

GROWTH, EQUITY AND POVERTY: TRENDS IN ODISHA

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ABSTRACT

Odisha has been traditionally associated with low Gross Domestic Product (GDP) and Human Development Index (HDI) scores compared to most states of India. However, since 2005 there has a significant turnaround in the States' Domestic Product (SDP), due to private sector participation in industrial activity in a massive way and mining activities. The paper makes an analysis of impact of growth on equity and performance of industries and agricultural productivity. Drawing reference to the higher financial devolution to the states by the 14th Finance Commission, the paper brings out how major social inclusion schemes like the Integrated Child Development Services (ICDS) are getting a short shrift due to sharp reduction in the centre's share to Centrally Sponsored Schemes (CSS). It underscores the importance of providing quality primary education and health care funded by the government and improving agricultural productivity through increased public investment in irrigation projects. Odisha can realize the full potential of its rich mineral resources by making it a preferred destination for key technology transfer and durable partnership with Original Equipment Manufacturers (OEMs) and design houses of the world.

KEYWORDS: GDP, HDI, SDP, ICDS, CSS, OEMs

INTRODUCTION

The State of Odisha is characterized by a vicious cycle of poverty, high levels

of unemployment and large swathes of Maoist activism in the tribal pockets. Besides, the social indicators in terms of HDI, Infant Mortality Rate (IMR),

Maternal Mortality Rate (MMR), malnutrition of children, Social Development Index (SDI) are deplorably low compared to developed states. This has confounded critics as the mineral resource base in terms of iron ore and bauxite is highest in the country and the seeds of industrialization and sea transportation through the Paradip Port were planted in the 1960s by Sri Biju Patnaik, the dynamic Chief Minister of Odisha. Fortuitously, post economic liberalization in the 1990s, there has been a significant spurt in the growth of GDP, compared to the four decades that preceded it. Besides, Odisha has also been at the vanguard of executing many of the socially inclusive schemes like National Rural Livelihoods Mission (NRLM), MNREGA which has immensely benefited large number of ST, SC and women from the quagmire of unemployment and hunger. Growth with equity seems to have worked in tandem to mitigate magically unacceptably high levels of poverty that afflict particularly the rural landscape and KBK (tribal belt) of Odisha.

This paper attempts to (a) analyze the trends of GDP, major sectors, and their contribution to high growth and poverty reduction, post 1994 (b) position with reference to industrial growth, agricultural productivity and social sector parameters, (c) exact impact of rhetoric

like cooperative federalism and higher devolution to the states and (d) bring up a road map for inclusive economic resurgence of Odisha. It also underscores the perils of unfettered free market operation that contributes to the widening chasm between affluent few and large chunk of population, who teeter in poverty.

ODISHA'S OVERALL PROFILE

Odisha has a total population of 419 lakh approximately, with STs constituting 95.9 lakhs (23%) located in 12 districts. The State runs its budget prudently, with a revenue surplus of Rs.4256 crores and a fiscal deficit of 1.38%, compared to the national fiscal deficit of 3.2%. It has very rich mineral reserves and both the public and private sector players are engaged in production of steel, aluminum in a significant manner. Industry contributes 38% of the GDP growth as against a stagnant national average of 32%. It is also witnessing substantial growth in private sector participation in opening up of colleges and universities in the engineering and MBA streams, making it an educational hub for students coming from West Bengal, Chhattisgarh, Bihar, Rajasthan and Jharkhand. There has also been significant improvement in terms of national highways and connectivity of roads to the villages. Private hospitals have been dotting the city of Bhubaneswar, which is being groomed now as a smart city, with its vibrant IT hub in the outskirts.

The new IIT, IIM and AIIMS sanctioned for Odisha has mainstreamed the state to the best of educational and health care. There has been a significant reduction in the scale of poverty and the growth of GDP since 2005 has made it a “Break Out State”.

GROWTH OF GDP AND POVERTY REDUCTION

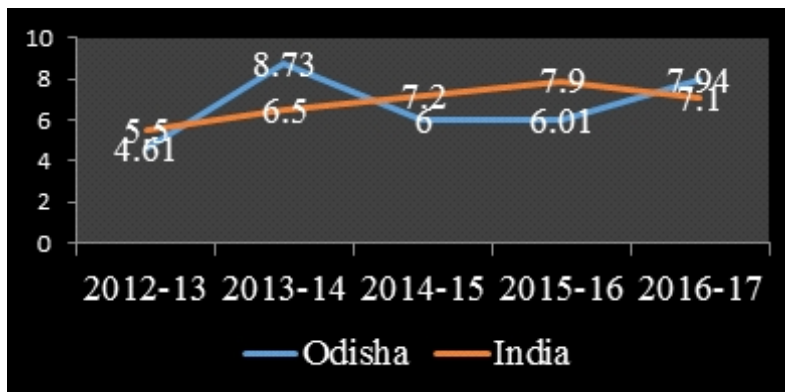
The trends of GDP growth show widely varying fluctuations in the period 1994-2003, before settling down to a very high growth trajectory since then. As against an average growth of 3.2% (1993-2003), the average GDP growth rate since then has been of the order of 8%. The under mentioned table with bring out the trends.

Table 1: GDP Growth Rates

Year	Growth Rate
1994-95	4.9
1996-97	- 6.9
1997-98	14.4
2000-01	- 2.6
2002-03	- 0.7
2003-04	14.6
2006-07	12.5
2009-10	8.5
2014-15	8.7
2015-16	7.94

The trends in real growth rate of Odisha & India since 2012-13 to 2016-17 is brought out below.

Figure 1: Trends in Real Growth Rate



Source: Odisha Economic Survey Report 2016-17

It would show that the all India trends is marginally better than Odisha.

Sectoral Share: India & Orissa

The sectoral share for India and share show interesting divergence as under:

Table 2: Sectoral Share at Current Prices (2011-12 base year)

Sector	Orissa		India
	2011-12	2015-16	2015-16
Agriculture	17.96	18.68	17.5
Industries	42.94	38.38	31.8
Services	39	42.9	50.7

Source: Economic Survey & Odisha Economic Survey Report 2015-16

It would be seen from the above that while contribution of agricultural sector is roughly similar for India and Orissa, it is significantly more in case of industries for Odisha, where the service sector is lagging behind all India trend. There is also a dip of 4% in mining activity in 2015-16 as compared to 2011-12; reducing the share of industries.

Social Development Indicator (SDI) & Policy Effectiveness Index (PEI)

In terms of Social Development Indicator (SDI), Odisha scores very poorly compared to other states, when we take parameters like health, education, basic amenities and economic deprivation. The following table brings out the interstate position.

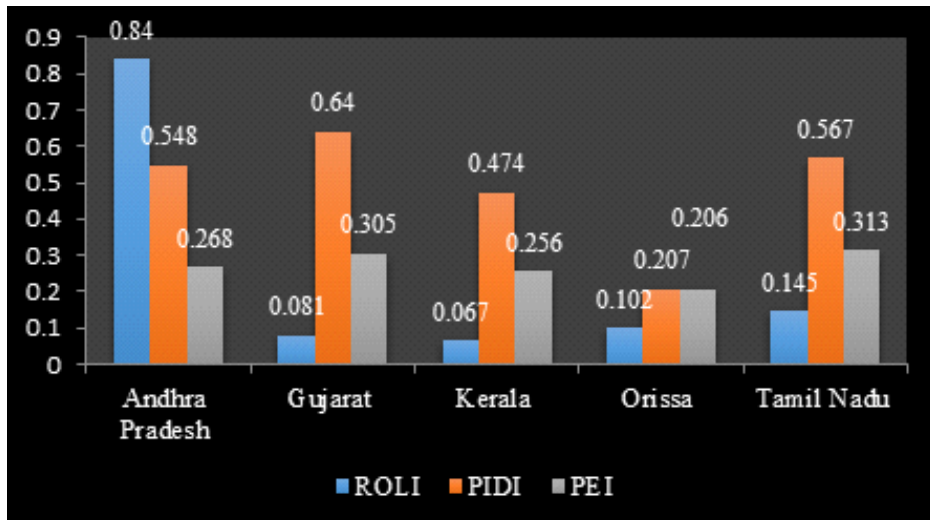
Table 3: Social Development Indicators: Ranking

State	Health	Education	Basic Amenities	Economic Deprivation
Andhra Pradesh	7	18	10	14
Gujarat	12	11	11	11
Himachal Pradesh	10	2	5	4
Kerala	1	1	6	9
Odisha	16	19	21	23

Source: Social Development Report 2012

Prof. Rajiv Malhotra has made a pioneering study on Policy Effectiveness Index (PEI) of various states, based on parameters like Rule of Law Index

(ROLI), Public Infrastructure Development Index (PIDI). The comparative position of a few states is as under.

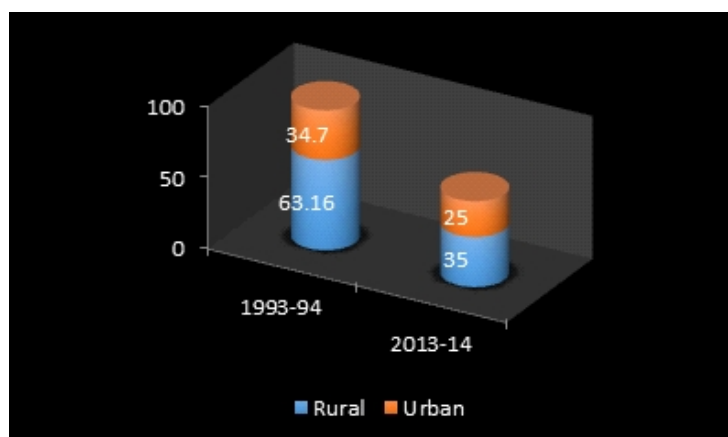
Figure 2: Policy Effectiveness Index

Source: India Public Policy Report 2014

It would thus be seen that in terms of infrastructure development, both Gujarat, Andhra Pradesh and Tamil Nadu have made significant strides, compared to Odisha.

However, Odisha's consistent high growth

combined with effective implementation of mega schemes like MNREGA, NRLM, NULM and PMGSY have helped significantly in generating employment and the position on poverty reduction for rural and urban India is summarized below.

Figure 3: Poverty Reduction after Liberalization

Source: Odisha Economic Survey Report 2015-16

EMPLOYMENT PROGRAMMES IN ODISHA

Since its inception, till the end of March 2015 64.7 lakh households including 12 lakh SC, 18 lakh ST have been issued job cards, women labourers constituted 34% of work created under MNREGA. The fund utilization was around 99.6% under MNREGA. The National Rural Livelihoods Mission (NRLM) launched in 2012 tries to enable the rural poor household access to gainful self employment and skilled wage employment opportunities. Around 70% of the funds was utilized in this programme. The Aam Admi Bima Yojana (AABY), a central sector scheme is administered by Life Insurance Corporation of India (LIC) for the benefit of landless agricultural labour households. It is proposed to cover 2 lakh households of MGNREGS workers. Urban poor is a preaching challenge in Odisha due to unrelenting migration to the cities. National Urban Livelihoods Mission (NULM) seeks to provide employment through skill training capacity building training centre to urban homeless and support to urban street vendors. The state employment mission plans to enable youth to become employed through market link vocational training and enterprise training. Under this programme women are also brought in the ambit of opportunities

through self help groups (SHGs). A total of 5.66 lakh women self help groups have been formed covering 68 lakh members out of which 5.2 lakh SHGs have been credit link.

INDUSTRIAL GROWTH & AGRICULTURAL PRODUCTIVITY

Odisha has been fortunately endowed with rich mineral resources like iron ore, bauxite and coal. It has thus spurred growth of steel plants both in the public sector, Rourkela and in the private sector like Bhushan steel. NALCO has been another major feather in the cap of Odisha, besides BALCO. Ironically states like Chhattisgarh and Jharkhand, who are also in the top of the pecking order of these mineral resources, continue to languish in poverty like Odisha.

What is particularly distressing is the mismatch between Odisha's resources and production; particularly in steel. While Odisha has 40% of iron ore deposits, it produces only 10% of steel production of India, in bauxite also, the resource production gap is around 25%. The position of employment in organized manufacturing shows a discouraging trend, with private sector accounting for only 13% of the employment. The industrial profile is placed below.

Table 4: Industrial and Mining Profile

Type of Industry	Number	Capital Investment (Rs. Crore)	Employment (Lakh)
Large	252	92786	1.18
MSMEs	214087	6549	3.63
Mines	250	54511	0.49

Source: Odisha Economic Survey Report 2016-17

It is, therefore, redeeming to learn that the Odisha government plans to invest around 28.7 billion dollars by 2027 so as to create employment opportunity for 3 lakh in manufacturing. The other initiative is to integrate and develop coastal areas and freight corridors as part of Sagarmala project. 100 startups, handicraft training centres are also on the anvil.

TRICKLE DOWN THEORY & THE REALITY

It was Robert Solow (1956) who advocated the trickle down theory based on the assumption that “A rising tide will lift all the boats”. Adam Smith, the apostle of free market believed that free market forces as if by an invisible hand will promote welfare of all. Sadly, the global financial crisis in 2007-08 brought out how an

unfettered market, bereft of proper regulation by the government, can accentuate income inequality, public discontentment, high unemployment, forcing the government to resort to bail out packages for the banking sector. To quote Prof. Joseph Stiglitz “A rising tide, followed by a storm would smash weak boats into smithereens”. Indeed, the weak and the vulnerable need the guiding hands of the government to promote welfare of all, as Smith had rightly underscored as the legitimate remit of a welfare state.

A major concern for a poor state like Odisha where large no of people stay in the village is the low level of agricultural productivity. The following table would bring out that comparative productivity at all India level with Odisha for major crops.

Table 5: Yield Rate of Principal Crops (2014-15)

Crop	All India Productivity (KG per hectare)	Odisha	Difference %
Rice	2390	1491	-37.61
Wheat	2872	1347	-53.09
Gram	875	775	-11.43

Source: Odisha Economic Survey Report 2016-17

It would be seen that in major cereal crops, the difference in productivity is as high as (38% -53%). The rural landscape of Odisha is also severely distressed due to

high levels of landless population, casual workers and a large number earning less than the minimum wage as the following table would show.

Table 6: Rural Landscape: All India & Odisha

Parameter	All India	Odisha
Casual Employment	38.3	39.4
Government Jobs	5	4.3
Monthly Income <5000	74.5	87.9
Kisan Credit Card	3.6	1.5
Irrigated Land	25.5	9.9
Unirrigated Land	29.6	37.5

Source: Socio Economic & Caste Census Report, 2011

COOPERATIVE FEDERALISM & HIGHER DEVOLUTION OF FUNDS

One of the spin offs of the 14th Finance Commission report has been the significant

increase in the share of taxable resources (42%) of the centre to the states as against 32% by the earlier commission. The additional benefit to different states is enumerated below.

Table 7: Additional Fourteenth Finance Commission Transfers (in 2015-16 over 2014-15)

State	Benefits from FFC (in Crore)
Andhra Pradesh (United)	14620
Bihar	13279
Chhattisgarh	7227
Gujarat	4551
Kerala	9508
Odisha	6752
Tamil Nadu	5973
Uttar Pradesh	24608
West Bengal	16714

Source: Fourteenth Finance Commission Report, GOI

However, what this higher devolution masks is decrease in the share of Centre's

share in the centrally sponsored schemes like the ICDS & Anganwadi workers. As

against the earlier central share of 80% in such schemes, post 2015-16, it has been reduced to 50%. Since there is no caveat to the states that the increased devolution of 14th Finance Commission award should not stifle allocation to such welfare schemes for children and lactating mothers,

many states like Odisha have denied even the modest salary paid to these workers, forcing them to go on a strike.

The following table would bring out the dynamics of the change in resource share for anganwadi workers.

Table 8: Anganwadi Program: Allocation, Wage and Resource Sharing

Parameter	2008-09	2011-12	2014-15	2015-16	2016-17	2017-18
Centres (in lakhs)	9.32	14	14	14	14	14
Workers (in lakhs)	18	22	22	22	22	22
Allocation (in Rs. Cr.)	6300	10000	16253	15433	14560	15245
Wage of Workers (in Rs.)	1500	3000	3000	3000	3000	3000
Number of Children Covered (in lakh)	629	700	700	700	700	700
Number of Pregnant & Lactating Mothers (in lakh)	132	150	150	150	150	150
Central Plan Responsibility (in Rs. Cr.)	5670	9000	14627	7716	7280	7622
State Plan Responsibility (in Rs. Cr.)	630	1000	1625.3	7716	7280	7622

Source-Budget Document, 2017-18, Government of India

It would clearly demonstrate that the wage of anganwadi workers is less than minimum wage and the share of states has increased significantly.

THE WAY FORWARD

Odisha is on a high growth path; and it has rightly embarked upon a mix of high growth and sensible social inclusion schemes. But it has to invest more in creating irrigation potential, ramp-up its manufacturing activity and improve agricultural productivity. The quality of government schools remains abysmally poor, in terms of both basic infrastructure and teaching, The Annual Status of Education Report (ASER) 2015 brings out

the poor outcomes in terms of reading, writing and numeracy ability, enticing 30% students to opt for very costly private schools. The picture is equally grim in college and university education where the private sector has become the piped pipers. Odisha has become the educational hub of the east. However, there are very little yen for academic excellence or pursuing frontline research. The skilling initiatives remain rudimentary, yet significant for a larger number of school drop outs. The private sector is also investing handsomely in private hospitals which remain beyond the financial reach of the poor. The goal of quality health care

at affordable cost remain a pious platitude, just as quality, value based primary education, a goal set by the Oslo summit. Odisha is still not an attractive destination for investment or for inflow of Foreign Direct Investment (FDI), due to the fiasco over investment by many Multi-National Corporations (MNCs) and large manufacturing houses. Despite political stability, lack of dynamism seems to deny Odisha to reap its true potential in terms of quality education, skilling, productivity and a manufacturing hub of India. Just as Chennai has become the automobile hub of India, Ludhiana the epicenter for garment, Odisha has all the potential to become the steel hub of India.

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