice registered a negative rate of growth of -0.95% per annum, whereas wheat recorded a growth rate of 5.90% per annum. The growth performance of Jowar has been dismal, -8.5% per annum and of pulses at a low rate of growth of 2.42%. Non-foodgrains recorded a higher rate of growth of 5.3% per annum on an average, mainly due to 11.49% annual exponential growth rate of soyabean. Taking all crops of the state, we find that agriculture has recorded a growth rate of 3.2% per annum in the post-reform period, 1991-99 which does not appear to be high but a moderate one and is more or less equal to the average growth rate of agriculture in India. From a lack-lustre growth rate of 1.5% to 2% in the 80s the agriculture sector made rapid strides in the following decade growing at rate of 4 to 5%, much faster than the all India average of 3.1%.2

13.2 The rain-fed state is characterized by the problem of year-to-year fluctuations in agricultural output, arising mostly from vagaries of nature. The state has succeeded in shifting a large area from low valued cereals to high value crops like oilseeds, particularly soyabean. But such cropping changes have, by and large, occurred on large and medium farms. Small and marginal farmers who account for nearly 60% of land holdings in the composite state and a much higher percentage in Chhattisgarh (nearly 90%) hardly exhibit any change in their cropping pattern. The tribals and scheduled castes who are mostly agricultural labourers and marginal farmers, continue to use traditional methods of cultivation and have remained, by and large, untouched by the modernisation process in agriculture. The average productivity of land is far below the national average in respect of most of the crops. The productivity per hectare has not increased to the extent that it may lift the state agriculture from low equilibrium position and support and sustain a higher growth rate of agriculture and per capita income. Agriculture continues to be less developed despite a few pockets of development. It continues to absorb a much higher percentage of working force than the country as a whole.

14. Industrial Development in the State

14.1 The state is reckoned among the industrially less developed states of India, though it is endowed with rich and varied agricultural, mineral and forest resources which can provide a sound basis for the development of number of agro-based, mineral based and forest-based industries as well as thermal power. The State contributes hardly 5% to the all-India value-added by manufacture and accounts for 4.8% of total factory employment in the country. The four states of India, viz. Maharashtra, Gujarat, Tamil Nadu and West Bengal, continue to dominate the industrial scene, when taken together contributed nearly 52% to the total value added by manufacture in 1993-94.

14.2 One indicator of industrial development may be increase in the percentage share of manufacturing sector to the net SDP. We do not have time series data for a longer period at uniform base year. This renders comparisons over time a difficult task. The percentage share of manufacturing sector in the NSDP at 1970-71 prices has increased from 5.3% in 1960-61 to 12.7% in 1980-81. Taken at 1980-81 prices, the percent contribution of manufacturing sector has increased from 11.9% in 1980-81 to 15.31% in 1996-97. At 1993-94 prices the contribution has increased from 12.66% in 1993-94 to 15.36% in 1999-2000.

15. Growth performance of industrial sector

15.1 Industrial growth is measured by the rate of increase in net value added in the manufacturing sector and also by increase in employment and output. At the state level, no indices of industrial production are prepared. The annual economic survey of the state government presents data only in respect of output of some major industries in the state. The ASI brings out data regarding industrial growth in the country and also in different states but with a considerable time lag. The other source of information regarding growth of manufacturing sector can be the estimates of SDP and M.P. and their sectoral break-downs. Table No.13 in the appendix presents annual average growth rates of the manufacturing sector in the state at 1970-71 prices for the period, III plan to the VII plan. It is clear from the table that M.P. has recorded a
higher rate of growth compared to the national average, particularly during the period 1970-71 to 1984-85. The ASI data also show that the state had manifested higher industrial growth compared to the country as a whole. The pace of industrial growth in the state had accelerated since the mid-70s.

15.2 The Table No.14 presents growth rates of industrial sector in the state for more recent period at 1980-81 prices. The state manufacturing sector recorded the highest annual rate of growth during 1980-81 and 1990-91, 6.9% for total manufacturing and 8.7% for registered manufacturing. In the post-economic reform period, 1991-92 to 1996-97, the rate of growth has decelerated to 4.8% per annum. But taking the entire period of 1980-81 to 1996-97, the manufacturing sector of the state has recorded a growth rate of 6.13% per annum.

15.3 By the end of December 1998, the state had 10389 registered working factories, employing 5.8 lakh workers, as against 9780 factories, employing 4.8 lakh workers at the end of December, 1991 (Economic Survey- 1999-2000 M.P. Govt.- Page 15). The re-organised state of M.P. had 7305 factories in 1998, increasing to 7971 factories in August 2001, employing annually 3.8 lakh workers. In 1995-96, the per capita net value added in the factory sector was Rs.1455 in Madhya Pradesh, as against Rs.1647 for all India, Rs.4177 of Maharashtra and Rs.4266/- of Gujarat.

15.4 The industrial structure of the state economy has undergone some important changes since 1970-71, as revealed by changing percent shares of different industry groups in value added in the manufacturing sector. The percentage share of food products, beverages, textiles, wood and wood products, paper and paper products, leather and leather products, mostly agro-based and forest based, has gone down. The industry groups which have recorded increase in their shares in the net value added by manufacturing in the state are non-metallic mineral products, basic metals and alloys, electrical machinery which taken together accounted for 72.8% in the total VAM in 1992-93, as against 45.67% in 1970-71. The textile industry has lost its former importance. Because of its resource endowments, the state has developed such an industrial structure which mainly consists of "export-based industries" catering mostly to outside demand. The state at present does not have a large share in footloose industries. The state tends to specialise in resource-based industries like iron and
steel, cement, aluminium, paper, textiles and power. It has not yet developed consumer goods industries to a large extent. The industrial structure is lop-sided and does not ensure inter-sectoral linkages and agglomeration economies for the over-all industrial development of the state. The export based industries have weak multiplier effects in the regional economy of the state and have not triggered of industrial growth to any significant extent.


16.1 The new industrial policy of the state government announced in May 1994, makes provision for a package of concessions and subsidies, raising the limit of self-assessment for sales tax, removal of sales tax check-posts, disbanding of flying squads, provision of single clearance window, open house system, land at concessional rates, development of growth centres for decentralized industrial growth.

16.2 The potential areas which provide ample scope for new investment are agro-based and food processing industries, automobiles, agricultural machinery, mineral based industries, drugs and pharmaceuticals, electronics and telecommunications, leather and live-stock based industries, textile and knit-wear, sericulture and diamond polishing.

16.3 In the post reform period, Madhya Pradesh accounted for 7.88% of proposed investment under Industrial Entrepreneurs Memoranda(IEM) and 3.47% of proposed investment under letters of intent, between August 1991 to September 1999. The state ranked fifth in respect of number of total investment proposals approved in the country during the same period. The first four ranks were occupied by Gujarat, Maharashtra, UP and Andhra Pradesh. These four states taken together accounted for nearly 58% of total industrial investment proposals in the country. In respect of proposals for Direct Foreign Investment during August 1991 and December 1997, Madhya Pradesh accounted for 2.34 percent of the total proposals in the country, occupying 10th rank in the country. We should not forget the fact that these figures relate to proposals, all of which may not materialise.

16.4 In the post reform period, fiscal and financial concessions cannot serve as substitutes for efficient infrastructure. Basically, the choice industrial location will be governed
by industrial and social infrastructure and the speed with which the problems faced by
the project implementing agencies are sorted out and solved.

16.5 There is considerable scope for industrial development of the state, provided there is
well thought out plan, as an integral part of the over all perspective plan of the state,
and regional plans for the integrated development of the areas which are to be
integrated with plans of development of urban areas. The strategy for industrial
development of the state should include the following:

(i) A plan for industrial development indicating priority areas, identification of
industrial units and location of such units.

(ii) Comprehensive plan for infrastructure development at centres selected for
industrial development.

(iii) Regional plans for industrial development with key role to industrial growth
centres.

(iv) Strengthening of district industries centres with project managers of different
disciplines and extension support.

(v) Dissemination of information regarding industrial development of the state
presenting district-wise position and guidelines for entrepreneurs for setting up
industries.

(vi) Proper maintenance of growth centres and industrial estates.

(vii) Linking subsidies and incentives with lines of manufacture, employment
generation and impact on the regional economy.

(viii) Technological upgradation of the traditional sector.

(ix) Stepping up financial assistance by all India financial institutions through
medium term and annual plans link with plans of industrial development of the
state.

(x) Setting up Rural Industries Marketing Corporation at the state level and linking
it with district and block level marketing organisations.

(xi) Decentralised industrial development through rural growth centres and a
network of rural industries.

(xii) Liberal scheme of venture capital for meeting risks of projects promoted by
entrepreneur who take up innovative projects.
(xiii) Infrastructure development and improvement and expansion of essential services in towns and cities by municipal government.

17. Mineral and Forest Resources of the State.

17.1 The new state of M.P. excluding the area which now constitutes Chhattisgarh accounted for output of Rs.3267.24 crores of minerals in 1999-2000. At present the state is producing 21 different types of minerals which include diamonds, coal, bauxite, copper, manganese, limestone, iron ore, dolomite, rock phosphate etc. contributing 85.4% of the total value of different minerals in the state. The M.P. State Mining Corporation is charged with the responsibility of exploitation of mineral resources.

17.2 The state is rich in forest resources. Nearly 31% of the total geographical area of the new M.P. is covered by Forests. The forests resources are being depleted on account of rapid industrialization, increasing pressure of population growth and needs of housing and agriculture. The M.P. State Forest Corporation established in 1975, is entrusted with the function of optimum utilization and development of forest resources in the state. The state government is demanding amendment in Forest Conservation Act, 1980, for allowing the collection of minor forest produce to the Tribals who are mainly dependant on their forest for livelihood.

17.3 The mineral and forest resources of the state can provide a sound basis for the development of a number of industries, both in Chhattisgarh and Madhya Pradesh states.

18. Conclusion

18.1 The economic base of the state economy is poor, though there is the potential for improving this base. The state government has to mobilise increasing proportion of incremental incomes in the state through tax and non-tax measures, particularly from such pockets which have the capacity to bear the burden. The policies and strategies of the state have to be designed in such a way that the economy improves its
performance and yields a larger surplus. The major areas in which efforts have to be concentrated are agriculture and the development of human resource and physical infrastructure. The state has the potential of becoming the warehousing hub of the country because of its central location. It has the potential for industrial development because of its resources endowments. It can attract more capital, both domestic and foreign, provided it builds up and strengthens its physical and social infrastructure.

18.2 In the next chapter while making a review of state finances, we would make an assessment of the extent of resource mobilisation by the state government against the background of potential for resource generation by the state economy, and also of the pattern of expenditure against the background of requirements of the state economy and the need for improving its growth performance.

18.3 It would not be out of place to mention that the state government has announced its economic development policy in 2001 in the document, entitled "Policy Thrust for Economic Development of Madhya Pradesh", which has prepared a road-map for thrust areas of the state economy. The policy seeks to generate greater employment opportunities by energising economic activities, through a strong focus on physical and social infrastructure.

18.4 While market forces may step up the growth rate of the state economy, such forces cannot be relied upon for correcting historical inequalities. Hence economic development of the state has to combine growth rate strategies with poverty reducing and equity enhancing policies.