

**CHAPTER - 4**  
**THE ECONOMY OF CHHATTISGARH – AN OVERVIEW**

**4.1.0 Introduction :**

4.1.1 Since the State Economy and its growth in different manifestations, provide the economic base for generating Financial Resources, to be mobilized and deployed by the State Government for the Social-Economic development of the State, it becomes imperative to make a quick review of the performance of the State Economy in different directions, and also of the major constraints on the process of development and change in the State. The State Finance Commission is, therefore, expected to recommend its package of devolution of Finances from the State Government to Local Bodies, against the background of the performance of State Economy and its potential for growth in different directions. From this review would also emerge the priorities for the development of the State.

4.1.2 The present State of *Chhattisgarh was carved out of Madhya Pradesh on 1<sup>st</sup> November, 2000*. It had a chequered history, the region becoming a part of a number of States, but ultimately gaining its cultural and ethnic identity when it attained the status of a separate statehood. The area constituting the New State was merged into Madhya Pradesh on 1<sup>st</sup> November, 1956, under the States Re-organization Act, and remained a part of that state for exactly 44 years. Earlier to its becoming a part of the new state of Madhya Pradesh created on 1<sup>st</sup> November, 1956, the region was part of old Madhya Pradesh State, with its capital at Nagpur and prior to that a part of the Central Provinces and Berar province (CP and Berar) under the British rule. Some areas constituting the Chhattisgarh state were princely states under the British rule but later on were merged into Madhya Pradesh. Thus, we see that continuity in the development process was impeded by frequent shifts of the region from one State to another. It is now expected that the new State of Chhattisgarh, though smaller in size, but with tremendous potential for development, will make rapid strides in different directions, according to the aspirations and needs of the people of the State.

4.1.3 The State has inherited the administrative, financial, legal and institutional framework of the undivided State of Madhya Pradesh but now has the opportunity to modify that framework according to its Social-Economic requirements. The present review of the state economy is based on scanty data available in respect of Chhattisgarh State and that too for a very short period of hardly 4 or 5 years, since the establishment of the state. Not much time should be lost in building up the data base of the new state, since future development programs would have to be based on that data.

#### **4.2.0 Chhattisgarh A Less Developed State :**

4.2.1 At present the state presents a spectacle of under-development and wide-spread poverty, along with tremendous potential for development. The State is reckoned among the less developed State of India. Its vast potential in terms of land, Forest and Mineral Resources, has remained under-utilized, besides other factors that we will identify in the Chapter, due to its frequent shifting from one State to another and the concomitant changes in State Government policies and institutional framework. Becoming a part of less developed State of Madhya Pradesh in 1956, the region could not overcome its under-development because of different constraints and handicaps from which the larger State of Madhya Pradesh had to suffer.

4.2.2 The State is a land-locked state, surrounded by Six States, namely, *Madhya Pradesh, Uttar Pradesh, Jharkhand, Orissa, Maharashtra and Andhra Pradesh*. Its widespread poverty and under-development may be partly attributed to the fact that a very large proportion of its population (43.37%), consists of scheduled castes (11.61%) and scheduled tribes (31.76%), as against 35.40% of the re-organized Madhya Pradesh and 24.6% of the whole country. This very fact highlights one important priority for the State Government and that is, the programs of development will have to be directed towards the upliftment of these backward people. Their neglect would perpetuate poverty and under-development.

#### **4.3.0 The Demographic Profile :**

4.3.1 According to 2001 census, *Chhattisgarh* State has a *Total Population* of 2.08 crores, a little more than one-third of the population of re-organised State of *Madhya Pradesh*, which has a population of 6.03 crores. The total geographical area of the state is estimated at 137 thousand sq.kms., as against 308 thousand sq.kms. of

**Madhya Pradesh.** The new state has got area equal to 44.48% but population equal to 34.49% of undivided State of **Madhya Pradesh**. Since the state has inherited more area and but less population, the density of population of the new State of **Chhattisgarh** was 154 persons per sq.km, as against 196 of **Madhya Pradesh** and the **Indian** average of 324 in the year 2001. This very fact increases the unit cost of administration in the State and also makes the delivery of economic and social services a costly affair.

4.3.2 The State is predominantly rural, with 80% of its total population living in rural areas. It is one of the less Urbanized States of India, with about 20% Urban Population, as against 26% in **Madhya Pradesh** and about 30% in the **Country as a whole**. The State Economy is highly dependent on agriculture which is the main source of livelihood of the people. Another fact that emerges from this review is that programs of development need to be highly biased in favour of rural development.

4.3.3 During the decade 1991-2001, the state had a **Population Growth** of 18.06%, as against 24.34% of **Madhya Pradesh** and 21.34% of India. The annual exponential growth of population was 1.66%, much lower than the **All-India** rate of 1.93%. The 2001 census has recorded a slackening of population growth compared to the previous decade. The state has recorded a marginal improvement in sex ratio from 985 in 1990-91 to 990 in 2001. This ratio is much higher than that of **Madhya Pradesh** and the **Indian Average**, being 920 and 933 respectively in 2001. The population of children below the age of 6 years to Total Population in **Chhattisgarh** has declined from 19.94% in 1991 to 16.68% in 2001, as against 17.58% in **Madhya Pradesh** and 15.42% in **India** as a whole. This may be due to lower decadal growth rate of population in the state and also high infant mortality rate. The infant mortality rate in the **State** is 79 per 1000, compared to 68 in the **Country as a whole**.

#### **4.4.0 Social Infrastructure – Human Resource Development :**

4.4.1 There are considerable backlogs in areas like literacy rate, levels of nutrition, drinking water supply, basic health services and development of women and children and weaker sections of society. There are historical gaps in many areas of human resource development which need to be filled up in the shortest possible time.

- 4.4.2 In 1991, **Literacy Rate** in **Chhattisgarh** was 42.9%, male literacy rate being 58.10 and female rate 27.50, much lower than the **Indian Average** of 52.2, male literacy rate of 64.1 and female literacy rate of 39.2. In 1991, **Madhya Pradesh** had a little higher rate than **Chhattisgarh**, 58.5% male literacy rate, female rate of 29.4% and the average literacy rate of 44.7%. In 2001, **Chhattisgarh State** has improved its relative position and moved ahead of **Madhya Pradesh** in respect of average literacy rate and also female literacy rate. The **Table No. 4.1** presents this **change in literacy rates in Chhattisgarh, vis-a-vis MP and India**.
- 4.4.3 Rapid strides made in the field of literacy, both in **Madhya Pradesh** and **Chhattisgarh**, may be attributed to the efforts made by the Education Guarantee Scheme under **Rajiv Gandhi Shiksha Mission**. This programme of the State Government has gained recognition not only within the country but also at the international level.
- 4.4.4 The State Government of the composite State had constituted 7 Rajiv Gandhi Missions in the State on 20<sup>th</sup> August, 1994, to initiate action in the selected areas of Education and Public health and Rural development. The **PRIs** are providing the necessary institutional frame-work for decentralized solution to the felt-needs of the people. The drama is still unfolding. The most important areas, as identified by the Human Development Report where progress is tardy, are reducing poverty and child mortality and increasing school enrolment. It is now well known that the benefits of more rapid growth of the 1990s have not been shared equitably by all regions and all Social and Economic classes.
- 4.4.5 **Public Health** is an area where there are big gaps but the progress is slow. The State lacks medical facilities. It has only 6 district hospitals, against 16 districts. Shortage of manpower is the major constraint on the provision of Public health facilities. Health services are deficient in coverage as well as in quality. Number of allopathic hospitals per lakh of population in the State is 32, as against 35 in **Madhya Pradesh** and 97 in **India**. Infant mortality rate is very high Primary health facilities need to be expanded and improved in rural area. PHCs, CHCs and subsidiary health services lack infrastructure in terms of buildings, staff, medicines and equipment. With inadequate infrastructure in terms of transport and communication facilities, it is difficult to reach the weaker sections of population in remote areas.

4.4.6 According to the data provided by the *XII<sup>th</sup>FC*, in Rural Areas of *Chhattisgarh*, 22.33% of households have to fetch drinking water from far away places, as against 19.54% in *India*, 88.69% of rural house- holds have no drainage facilities, as against 65.82 in the country, and 94.82% of the households do not have latrine facility, as against 45.74% in *India*. The deprivation index constructed by the FC in respect of these facilities is 57.4% much higher than 45.74% of the *Whole Country*. In Urban Areas, 13.67% of households have to obtain water from far away places, as against 9.38% in *India*, 47.41% of the households do not have latrines, as against 26.28% in the *Country*, 37.04% have no drainage facility, as against 22.13% in the *Country as a whole*. The Deprivation Index for Urban Areas in the state is 27.95%, as against 16.79% for the *whole Country*. This is a reflection on the state of affairs in respect of Civic Services in Rural and Urban Areas, most of which have to be provided by Local Bodies.

4.4.7 The deplorable state in respect of Social Services in the State, calls for the need for according top priority in Public Expenditure and also in the Planning Process, to Education and Public health. We have to ensure that along with accelerated growth, human development is given adequate attention and the wide gaps in this area are filled up in the shortest possible time.

#### **4.5.0 Physical Infrastructure**

4.5.1 In terms of *Physical Infrastructure Road, Communications, Irrigation*, the State ranks low. In respect of power, the position is comfortable and satisfactory. It is because of inadequate development of infrastructure, both physical and social, that the State of *Madhya Pradesh* of which *Chhattisgarh* has been a part for 44 years, has missed opportunities for achieving higher rate of growth. The State has poor infrastructure, to support and sustain increasing development effort. The nature of infrastructure in the State tends to be more capital intensive, partly because of its topography and partly because of scattered nature of its settlement hierarchy.

4.5.2 The *XII<sup>th</sup>FC* has grouped States according to select indicators, in terms of Human Development Index and Infrastructure Index. *While the Human Development Index reflects access to Social Services, the Infrastructure Index reflects access to*

*physical infrastructure. Chhattisgarh* along with *Assam, Jammu & Kashmir, Jharkhand and Rajasthan*, are placed in the group of lower-middle level of development. Regarding *Physical Infrastructure*, it is included among low *Infrastructure Index* group of States, which includes *Arunachal Pradesh, Manipur, Meghalaya, Jharkhand, Mizoram, Nagaland, Assam, Sikkim, Tripura, Jammu & Kashmir, Bihar and Rajasthan*.

4.5.3 *Irrigation* facilities are very scanty. The irrigated area from all sources, Government as well as private, stood at 10.46 lakh hectares, accounting for 21.70% of the net sown area in the State, as against 36.70% in *Madhya Pradesh*. The Total Area Irrigated by Government sources was 11.79 lakh hectares, which constituted hardly 20% of total cultivated area in the State. Agriculture in the State is mainly a gamble in monsoons. Water resources are vital to agriculture, power generation and drinking water and other needs. These resources are available in large quantities but are not being captured and utilized. The State becomes susceptible to droughts, resulting from failure of rains and inadequate irrigation facilities. The topography of the State is such that there is poor retention of water. The rain water percolates very quickly. Because of plateau type geographical topography in the State, the run-off of rain-water is very fast. The major river, the Mahanadi which takes away most of the run off water, does not provide water perennially.

4.5.4 There has been acute shortage of *Drinking Water* in the State when monsoons are scanty, causing migration of the rural people to safer areas where water is available.

4.5.5 Though *Road Transport* should constitute the backbone of the transport system in the State in view of inadequate net-work of railways in relation to area, progress in this sub-sector of the State Economy seems to be very slow, both in terms of expansion of road net-work and maintenance of existing roads. The total length of roads per 100 sq.km. is only 25km as against 75 in the *Country* and 35 in *Madhya Pradesh*, and the length of *pacca* roads per 100 sq.km. is only 17, as against 42 in the *Country* and 19 in *Madhya Pradesh*.

- 4.5.6 Other sectors of the State Economy can grow when there is well developed National/State high-ways and district/village roads for moving goods with speed, from all-over the Country. Chhattisgarh is surrounded by 6 States. Traffic from all these States passes through the State, which puts a heavy pressure on its road network. The State has to make a much larger headway in the development of road transport, for attracting more investment in power and industry, both foreign and domestic. The policy initiatives in this sub-sector in collaboration with private sector and foreign capital, can yield better results in the near future, provided there is a well-designed and integrated transport policy for the development of the State.
- 4.5.7 For hinterland State, air and rail transport are important for development. But *Chhattisgarh* suffers on both these counts. The coverage of the State in terms of communication facilities, telephone and postal services, is equally poor.
- 4.5.8 The *Power Position* in the State is Encouraging and Satisfactory and the State is surplus in power. In 1999-2000, the actual generation of electricity was 778.89 crores units, of which only 5.5% was hydro-electricity and rest thermal power. The plant load factor for thermal plants was 67.96%. The State has the basic input for Agricultural and Industrial development. Despite being surplus in power, the Per Capita Consumption of Power was 242 kwts, as against 358 in *Madhya Pradesh* and 301 in *India*. This is indicative of the fact that the State has been supplying power to other parts of Madhya Pradesh. At the time of the creation of *Chhattisgarh*, the State had only 10% of transmission and distribution assets, while *Madhya Pradesh* had 90%. Because of poor T and D infrastructure, there was the tremendous problem of low voltage and frequent breakdown not only in rural areas but also in Cities. Nearly 92% of villages in the State are electrified, as against 97% in *Madhya Pradesh* and 85% in the *Country* as a whole. Nearly 68% of installed capacity of MPEB was located in Chhattisgarh and the rest in Madhya Pradesh. The State can become frontline State in industrial and power development in the Country, with its huge Mineral and Forest Resources.

4.5.9 There has been considerable deterioration in the level of *Physical Infrastructure*, more particularly after the fifth five year plan when perspective planning lost much of its significance and in its place populist policies gained ascendancy. This is evidenced by declining percentages of Total Public Expenditure of the States, on the maintenance and development of Physical Infrastructure, more particularly since the introduction of Economic Reforms in the Country. The State has to take bold action in regard to pricing of Economic and Social Services in view of large subsidies on power and irrigation water.

#### **4.6.0 The Resource Base Of The Economy :**

4.6.1 The State is rich in Natural Resources in terms of Forests, Mineral, Water Resources. The growth potential is tremendous but its exploitation is inadequate on account of inadequate Financial Resources, shortage of manpower, lack of perspective planning, historical perspective and poor infrastructure.

4.6.2 The State abounds in *Forest Resources*. Nearly 44% of total geographical area of the State is under forests, as against 30% in *Madhya Pradesh*. Tribal life revolves round forests. Nearly 40% of forests are of considerable economic value. These are teak, saal, bamboo, tendu leaves, etc. But forests in the State contribute only 2.8% in terms of Value Addition to the Net State Domestic Product. The main contribution of forests is in terms of their impact on environment. It is much more than its contribution to State Domestic Product and also in terms of Revenue to the State Government. The State has larger area under forests than required under the National Policy. In a predominantly Tribal State, the tribals are denied access to Forest Resources. This is a source of considerable unrest among the tribals. Minor forest products has the potential to generate income of more than Rs.500 crores per annum, besides generating gainful employment to the population. In 2004-05, forests were expected to contribute Rs.140 crores to the state exchequer. Their proper conservation is the responsibility of the State Government under the Central Act. Their management is being done through the constitution of forest management committees.



- 4.6.3 The *XI<sup>th</sup> FC* had recommended preparation and implementation of scientific work plans for the management of forests for the country as a whole. Very few states have got work plans approved and have started implementing them. They have pointed out that the maintenance of the forest area according to the working plan has become a problem due to Financial Constraints. Forests are a National Wealth and the Country as a whole has a responsibility in preserving it. The *XII<sup>th</sup> FC* had recommended a grant of Rs. 1000 crores for the states during the award period (2005-10), to be allocated among different States in proportion to the Forest Area of each State. A sum of Rs.85 crores has been allocated to Chhattisgarh State, which is next to Arunachal Pradesh and Madhya Pradesh. This is a very small amount. The State has to spend most of the funds on the maintenance of forests from its Own Resources.
- 4.6.4 The State is rich in ***Mineral Resources***. It has reserves of 11 types of minerals, of which the most important are coal, iron ore, bauxite, dolomite, tin, limestone. In the total value of output of minerals, 82% is contributed by coal, 13.15% by iron ore, 4.25% by limestone, 0.65% by bauxite and 0.38% by dolomite. In 2000-01, the state produced minerals worth 3600 crores and generated a Revenue of Rs. 400 crores to the State Government, increasing to 455.52 crores in 2001-02 and further to Rs. 637 crores in 2003-04, accounting for 19.74% of Total Revenue Receipts of the State Government. The Revenue from minerals largely depends upon the royalty rates fixed by the Central Government and their timely revision. The State Government has been demanding more frequent revision of royalty rates by the center. The Mineral Resources of the state can provide a sound basis for the development of a number of Mineral Based Industries and Thermal Power. The state Mineral Development Corporation is charged with the responsibility of mineral development in the State. As per the declared policy of the State Government, the weaker sections and educated unemployed are being given priority in the exploitation of some minor minerals, and the PRIs are also given the right to raise Revenue from minor minerals in their respective areas. The extraction of minerals is governed by the policy of the Central Government. Mineral exploration needs to be speeded up. The role of the State Government in the exploitation of minerals needs to be enlarged. One major problem is that of illegal mining which has to be curbed vigorously.

**4.6.5** The *Mineral Based Industries* in the state are the Bhilai Steel Plant, Aluminium Plant at Korba and a number of Power Generating Thermal Plants, Cement Factories and a number of Refractories.

#### **4.7.0 Agricultural Development :**

4.7.1 *Growth of Agriculture* is crucial to the Economic Development of the State. Agriculture continues to be less developed, despite a few pockets of development. It continues to absorb a higher percentage of working force than the Country as a whole. About 80% of working population depends directly or indirectly on agriculture. The total area available for cultivation constitutes 35.5% of the total geographical area of the State. The State is mainly a '*kharif*' State with predominance of paddy crop, covering 80% of the total cropped area. Assured irrigation is available merely to 21% in the state while the rest of the cultivated area depends on monsoons.

4.7.2 Agriculture in the State is characterized by instability in growth rate, caused by weather-induced fluctuations. The new agricultural strategy that had ushered the green revolution since the mid-60s of the last century, had by-passed the Chhattisgarh region. The cropping intensity in the State is very low, 121 compared to 135 in *Madhya Pradesh* and the *National Average* of 133. Hardly 14% of the cultivated area is double-cropped, as against 21% in MP and 25% in the *Country* as a whole. The use of chemical fertilizers is very poor, 40 kg per hectare, as against 48 in MP and 90 in India. The use of modern inputs is confined mainly to large farmers in irrigated area. Fertilizer consumption besides its low consumption is far away from the norm of balanced use.

4.7.3 Paddy is the main crop and any failure of rains in terms of quantum or distribution affects productivity and output. It is found that paddy is being grown on 25 to 30% of total area, even though it is Un-Economical to grow. In fact, cropping pattern in the State is not optimum. More area needs to be brought under pulses, oil-seeds, sugarcane, cotton, spices, horticulture crops, medicinal plants, etc.

- 4.7.4 The agricultural sector of State Economy has been receiving a lesser Capital Investment since 1980-81, evidenced by declining rate of investment in the State. The average size of holding in the State is 1.8 hectares, compared to 2.5 in MP. Nearly 90% of farmers are small and marginal who are fighting a losing battle with rice production. The Rural Economy of the State continues to be feudal in character. A large part of farming is carried out on crop sharing basis. Contract farming is on the increase in many parts of the State under which private agri-business companies, make efforts to secure access to small holders produce. Migration of land-less laborers and marginal farmers is a regular phenomenon, particularly when the State faces droughts in Rural Areas.
- 4.7.5 The productivity of rice per hectare has not registered any substantial increase, despite increased average under HVY varieties and increased use of fertilizers and improved production technology. The Food Insecurity Atlas of India prepared by the UN World Food Programme, has identified *Chhattisgarh* along with *Jharkhand, Gujarat and Orissa*, among the food insecure states of India. The region was once known as the “rice bowl” of the country for its rice varieties and good crop yield. Today modernization has resulted in a single-minded emphasis on new HVY varieties and the neglect of indigenous diversity. Some indigenous varieties of rice in the region are high yielding and pest-resistant. But the vast repository of rice varieties seems to have been given a good-bye in the state for increased production and for developing new varieties of rice. The traditional varieties may have low to moderate yield even under adverse conditions, where modern varieties may fail completely<sup>1</sup>.
- 4.7.6 There is absence of organized marketing net-work in the State. The share of middleman is very high. The cultivator is being exploited and does not get a fair price for his produce. Necessary steps need to be taken to develop Co-operative system of marketing and also regulatory marketing, to curb malpractices rampant in agricultural markets.

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1. Meena Menon – Cracks in Rice Bowl – Economic and Political Weekly – June 9, 2001, pages 2028-30.

4.7.7 The State needs diversification of cropping pattern, more irrigation facilities, vigorous drive towards water-shed development, proper and balanced selection of crop varieties, greater support to small and marginal farmers, employment programs for landless labourers, improvement in the quality of extension services, more value addition in this sector, greater public investment in Rural Infrastructure, creation of organized marketing system, larger flow of institutional credit, extension of marketing and warehousing facilities, strengthening of decentralized planning. What is needed the most is the integration of agricultural development programs with employment generation and poverty reduction programs in a decentralized manner.

#### **4.8.0 Industrial Development :**

4.8.1 The State is reckoned among the industrially less developed State of India, despite the fact that it is endowed with rich Forest and Mineral 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. Its Central location is an added advantage.

4.8.2 The share of Secondary Sector which includes manufacturing industries and power generation and distribution, has been nearly 25 or 26% of net State Domestic product. The manufacturing sector, both registered and un-registered, taken together, contributes nearly 17% to the GSDP of the State which has been higher than *Madhya Pradesh*, indicating a higher level of industrial development and power development compared to that State. But the level of industrial development in *Chhattisgarh* is much less than its potential. Despite the potential, development of industrial sector has been tardy. Apart from two major Central Public Sector Undertakings – Bhilai Steel Plant and Bharat Aluminium Company (since privatized), a few cement factories and sponge iron units, based on locally available Mineral Resources, there are hardly any major industrial units in the State. The spread of industrial development is mostly confined to a few areas mainly near the railway line in Durg and Raipur districts. Most of the districts do not have the requisite infrastructure for industrial development.

- 4.8.3 Nearly 65% of power generated in the state is consumed by industries, 12.3% by irrigation and 18% by domestic consumption. The number of registered factories in the state stood at 2553 in 1998, increasing to 2706 in 2001, employing daily, on an average, a workforce of 13,000. At present there are only 4 major growth centers in the state, located in districts of Raipur, Durg and Bilaspur. The industrial policy of the state for 2004-09 seems to be very ambitious in terms of increase in the number of growth centers, creation of industrial parks, elimination of red-tapism and procedural hassles, creation of sufficient infrastructure with private participation, promotion of small-scale units, promotion of competitiveness. The state has a number of traditional rural industries, more particularly sericulture, handloom, handicrafts and *khadi* and village industries. In a more liberalized climate, the government has to ensure that these industries are not competed away. Because of the potential for employment their protection needs to be rationalized and continued.
- 4.8.4 The State Specializes in ***Resource-Based Industries*** like Iron and Steel, Cement, Aluminum and Power. It has yet to develop Consumer Goods industries to any significant extent. The industrial structure is lopsided and does not ensure inter-sectoral Linkages and Agglomeration Economies for the over-all development of the State. The ***Export-Based*** industries have a weak multiplier effect and, therefore, have not triggered off industrial development to any large extent.
- 4.8.5 Investment decisions are no longer governed by National Planning and by the objective of balanced regional development. Instead, investment is now made on Economic considerations, the capabilities and strategies of firms as well as the natural geographical features and investment climate in various locations, have become the decisive factors. What we mean by investment climate is the institutional, regulatory and policy environment in which the firms have to operate. Investment climate can vary considerably across the States in India depending upon the state level differences in the security of property rights, approaches to regulation, provision of infrastructure and functioning of Finance and Labour Market. A large number of memoranda of understanding and letters of intent may not materialize in the absence of environment delineated above. The lagging states have to ensure that their Economic Reforms make investment climate more business

friendly. But market friendly climate does not mean that the regulatory mechanism of the Government should be done away with. Government regulation is essential to address market failures and to protect Social Interests. But the policies and practices of the Government should be transparent and designed without distorting the incentives of the firms to invest and grow. In the era of liberalization, the Government has to play a critical role to ensure the security of lives and property, making investment in the development of Social and Economic Infrastructure and by ensuring a smooth functioning of financial market and labour market<sup>2</sup>.

4.8.6 There is ample scope for industrial development in the State. A number of concessions and subsidies are being provided by the Government under industrial policy. But these concessions and subsidies can hardly attract industries to the State unless investment climate, which is market friendly, is created.

#### **4.9.0 Banking Development :**

4.9.1 Credit is an important input in Agricultural, Industrial and Business Development. Moreover, the development of banking is necessary to replace the Non-Institutional Agencies, operating more particularly in rural areas. At present there are 29 Commercial Banks, both Public Sector and Private Sector, 55 Rural Regional Banks, 6 District Central Cooperative Banks, 6 District Cooperative Agricultural and Rural Development Banks operating in the state, in addition to the State Cooperative Bank. As in June 2004, public sector banks had 583 branches in the state, with total deposits of 11610 crores and credit of 4511 crores, giving a credit deposit ratio of 38.85 percent which is very low, compared 47.14% of *Madhya Pradesh* and 70% of *Maharashtra*. The share of priority sector in total bank credit in the State was 38.9%, as against 53.3% in *MP*. The average coverage of population per branch was about 15838. Considering the fact that the average per branch population of *Chhattisgarh* is higher than the national average, there is scope for more bank branches in the State.

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2. Veermali and Golder – Manufacturing productivity in Indian States– Does investment climate matter? Economic and Political Weekly, June 11,2005, page-2413

4.9.2 Taking into account the aggregate deposits, advances, Credit-Deposit Ratios of all the banks in the State as on 31<sup>st</sup> March, 2004, we get a more comprehensive picture compared to the above data which gives the performance of only Public Sector Banks in the State. The **Table No. 4.2** presents the *performance of the banks in the State*.

4.9.3 Although Credit-Deposit Ratio is nearer the target of 60% but other parameters fall short of the targets. It is worrisome to see that advances to agriculture and also to weaker sections have been decelerating, to agriculture declined from 24.01% in 2002 to 17.1% in 2003 and further to 13.88% in 2004, and to weaker sections from 14.05% in 2002 to 10.15% in 2003 and further to 9.53% in 2004. In the field of credit, topmost priority should go to provision of adequate credit to small and marginal farmers. At present the Credit-Deposit Ratio, as the above table shows, has recorded increase and is nearing the target of 60%, but advances to agriculture and weaker sections have been declining. This trend needs to be arrested.

#### **4.10.0 Growth Performance Of The State Economy :**

4.10.1 While making a rapid review of the State Economy in the earlier paragraphs of this Chapter, we have also identified the factors which have been acting as constraints on the process of growth in different sectors of the State Economy. We designate these factors as growth retarding factors. From this review have also emerged changing priorities for development in different sectors. We have also identified factors, which may accelerate the process of growth in the Economy. These factors can be designated as growth accelerating factors. Unless the speed of growth accelerating factors overtakes the pace of growth retarding factors, the State Economy can not grow according to its full potential. The main objective of Planning Process and Government Policies should be to put the Economy on the trajectory of higher growth, by increasing the speed of growth accelerating factors and loosening the grip of growth retarding factors.

4.10.2 The impact of both the factors on the State Economy influences the growth performance which is ultimately reflected in one important macro variable, designated as State Domestic Product. It is the aggregate value of all incomes generated or values

added by different factors of production in different sectors of State Economy during the course of one year. It is gross, when depreciation is not netted out. It is domestic, because it includes incomes generated within the boundary of the State, and inflows into the State and outflows from the State are not taken into account.

4.10.3 The State Economy has manifested a slow rate of growth because of Physical, Social, Institutional, Financial and Administrative constraints operating in *Madhya Pradesh*, of which *Chhattisgarh* region has been a part for 44 years. The forces of growth have not been released to the extent that the State makes rapid strides in different directions. The State continues to be at the lowest rung of the ladder in the country in respect of most of the indicators of development. The new State has to make a considerable leeway to join the group of middle income group of States of India.

4.10.4 The Economic Survey of Chhattisgarh for the year 2005-06 gives data for more recent years, in respect of *Per Capita Net State Domestic Product* of the State, both at Current Prices and Constant Prices (1993-94).

For presenting a comparative picture, we have taken data from the Economic Survey for the year 2004-05, published by the Government of India, which are given **Table No. 4.3**.

4.10.5 In 1993-94, **Net State Domestic Product (NSDP)** of *Chhattisgarh* at Current Prices was 35.80% of *MP*, the percentage declined to 32% in 2000-01, but increased to 33.99% in 2001-02, and further to 35.15% in 2002-03. The decline is to be mainly attributed to shortfall on the agricultural front. The Per Capita NSDP at Current Prices was in 1993-94 99.31% of *MP*, declining to 92.69% in 2000-01 but increased to 103.97% in 2002-03. This shows that the Per Capita Income of *Chhattisgarh* State was higher than that of *MP* in 2002-03.

4.10.6 Among the 32 states of India for which data was made available in the Economic Survey (2004-05), *Chhattisgarh* had a ranking of 25 in 2001-02, which was higher than 7 States – *Assam, Bihar, Jharkhand, Meghalaya, Orissa, UP and Manipur*.



4.10.7 *The XII<sup>th</sup> FC in its report has also presented data regarding GSDP of 28 States. We have taken data relating to Chhattisgarh, Madhya Pradesh and India, which are presented in the Table No. 4.4*

The table shows that in 2000-01 *Chhattisgarh* has overtaken the State of *MP* in terms of Per Capita GSDP at Current Prices. The Average Per Capita Income of the State was higher than that of *Madhya Pradesh*. Among the 28 states for which data are given in the report, *Chhattisgarh* occupied 22<sup>nd</sup> rank and *Madhya Pradesh* 23<sup>rd</sup> rank. But the State is much behind the average of all the States.

4.10.8 The presentation of above facts demonstrates the fact that the Economy of *Chhattisgarh* State has been growing at a slow pace. This may be partly due to the fact that in the initial period of its creation, the state had to concentrate its efforts and resources on the shifting of the Government and its settlement at a new place. Moreover, five years period of its existence, with all the teething troubles, is too short for making an assessment of its growth performance.

4.10.9 Because of slow growth of its Economy and low level of Physical and Social Infrastructure, nearly 42.60% of the people of the state are living below the Poverty Line. To reduce poverty in the state, it has to grow faster than at present and also ensure that the benefits of growth accrue to the weaker sections of society, more particularly the SC and ST Population which constitutes nearly 43.37% of its Total Population. Market, by itself, cannot tackle the problem of poverty, because of the unequal strength of the market players. The State Government has to create regulatory mechanism in different fields to act as a watch-dog of the functioning of the market and to protect the interests of weaker sections of society. The regulatory mechanism, more particularly in the field of education and public health and other social services, has to be effective and powerful to ensure the effective delivery of these services to the poor.

#### **4.11.0 The Structural Changes In The State Economy :**

4.11.1 In the process of economic growth, *Structural Changes* take place in the Economy which are indicated by changes in the relative contribution of different sectors to the State domestic product. The **Table No. 4.5** presents, *such changes in the State Economy over the long period.*

4.11.2 The share of **Primary Sector** which mainly includes agriculture, has declined from 40.33% in 1993-94 to 36.39% in 1999-2000 and further to 33.27% in 2002-03. The decline is mainly due to the poor performance of agriculture and relative increase in the share of other sectors. The contribution of agriculture to total employment in the State is higher than its contribution to GSDP, suggesting low productivity per capita. The **Secondary Sector** contributes a higher percentage to the GSDP in the state compared to that of **MP**, indicating higher level of industrial development and power generation in **Chhattisgarh State**. But this percentage share in the state has been declining since the creation of the new state. In 1999-2000, the contribution of Secondary Sector was 28.15% but increased to 29.31% in 2002-03. The contribution of **Service Sector** in the State has increased from 29.44% in 1993-94 to 35.46% in 1999-00 and further to 37.41% in 2002-03. **This is the only Sector of State Economy which has shown continuous increase, and makes the largest percentage contribution to the GSDP of the State.** Compared to structural changes in the **Indian** Economy, such changes in the Economy of **Chhattisgarh** are slower. The secondary sector more particularly, has not shown any significant increase in its contribution to the state GSDP, indicative of slow industrial development and power development in the state.

4.11.3 On the whole, the Economy of the State has been growing at a slow pace and structural changes are also lop-sided, with the result that there has been little change in the Employment Structure of the State. About 80% of Total Population depends upon agriculture, directly or indirectly, where productivity is very low and poverty widespread.

#### **4.12.0 Conclusion :**

4.12.1 The State is growing at a slow pace. Its present growth cannot make any major dent on poverty. The State is rich in Natural Resources. It has inherited its poverty from its past to a large extent. Now it has to cover the distance of centuries in decades and that of decades in years. The small size of the State, with its cultural and ethnic

identity and vast and varied natural resources, provide considerable opportunities for rapid growth. What is needed is a long-term perspective and commitment to development. *The State has to grow at a much faster rate than at present. It is necessary to generate more Financial Resources needed for investment in different sectors. The Fiscal Policy of the State has to be so designed that it yields Revenue Surplus to be deployed for investment. Investment in the economy has to be stepped up through inflow of more resources, both domestic and foreign.*

4.12.2 The major areas in which efforts have to be concentrated, are *Agriculture, Human Resource development and Physical Infrastructure*. The State Government has to reformulate its Agricultural, Industrial and Infrastructure policies taking into account the competitive environment that is being created in the country in the wake of Economic Reforms. Through spatial planning, gaps and deficiencies in social and physical infrastructure have to be identified and filled up, with a view to ensuring optimum utilization of functions and facilities.

4.12.3 *The State Government has to play mainly the role of promoter, facilitator and regulator. It has to prepare plans for development in which private sector also participates. The regulatory mechanism created in different areas, has to be autonomous, honest, effective, transparent, with the object of providing level playing ground for different players in the State. Such states would grow faster and be able to reduce poverty quicker which foster better investment climate, along with efficiency and effective regulatory mechanism and introduce Economic Reforms with a Human Face.*

Table No. 4.1  
Literacy Rates in Chhattisgarh, Madhya Pradesh and India

(in %)

S.No.	States/India	Persons		Male		Female	
		Literacy Rate		Literacy Rate		Literacy Rate	
		1991	2001	1991	2001	1991	2001
1	2	3	4	5	6	7	8
1	Chhattisgarh	42.9	65.18	58.10	77.86	27.50	54.4
2	Madhya Pradesh	44.7	64.11	58.5	78.7	29.4	50.3
3	India	52.2	67.38	64.1	78.85	39.2	54.16

Table No. 4.2  
Performance of Banks in the State  
(2002 -2004)

S No.	Particulars	Benchmark (%)	As on 31.3.2002	As on 31.3.2003	As on 31.3.2004
1	2	3	4	5	6
1.	Credit-Deposit Ratio	60%	51.85	54.4	58.89
2.	Priority Sector Advances to Total Credit	40	55.59	38.18	32.69
3.	Agricultural Advances to Total Credit	18	24.01	17.1	13.88
4.	Advances to Weaker Sections	10	14.05	10.15	9.53

(Source – Annual Plan of Chhattisgarh – 2005-06 page 13)

Table No. 4.3  
A Comparative Status In Madhya Pradesh & Chhattisgarh State Of NSDP

(In Rs)

S.No	Discription	1993-94	2000-01	2001-02	2002-03
1	2	3	4	5	6
1.	NSDP at Current Prices i) Chhattisgarh	12163	20539	24980	25094
	ii) Madhya Pradesh	33937	64115	73480	71384
	Percentage of Chhattisgarh NSDP to that of Madhya Pradesh	35.8	32.0	33.99	35.15
2.	Per Capita NSDP (Rs.) at Current Prices i) Chhattisgarh	6539	9922	11952	11893
	ii) Madhya Pradesh	6584	10704	12027	11438
	Percentage of Chhattisgarh Per Capita NSDP to that of Madhya Pradesh	99.31	92.69	99.37	103.97

Table No. 4.4  
Per Capita GSDP At Current Prices  
(1999-2000 -2001-2002)

(In Rs.)

States/India	1999-2000	2000-01	2001-02	Average
1	2	3	4	5
1. Chhattisgarh	13346	12867	14918	13710
2. Madhya Pradesh	13489	12572	13960	13340
3. All States	16184	16858	17892	16978

Table No. 4.5  
Structural Changes in the Economy of Chhattisgarh  
(1993-94 to 2002-03)

(In %)

Sectors	Percentage contribution of different sectors to NSDP at Current Price									
	1993-94	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	01-02	02-03
1	2	3	4	5	6	7	8	9	10	11
1. Primary	40.33	40.31	38.25	37.96	33.46	34.66	36.39	34.53	39.10	33.27
2. Secondary	30.23	29.35	29.96	29.59	35.65	33.13	28.15	26.33	22.80	29.31
3. Tertiary	29.44	30.34	31.79	32.45	30.90	32.21	35.46	39.14	38.11	37.41

(Source – Economic Survey of Chhattisgarh (2004-05) and Annual Plan for 2005-06)