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THE "SPECIAL CATEGORY STATE" CONUNDRUM IN ODISHA

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[Abstract: The Government of India has consistently turned down the requests of Odisha, Bihar and a few other states located in the eastern and central parts of the country for being accorded the "special category state" status on the ground that these states do not meet the prescribed criteria which reflect the disadvantageous geographic location of the 'special category' states. However, some of these states like Odisha and Bihar have been trapped in the vicious circle of low income and poverty due to a variety of factors such as lack of physical and social infrastructure, sizeable percentage of tribal population with deficient human skills and various other deficiencies that a mechanical application of the old criteria is not able to address. Besides, their cumulative economic record has brought down the overall or average growth-performance of the nation as a whole although these states are rich in natural and human resources and have shown decent economic performance in the recent years. It is, therefore, suggested that these states may be grouped under a new category of 'specially backward states' and provided with special central assistance for their development.]

1. Introduction

With the next general elections less than a year away and following the proactive stance of the Bihar chief Minister Nitish Kumar, the politics of 'Special Category State' status for Odisha has warmed up, with both the ruling BJD (Biju Janata Dal) and opposition Congress engaged in intense shadow-boxing. It is necessary to understand the characteristics and nuances of the concept of a "Special Category State" in our federal context in order to appreciate the moves that have crowded the political scene in the state.

The Government of India have declared 11 states (out of 28 states, 6 union territories and the national capital region) located along the northern Himalayan border of the country as "special category states" in order to provide them with relatively more liberal fiscal and financial assistance with a view to assisting them in their development efforts. These states comprise the eight states from the north-eastern region (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura), Himachal Pradesh, Uttarakhand, and Jammu and Kashmir. The criteria selected for conferring this status are: hilly and difficult terrain, sizeable share of tribal population and low population density,

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strategic location along international borders and economic and infrastructural backwardness and non-viable nature of state finances.

This classification came into existence in the year 1969 as per the suggestion of the Fifth Finance Commission and was meant to address the economic handicaps of the states that were 'placed disadvantageously' by geography, by offering them preferential treatment in central assistance and tax concessions. The underlying spirit and the overall objective of this arrangement was to help the states that have lagged behind to catch up with their more advanced counterparts and in the process achieve inclusive development for their people.

Odisha, like the other backward states in central India, does not fulfil all the criteria laid down for the 'special category state' status as its backwardness is not due to its geographical location. Rather it is the result of governance and policy-cum-implementation failures over the years coupled with the attitudes of a predominantly rural and religion-obsessed people most of whom prefer rent-seeking to entrepreneurial behaviour in their economic pursuits. Similar arguments are more or less applicable to other backward states in central India as well. Therefore, over the past ten years or so the demand made from time to time by the states of Odisha, Bihar, Chhattisgarh, Jharkhand and Rajasthan for being declared as 'special category states' has not been acceded to by the Central government.

Besides, how much of additional benefit will a state like Odisha get if it were to become a 'special category state' under the present dispensation? Of the three forms in which the Centre gives financial assistance to the states—share of central taxes on the basis of the Finance Commission recommendations, plan assistance by the Planning Commission and funds from the Central Government ministries for various (centrally sponsored) development schemes—the concept of a 'special category state' is relevant only in respect of a portion of plan assistance, more so as most central assistance now comes to the states as grants. Also, whereas the first two categories of central assistance are formula-based, the funds being passed on by the central ministries to the state agencies are mostly discretionary transfers.

Plan assistance generally comes in two ways—Normal Plan Assistance (NPA) for State Plans and special plan assistance for specific or special purposes. The states with the 'special category' status get 30 per cent of NPA and the rest 70 per cent is distributed among the general category states.

In the scheme of the Centre's developmental assistance to the states NPA does not have much numerical significance. A look at the expenditure estimates of the Central budget for 2013-14 will make this clear. During the current year, of the total Plan expenditure of ₹5.5 lakh crores, the amount earmarked for assistance to the states is ₹1.3 lakh crores and the balance ₹4.2 lakh crores is for the Central Plan. From out of the amount of ₹1.3 lakh crores meant for the states, only a sum of ₹27,636 crores has been allocated for NPA and 30 per

cent of this smaller amount will be distributed among the eleven 'special category' states; the balance 70 per cent in any case will be given to the general category states including Odisha on the basis of the Gadgil-Mukherjee formula comprising a composite criteria that involve population, per capita income etc. Against this, from out of the Central Plan amount of ₹4.2 lakh crores the Central ministries will allocate funds to their counterpart agencies in the states through the state budgets and also directly transfer to field-level implementing organisations a huge sum of ₹1.43 lakh crores without going through the state budgets. Over the years the share of these discretionary transfers has increased reducing the Plan transfers even to the 'special category' states.

The 'special category' states also receive tax breaks for excise duty and income tax exemptions for setting up industries in their respective areas. In a liberalised regime tax breaks are no longer very relevant for industrialisation; rather continuous availability of good quality electricity, improved infrastructure facilities, maintenance of law and public order and the existence of a supportive business climate bereft of petty or retail corruption are much more crucial for the development of industries in a state. In any case, Odisha attracts industries on the strength of its natural resources and has difficulty in implementing the investment proposals due to resistance from various interests.

Against this background, therefore, wasting one's breath (or collecting one crore signatures) for getting the 'special category' status does not make much sense. It does not, however, follow that backward states like Odisha are not deserving of special financial assistance from the Central government for their development. More than four decades have passed since the date of the original formulation of the criteria for according "special category status' to the selected states and the relative position of the states on the scale of development has also changed. There are states which have been trapped in the vicious circle of low income and poverty due to a variety of factors that include lack of physical and social infrastructure, sizeable percentage of tribal population with relatively deficient human development indicators even among tribal-categories and various other deficiencies that a mechanical application of the old criteria is not able to address. Their "disadvantages" need to be mitigated, keeping in view the underlying spirit as well as the original objective of inclusive development that guided the earlier move to create a group of "special category states". The need for such special assistance from the Centre can be explained by examining the relevant economic and social indicators in respect of Odisha which in spite of its rich natural resources remains one of the most backward states of the country.

2. Persistent or Chronic Backwardness

Odisha's backwardness is legendary and its persistence over the past decades calls for special assistance from the Centre. The data relating to the state's per capita income relative

to those of some selected states and the nation as a whole as well as concerning key economic and human development indicators provide a stark picture of Odisha's poor economic and social conditions.

State per capita income: The data on per capita income (*Table 1*) clearly show that Odisha's per capita income has always remained low, less than the national average, nearly one-third of one of the developed states (Maharashtra) of the country and is even less than that of many states that presently enjoy 'special category' status.

Table 1
Per capita income of Odisha and a few other states for selected years (at current prices in ₹)

States	1976-77	1984-85	1995-96	2004-05	2011-12			
General Category High Inc	come States	,	,	,				
Andhra Pradesh	877	2068	9999	25321	71480			
Goa	-	5039	22207	76968	192652			
Gujarat	1404	3188	13665	32021	-			
Haryana	1642	3365	14213	37972	108859			
Karnataka	986	2416	10217	26882	68374			
Kerala	1009	2296	11626	31871	83725			
Maharashtra	1516	3375	16152	36077	101314			
Punjab	2019	4123	15471	33103	74606			
Tamil Nadu	944	2341	11819	30062	84496			
West Bengal	1194	2771	9041	22649	54830			
General Category Low Income States								
Bihar	690	1504	3041	7914	23435			
Chhattisgarh	-	-	7479	18559	46573			
Jharkhand	-	-	6904	18510	35652			
Madhya Pradesh	780	1822	7809	15442	38669			
Odisha	690	1846	6985	17650	46150			
Rajasthan	1015	1849	8467	18565	47506			
Uttar Pradesh	818	1784	6331	12950	30052			
Special category States								
Arunachal Pradesh	776	2877	10956	26610	62213			
Assam	875	2430	7001	16782	33633			
Himachal Pradesh	1029	2249	10607	33348	74899			
Jammu and Kashmir	909	2669	7783	21734	42220			
Manipur	833	2205	6901	18640	32284			
Meghalaya	-	2047	8641	24086	52971			
Mizoram	-	2139	10953	24662	-			
Nagaland	1028	2412	11057	30441	56638			
Sikkim	-	2636	10239	26690	121440			
Tripura	896	1904	6828	24394	50750			
Uttarakhand	-	-	8746	24726	82193			
All India				24143	60603			

Sources: "Domestic Product of the States of India 1960-61 to 2006-07", EPW Research Foundation (2009) (col. 2 & 3) and "Economic Survey" 2006-07 and 2010-11, Ministry of Finance, Government of India (col. 4 to 6).

Economic and social indicators: Odisha's chronic backwardness is reflected in its economic and social indicators ($Table\ 2\ \mathcal{E}\ 3$) that again compare unfavourably with those of many other states including the ones now receiving relatively more liberal central assistance as "special category "states.

Table 2
Selected economic indicators of Odisha and a few other states

States	Percentage of	Percentage of	Domestic electricity	Credit-Deposit
	agriculture workers to	Urban population	consumption per	Ratio (%), March
	total workers 2001	2011	capita 2009-10 (kwh)	2012
Andhra Pradesh	62.1	33.49	158.0	110.4
Goa	16.4	62.17	N/A	28.9
Gujarat	51.6	42.58	144.0	69.7
Haryana	51.3	34.79	174.0	102.1
Karnataka	55.7	38.57	124.3	70.7
Kerala	22.0	47.72	193.4	75.5
Maharashtra	55.0	45.23	164.5	87.1
Punjab	38.9	37.49	257.3	81.6
Tamil Nadu	49.4	48.45	208.5	116.2
West Bengal	44.2	31.89	93.9	62.9
Bihar	77.3	11.30	20.5	29.1
Chhattisgarh	76.4	23.24	N/A	53.5
Jharkhand	66.7	24.05	73.1	33.6
Madhya Pradesh	71.5	27.63	73.4	57.2
Odisha	64.8	16.68	82.7	46.9
Rajasthan	65.9	24.89	87.8	90.1
Uttar Pradesh	65.9	22.28	83.4	44.0
Arunachal Pradesh	61.7	22.67	N/A	22.5
Assam	52.3	14.08	41.6	37.3
Himachal Pradesh	68.4	10.04	166.0	37.2
Jammu and Kashmir	49.0	27.21	120.9	34.3
Manipur	52.2	30.21	N/A	30.1
Meghalaya	65.8	20.08	N/A	25.3
Mizoram	60.6	51.51	N/A	38.1
Nagaland	68.3	28.97	N/A	26.8
Sikkim	56.4	24.97	N/A	32.0
Tripura	50.3	26.18	N/A	31.3
Uttarakhand	58.4	30.55	N/A	35.6
Total	58.2		121.2	78.1

Source: Primary Census Abstract (2001), Census of India 2011 (col. 2); Provisional Population Tables, Census of India, 2011 (col. 3); Statistical Outline of India 2012-13, Tata Services Limited, December 2012 (col. 4) and Report on Trend and Progress of Banking in India 2011-12, Reserve Bank of India, November 2012 (col. 5).

Table 3
Selected human development indicators of Odisha and a few other states

States	Life expectancy at	Infant mortality rates	Literacy rate (2011)	Human Development	
	birth, 2006-2010	(per 1000 births),	(%)	Index. 2010 (rank	
	(Total)	2011 (person)		among 19 states)	
Andhra Pradesh	67.4	43	67.66	0.485 (11)	
Goa	69.5	11	87.40	N/A	
Gujarat	69.0	41	79.31	0.514 (8)	
Haryana	68.8	44	76.64	0.545 (5)	
Karnataka	68.8	35	75.60	0.508 (10)	
Kerala	74.5	12	93.91	0.625 (1)	
Maharashtra	69.5	25	82.91	0.549 (4)	
Punjab	70.0	30	76.68	0.569 (2)	
Tamil Nadu	69.1	22	80.33	0.544 (6)	
West Bengal	69.5	32	77.08	0.509 (9)	
Bihar	66.9	44	63.82	0.447 (18)	
Chhattisgarh	62.5	48	71.04	0.449 (17)	
Jharkhand	65.0	39	67.63	0.464 (14)	
Madhya Pradesh	62.9	59	70.63	0.451 (16)	
Odisha	63.5	57	73.45	0.442 (19)	
Rajasthan	67.6	52	67.06	0.468 (14)	
Uttar Pradesh	64.2	57	69.72	0.468 (13)	
Arunachal Pradesh	69.9	32	66.95	N/A	
Assam	62.2	55	73.18	0.474 (12)	
Himachal Pradesh	71.5	38	83.78	0.558 (3)	
Jammu & Kashmir	65.9	41	68.74	N/A	
Manipur	69.9	11	79.85	N/A	
Meghalaya	70.0	52	75.48	N/A	
Mizoram	70.0	34	91.58	N/A	
Nagaland	69.9	21	80.11	N/A	
Sikkim	69.8	26	82.20	N/A	
Tripura	69.9	29	87.75	N/A	
Uttarakhand	65.9	36	79.63	0.515 (7)	
All India	66.9	44	74.04		

Source: India Human Development Report 2011, Institute of Applied Manpower Research, 2011 (col. 2); Data downloaded from the data portal, data.gov.in/dataset/infant-mortality-rate on 21 June 2013 (col. 3); Provisional Population Totals, Census of India 2011 (col. 4) and Inequality-adjusted Human Development Index for India's States, UNDP, New Delhi 2011 (col. 5).

These data show that in terms of the state of the economic and social conditions, Odisha is one of the most backward states and its economic and social parameters are worse than those of most states including the so-called 'special category' states. The Human Development Index (HDI) (*Table 3, column 5*) which is a composite index based on the indicators of life expectancy, educational attainments and the standard of living as measured by the per capita gross domestic product to a considerable extent sums up the

pathetic economic and social condition of Odisha. The state is ranked 19 among nineteen states for which HDI data have been compiled by UNDP (United Nations Development Programme). All the "special category" states fare better than Odisha in terms of the composite index that captures the overall living conditions of the people.

An examination of Odisha's human development indicators against global goalposts highlights the state's misery in a stark manner. UNDP (the United Nations Development Programme) has recently published a new index, the Inequality-adjusted HDI (IHDI) aimed at capturing the distributional dimensions of human development. The three dimensions (income, education and health) of HDI (2010 data) are adjusted for inequalities in attainments across people. The data (*Table 4*) showing HDI and IHDI for selected Indian states along with similar figures for 169 countries (in descending order of ranking made in 2010) present a very dismal picture.

Table 4
HDI/IHDI of selected indian states with international comparison

HDI Rank	Country/State	HDI Value	IHDI Value	Remarks
(International)	(rank in bracket)			
1 to 42	Countries with Very High HDI	0.788-0.938	0.700-0.876	India not included
43 to 85	Countries with High HDI	0.677-0.784	0.492-0.693	India not included
86 to 127	Countries/States with Medium	0.488-0.699	0.320-0.546	Includes countries
	HDI (rank in bracket)			like Fiji, the
	* Kerala (99)	0.625	0.520	Philippines,
	* Punjab (113)	0.569	0.410	Moldova, Egypt,
	* Himachal Pradesh (116)	0.558	0.403	Indonesia, South
	* Haryana (116)	0.545	0.375	Africa, Congo and
	* Tamil Nadu (116)	0.544	0.396	Cambodia
	* Uttarakhand (119)	0.515	0.345	
	* West Bengal (119)	0.509	0.360	
	* Karnataka (119)	0.508	0.350	
	* INDIA (119)	0.504	0.343	
128 to 169	Countries/States with low HDI	0.140-0.470	0.098-0.383	Includes countries
	(rank in bracket)			like Kenya,
	* Andhra Pradesh (127)	0.485	0.332	Ghana,
	* Assam(127)	0.474	0.341	Bangladesh,
	* Uttar Pradesh (129)	0.468	0.307	Cameroon,
	* Rajasthan(129)	0.468	0.308	Myanmar (132),
	* Jharkhand(130)	0.464	0.308	Yemen, Uganda,
	* Madhya Pradesh(131)	0.451	0.290	Togo, Lesotho,
	* Chhattisgarh(132)	0.449	0.291	Nigeria and
	* Bihar(132)	0.447	0.303	Zimbabwe
	* Odisha(132)	0.442	0.296	

Source: "Inequality-adjusted Human Development Index for India's States", UNDP, New Delhi, 2011.

Odisha thus has the lowest position among the Indian states and when ranked against international benchmarks it is ranked 133 (in a group of 169), between Myanmar and Yemen and placed in the company of poor countries of Sub-Saharan Africa.

3. Stickiness and Severity of Poverty

Odisha always had the highest incidence of poverty among all the states and one of its districts-Kalahandi- has become a national byword for starvation and misery, an affront to India's development story. Conventional statistics on poverty fail to capture Odisha's penury in all its dimensions which cover not only material wants but also deprivation in the social, political, and intellectual and health fields and the inability of the people to cope with the vulnerabilities of life. Nevertheless in our country poverty head count ratios or the percentages of people below the poverty line based on the National Sample Survey Organisation (NSSO) data on the monthly per capita consumption expenditure have been used to describe the state of poverty in different parts of the country. The methodologies of estimation have changed from time to time, the latest being the one based on the recommendations of the Tendulkar Committee (2009).

Whatever the methodology the data on the percentages of people below the poverty line (*Table 5*) put out by the Planning Commission, Government of India for various periods show one consistent theme—that Odisha remains the poorest state of the Union.

Table 5
Percentages of people below poverty line by states: 1973-74 to 2004-05
(Combined rural and urban)

State	1973-74	1977-78	1983	1987-88	1993-94	1999-	2004-05	2004-05
						2000	(URP*)	(MRP^*)
All India	54.88	51.22	44.48	38.88	35.97	26.10	27.50	21.80
Andhra Pradesh	48.86	39.31	28.91	25.86	22.19	15.77	15.80	11.10
Goa	44.26	37.23	18.90	24.52	14.92	4.40	13.80	12.00
Gujarat	48.15	41.23	32.79	31.54	24.21	14.07	16.80	12.50
Haryana	35.36	29.55	21.37	16.64	25.05	8.74	14.00	9.90
Karnataka	54.47	48.78	38.24	37.53	33.16	20.04	25.00	17.40
Kerala	59.79	52.22	40.42	31.79	25.43	12.72	15.00	11.40
Maharashtra	53.24	55.88	43.44	40.41	36.86	25.02	30.70	25.20
Punjab	28.15	19.27	16.18	13.20	11.77	6.16	8.40	5.20
Tamil Nadu	54.94	54.79	51.66	43.39	35.03	21.12	22.50	17.80
West Bengal	63.43	60.52	54.85	44.72	35.66	27.02	24.70	20.60
Bihar	61.91	61.55	62.22	52.13	54.96	42.60	41.40	32.50
Chhattisgarh							40.90	32.00
Jharkhand							40.30	34.80

State	1973-74	1977-78	1983	1987-88	1993-94	1999-	2004-05	2004-05
						2000	(URP*)	(MRP^*)
Madhya Pradesh	61.78	61.78	49.78	43.07	42.52	37.43	38.30	32.40
Rajasthan	46.14	37.42	34.46	35.15	27.41	15.28	22.10	17.50
Uttar Pradesh	57.07	49.05	47.07	41.46	40.85	31.15	32.80	25.50
Odisha	66.18	70.07	65.29	55.58	48.56	47.15	46.40	39.90
Arunachal Pradesh	51.93	58.32	40.88	36.22	39.35	33.47	17.80	13.40
Assam	51.21	57.15	40.47	36.21	40.86	36.09	19.70	15.00
Himachal Pradesh	26.39	32.45	16.40	15.45	28.44	7.63	10.00	6.70
Jammu & Kashmir	40.83	38.97	24.24	23.82	25.17	3.48	5.40	4.20
Manipur	49.96	53.72	37.02	31.35	33.78	28.54	17.30	13.20
Meghalaya	50.20	55.19	38.81	33.92	37.92	33.87	18.50	14.10
Mizoram	50.32	54.38	36.00	27.52	25.66	19.47	12.80	9.50
Nagaland	50.81	56.04	39.25	34.43	37.92	32.67	19.00	14.50
Sikkim	50.86	55.89	39.71	36.06	41.43	36.55	20.10	15.20
Tripura	51.00	56.88	40.03	35.23	39.01	34.44	18.90	14.40
Uttarakhand							39.60	31.80

Source: Planning Commission, Government of India; *URP—Uniform Reference Period; MRP—Mixed Reference Period.

It may be seen that for most of the years for which data have been presented the percentages (of people below poverty line) were the highest for Odisha and in comparison with the 'special category' states the incidence of poverty in the state was very high.

Also it is observed that Odisha had the slowest reduction of poverty in the immediate post-reform period (*Table 6*).

Table 6
Levels and changes in the incidence of poverty in selected states

State	Change in incidence of poverty during 1993-94 to
	2004-05 (% per annum)
All India	-0.73
Maharashtra	-0.88
Bihar	-0.55
Jharkhand	-1.40
Odisha	-0.18
Himachal Pradesh	-1.07
Uttarakhand	-0.46
Nagaland	-1.03
Assam	-1.59
Jammu and Kashmir	-1.20

Source: "State of Poverty and Malnutrition in India" by R. Radhakrishnan and others in 'India Social Development Report 2010', Oxford University Press, New Delhi 2011.

There appears to be some improvement in the poverty-situation during 2004-2009 as may be seen from the data presented in *Table 7* although the data are based on slightly different parameters (compared to the ones presented in *Table 5*) used by the Tendulkar methodology of poverty estimation.

Table7
Percentages of population below poverty lines by states — 2004-05 and 2009-10
(Combined rural and urban by Tendulkar Methodology)

India 37.2 29.8 21.9 Andhra Pradesh 29.8 21.1 9.2 Goa 24.9 8.7 5.0 Gujarat 31.6 23.0 16.6 Haryana 24.1 20.1 11.1 Karnataka 33.3 23.6 20.9 Kerala 19.6 12.0 7.0 Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh	States	2004-05	2009-10	2011-12
Goa 24.9 8.7 5.0 Gujarat 31.6 23.0 16.6 Haryana 24.1 20.1 11.1 Karnataka 33.3 23.6 20.9 Kerala 19.6 12.0 7.0 Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Prad	India	37.2	29.8	21.9
Gujarat 31.6 23.0 16.6 Haryana 24.1 20.1 11.1 Karnataka 33.3 23.6 20.9 Kerala 19.6 12.0 7.0 Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 <td< td=""><td>Andhra Pradesh</td><td>29.8</td><td>21.1</td><td>9.2</td></td<>	Andhra Pradesh	29.8	21.1	9.2
Haryana 24.1 20.1 11.1 Karnataka 33.3 23.6 20.9 Kerala 19.6 12.0 7.0 Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3	Goa	24.9	8.7	5.0
Karnataka 33.3 23.6 20.9 Kerala 19.6 12.0 7.0 Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram <td< td=""><td>Gujarat</td><td>31.6</td><td>23.0</td><td>16.6</td></td<>	Gujarat	31.6	23.0	16.6
Kerala 19.6 12.0 7.0 Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8	Haryana	24.1	20.1	11.1
Maharashtra 38.2 24.5 17.3 Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4	Karnataka	33.3	23.6	20.9
Punjab 20.9 15.9 8.2 Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8	Kerala	19.6	12.0	7.0
Tamil Nadu 29.4 17.1 11.2 West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Maharashtra	38.2	24.5	17.3
West Bengal 34.2 26.7 19.9 Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Punjab	20.9	15.9	8.2
Bihar 54.4 53.5 33.7 Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Tamil Nadu	29.4	17.1	11.2
Chhattisgarh 49.4 48.7 39.9 Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	West Bengal	34.2	26.7	19.9
Jharkhand 45.3 39.1 36.9 Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Bihar	54.4	53.5	33.7
Madhya Pradesh 48.6 36.7 31.6 Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Chhattisgarh	49.4	48.7	39.9
Rajasthan 34.4 24.8 14.7 Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Jharkhand	45.3	39.1	36.9
Uttar Pradesh 40.9 37.7 29.4 Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Madhya Pradesh	48.6	36.7	31.6
Odisha 57.2 37.0 32.5 Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Rajasthan	34.4	24.8	14.7
Arunachal Pradesh 31.4 25.9 34.6 Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Uttar Pradesh	40.9	37.7	29.4
Assam 34.4 37.9 31.9 Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Odisha	57.2	37.0	32.5
Himachal Pradesh 22.9 9.5 8.06 Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Arunachal Pradesh	31.4	25.9	34.6
Jammu and Kashmir 13.1 9.4 10.3 Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Assam	34.4	37.9	31.9
Manipur 37.9 47.1 36.8 Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Himachal Pradesh	22.9	9.5	8.06
Meghalaya 16.1 17.1 11.8 Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Jammu and Kashmir	13.1	9.4	10.3
Mizoram 15.4 21.1 20.4 Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Manipur	37.9	47.1	36.8
Nagaland 8.8 20.9 18.8 Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Meghalaya	16.1	17.1	11.8
Sikkim 30.9 13.1 8.1 Tripura 40.0 17.4 14.0	Mizoram	15.4	21.1	20.4
Tripura 40.0 17.4 14.0	Nagaland	8.8	20.9	18.8
	Sikkim	30.9	13.1	8.1
Uttarakhand 32.7 18.0 11.2	Tripura	40.0	17.4	14.0
	Uttarakhand	32.7	18.0	11.2

Source: Planning Commission, Government of India, March 2013.

The reduction in the percentages of people below the poverty line during 2004-2009 has no doubt been facilitated by the relatively decent economic growth and structural

transformation that Odisha's economy experienced during the period. Even then the percentage (37%) of people below the poverty line in 2009-10 is higher than the national average (29.8%) and the state remains one of the few states of the nation with more than one third of the population living in acute poverty.

It is thus the stickiness (and also severity) of Odisha's poverty that is the cause of concern and requires a massive assault and investment. Additionally, the average figures (relating to incidence of poverty) hide a more dismal picture of poverty in Odisha. The analysis of the poverty-data by regions and social groups show that there is a regional differentiation in the poverty-scenario with the state's southern region having the highest poverty followed by the northern region. Similarly, the scheduled tribes (STs) are the poorest followed by the scheduled castes (SCs) who are poorer than the other social groups. It has been estimated that nearly 70 per cent of the poor in Odisha belong to the scheduled tribe and scheduled caste communities.

In the interest of promoting inclusive development it is essential to address this problem through appropriate public investment, especially in the fields of health, education and infrastructure for which higher levels of and more liberal central assistance is absolutely essential.

4. Large Share of Tribal Population with Low Population Density

This is one of the original criteria for conferring 'special category' status on a state and is much more relevant for Odisha than the other states including those now covered under that category. The data on the distribution of the scheduled tribes (and scheduled castes) in India (*Table 8*) show that nearly one-fourth of Odisha's population is tribal and when the other marginalised group, the scheduled castes, is added the two vulnerable groups comprise forty per cent of the population of the state.

It may be seen that some of the 'special category' states, such as Himachal Pradesh and Jammu and Kashmir, have very negligible percentages of tribal population. Although the North eastern states have large percentages of scheduled tribes population, there are a number of other factors that impose more onerous burden and disadvantages on Odisha than on these states which already enjoy the 'special category' status.

First, it must be recognised that poverty in India is not merely an economic phenomenon; it is also a social phenomenon. It is disproportionately high among the marginalised groups such as scheduled tribes (STs) and scheduled castes (SCs). These two groups, as has been mentioned earlier, constitute nearly 39 per cent of Odisha's population as against the national average of around 28 per cent.

Further, the incidence of poverty among the scheduled tribe and scheduled caste communities in Odisha is much higher than in most other states. (*Table 9*)

Table 8
Percentage distribution of scheduled tribes and scheduled castes population to total population in states (2001 census)

State	Scheduled Tribes (%)	Scheduled Caste (%)
All India	8.20	16.20
General Category States		
Andhra Pradesh	6.59	16.19
Bihar	0.91	15.72
Goa	0.04	1.77
Gujarat	14.76	7.09
Haryana	NST (NO ST)	16.35
Karnataka	6.55	16.20
Kerala	1.14	9.81
Madhya Pradesh	20.27	15.17
Punjab	-	28.85
Rajasthan	12.56	17.16
Tamil Nadu	1.04	19.00
Uttar Pradesh	0.01	21.15
West Bengal	5.50	29.02
Odisha	22.13	16.53
Special Category States		
Assam	12.41	6.85
Himachal Pradesh	4.02	24.72
Jammu and Kashmir	10.90	7.59
Manipur	32.31	2.62
Meghalaya	85.94	0.48
Mizoram	94.46	0.03
Nagaland	89.15	-
Sikkim	20.60	5.02
Tripura	31.05	17.37

Source: Census figures downloaded from socialjustice.nic.in/pdf/tab2.1o/pdf on 1May2013.

Table 9
Incidence of poverty among social groups in low-income and special category states 2004-05

State	ST		S	SC .	Others	
State	Rural	Urban	Rural	Urban	Rural	Urban
All India	61.30	34.91	53.82	40.58	35.12	22.28
Low-Income States						
Bihar	59.33	57.24	77.64	71.20	49.03	40.45
Chhattisgarh	65.47	32.72	48.55	44.63	49.63	40.45
Jharkhand	60.56	47.20	60.96	52.55	44.84	16.45
Madhya Pradesh	80.02	42.60	62.55	59.65	38.48	29.84
Rajasthan	59.32	26.77	48.50	50.97	25.64	24.00
Uttar Pradesh	41.99	40.30	56.60	44.24	37.95	32.41
Odisha	84.43	53.41	67.89	63.74	47.85	31.82
Special Category Sta	ates					
Arunachal Pradesh	29.68	23.47	2.96	13.64	46.63	24.78
Assam	28.76	29.80	45.32	37.24	37.07	18.24
Himachal Pradesh	35.37	2.42	39.45	9.24	18.44	3.50
Jammu & Kashmir	26.52	0.00	14.71	13.79	13.90	10.18
Manipur	55.89	24.03	11.96	23.46	25.02	36.54
Meghalaya	14.84	26.09	12.19	0.63	1.39	21.26
Mizoram	23.03	7.95	68.37	6.50	22.51	0.00
Nagaland	8.79	2.00		17.11	48.37	11.91
Sikkim	34.93	15.28	41.17	52.09	28.39	26.59
Tripura	53.44	3.90	45.00	38.49	39.74	19.89
Uttarakhand	32.44	39.05	46.24	47.46	31.77	21.80

Source: "State of Poverty and Malnutrition in India", R. Radhakrishna and others in "Social Development Report 2010", Council for Social Development, Oxford University Press, New Delhi 2011.

It is seen that the incidence of poverty among the ST communities in the north eastern states is low, around 20 per cent whereas in Odisha it is above 50 per cent in urban population and more than 80 per cent among the rural ST population. Since a vast majority (about 90%) of the scheduled tribes live in villages, the poverty-levels are really abysmal among them.

Also the scheduled tribes do not constitute a homogenous group in terms of economic and social characteristics and status. Poverty among them varies on the basis of the resources at their command, the nature of their economic activity, their vulnerability to exploitation by outsiders and the like. Largely those tribes that practise shifting cultivation tend to be poverty—ridden due to the low productivity of their economic activity. Primitive groups in Odisha's southern region are mostly forest dwellers, many practises shifting cultivation

and/or depend on forest products for livelihood and are excluded from the mainstream economic activity. As a result, these groups live in extreme poverty. On the other hand, tribes in Arunachal Pradesh, for instance, have improved their economic status due to the adoption of settled cultivation and relatively modern way of life. Besides, as studies have pointed out, in the north east, literary rates are high and many social indicators of development are encouraging thanks to the activities of Christian missionaries in the past. Despite large tribal population, the incidence of poverty and malnutrition among the tribal groups are remarkably low (*Table 10*). It may be seen that most indicators of the north eastern states are better than the equivalent all-India figures with Mizoram having all its indicators better than those at the national level.

Table 10 Comparative social indicators of STs of selected north eastern states with all india figures (%)

Indicator	All India (ST)	Arunachal Pradesh	Meghalaya	Mizoram	Nagaland
Literacy (2001)	47.1	49.6	61.3	89.3	65.9
Infant mortality (1998-99)	84.2	63.1	89.0	37	42.1
Child mortality (1998-99)	46.3	37.4	36.2	18.4	22.7
Any anaemia among women (1998-99)	64.9	62.5	63.5	48.0	38.4
Vaccination, measles	34.3	33.6	17.7	71.0	19.6
Children undernourished (weight for age)	55.9	24.3	37.9	27.7	24.1

Source: From "Scheduled Tribes of India-Development and Deprivation" by Sandip Sarkar and others, Institute for Human development, New Delhi, 2006

Additionally, the tribes in these states have inalienable rights that they exercise on various assets including land and they cannot be easily displaced as compared to their counterparts in the other parts of the country.

The situation among Odisha's tribal communities is totally different. Among the scheduled tribes of southern Odisha, for instance, there exist high levels of poverty (going up to 90%) and the social indicators such as infant mortality rates which are comparable to those of the sub-Saharan Africa. Also, the low density of population and extremely small sizes of tribal villages create problems in undertaking effective development projects and adversely affect the efficiency of any investment. No wonder these tribal districts present an explosive situation that has led to widespread resentment and the rise of extremist (Naxalite) activities across the entire region.

In order to ameliorate the pathetic conditions of the people and improve the situation massive investments are necessary for improving the social and physical infrastructure in these areas. This in turn will result in the creation of a congenial environment for private sector investment that can generate productive employment opportunities for the people. The State's resources alone are not adequate to meet the requirements; hence the need for a more substantial central assistance on liberal terms on the lines being given to the currently designated 'special category' states.

5. Forest Cover and its Costs

Odisha is among a handful of states (*Table 11*) where the forest cover or area (as a proportion of its total geographical area (31.1%) is higher than the equivalent figure (21.1%) for the country as a whole.

Table 11
Percentages of forest area in selected states (2011)

State	Forest area as % of total area
All India	21.1
Arunachal Pradesh	80.5
Assam	35.3
Goa	59.9
Himachal Pradesh	26.4
Kerala	44.5
Madhya Pradesh	25.2
Manipur	76.5
Odisha	31.4
Sikkim	47.3

Source: India State Forest report, 2011, Forest Survey of India.

Some of the 'special category' states like Arunachal Pradesh, Manipur and Sikkim no doubt have a larger proportion of their respective territories under forests. But what distinguishes Odisha is that its forests are also habitat for its tribal population and are also the location of a number of strategic minerals like iron ore, manganese and bauxite which fuel the nation's industrial growth. In the management of these forests the state incurs costs both positive and negative which need to be compensated.

For maintaining environmental integrity, regulate green house gas emission and moderate climate change, the state has to safeguard its forests and if possible, increase the cover. This benefits the entire nation, not merely Odisha. It also means loss of economic opportunities due to banning of logging and keeping vast tracts of land off cultivation and under forests. Moreover this entails costs which the states not having substantial forest cover do not have to incur. Since the final benefits accrue to the entire country, the state must be reimbursed for these costs.

Secondly, due to the requirements of environmental protection and sustainable development, Odisha cannot exploit its rich mineral resources to the fullest extent. Any exploitation is subject to environmental and forest clearances that delay development projects as has happened in the case of Vedanta's bauxite mines in Niyamgiri (Kalahandi) and POSCO's iron ore mines in the Keonjhar district. The net result is that the state is not able to make use of its comparative advantage in natural resources (minerals) fully.

On both these counts Odisha deserves to be compensated through higher levels of and more liberal central assistance.

As the noted economist Govind Rao has pointed out, states like Odisha incur costs to maintain the forest cover and to provide valuable strategic minerals to the nation's industries while the benefits accrue not only to the states concerned but to the whole country, as a public good. Naturally the Centre should compensate Odisha and other similarly placed states through special financial assistance.

6. Consequences of Backwardness

Low income resulting from backwardness not only condemns the people of a state to poverty, it also prevents a state from making public development expenditure to the extent needed to create an enabling environment for private sector investment required for economic growth, generation of productive employment and ultimately reduction of poverty.

Studies of comparative per capita development expenditures (on social and economic services) have found that low-income states spend much less than their high-income counterparts as there exists a positive relationship between per capita development spending and per capita GSDP (gross domestic product) in general category states.

An examination of the state governments' recent budget figures (*Table 12*) confirms this conclusion.

It may be seen that low-income states like Odisha have per capita development spending which is half of the equivalent figures for the high-income (general category) states and one third of that of the 'special category' states.

These states also receive relatively less bank finance compared to the more developed states. *Table* 2 already shows that the credit-deposit ratio (of bank finance) in respect of Odisha was about 47 per cent whereas the national average was 78 per cent and some of the developed states like Tamil Nadu, Andhra Pradesh and Haryana this ratio ranged from 102 to 116 per cent. This picture is reinforced when the figures relating to the per cent

shares in total credit and per capita bank credit (for selected years) in respect of all the states are analysed. (*Table 13*)

Table 12 Per capita development expenditure of states during 2010-13 (₹)

2010 11	2011 12	2012 12
		2012-13
, ,	(revisea estimates)	(budget estimates)
	00/1 55	10111 10
		12111.18
		46853.80
		10764.50
		12779.50
8445.80	9612.10	10981.30
6133.90	8452.20	10150.40
7645.00	9027.00	9664.20
5735.50	7959.10	9716.90
7928.30	9609.20	10723.70
4155.50	5306.00	6093.10
9424.40	12050.65	13983.85
Low-Income States	<u> </u>	
2718.50	4651.00	4954.40
6605.20	10058.60	11519.00
5405.50	6479.30	8044.50
5478.10	9177.90	7644.80
5566.50	6901.50	7626.20
4877.50	6613.10	7443.70
3783.90	4853.60	5441.80
4919.30	6819.20	7524.90
Special category States		
29364.70	40503.00	27339.50
4889.40	7555.50	8688.00
14438.80	15226.40	17078.60
13044.90	14702.40	15929.60
14622.90	17856.10	20391.20
10998.60	15418.30	19763.70
26214.10	30522.00	33913.40
16409.10	19993.90	19842.40
28139.40	48873.70	51835.80
	7645.00 5735.50 7928.30 4155.50 9424.40 Low-Income States 2718.50 6605.20 5405.50 5478.10 5566.50 4877.50 3783.90 4919.30 Special category States 29364.70 4889.40 14438.80 13044.90 14622.90 10998.60 26214.10 16409.10	(accounts) (revised estimates) High-Income States 7784.70 9961.55 29635.20 39993.80 7866.30 8729.10 9213.80 11856.50 8445.80 9612.10 6133.90 8452.20 7645.00 9027.00 5735.50 7959.10 7928.30 9609.20 4155.50 5306.00 9424.40 12050.65 Low-Income States 4651.00 6605.20 10058.60 5405.50 6479.30 5478.10 9177.90 5566.50 6901.50 4877.50 6613.10 3783.90 4853.60 4919.30 6819.20 Special category States 29364.70 40503.00 4889.40 7555.50 14438.80 15226.40 14622.90 17856.10 10998.60 15418.30 26214.10 30522.00 16409.10 19993.90

State	2010-11	2011-12	2012-13
	(accounts)	(revised estimates)	(budget estimates)
Tripura	8934.80	11904.00	12012.90
Uttarakhand	8737.90	11446.30	13047.60
Average	15981.30	21272.80	21803.80

Source: Calculated from data in "State Finances-A study of Budgets of 2012-13", Reserve Bank of India, 2013

Table 13 State-wise distribution and per capita availability of commercial bank credit during selected years

State	% share in total credit (31 March 2010)	Per capita bank credit (₹) (30 June 2011)
Andhra Pradesh	7.84	38,714
Goa	0.23	N/A
Gujarat	4.22	28,429
Haryana	2.06	35,797
Karnataka	6.71	41,132
Kerala	2.86	37,107
Maharashtra	29.75	1,04,659
Punjab	2.84	41,362
Tamil Nadu	9.61	54,666
West Bengal	5.07	21,469
Bihar	0.87	3,240
Chhattisgarh	0.76	N/A
Jharkhand	0.67	7,875
Madhya Pradesh	2.13	11,858
Odisha	1.33	12,456
Rajasthan	2.82	16,948
Uttar Pradesh	4.01	7,977
Arunachal Pradesh	0.03	N/A
Assam	0.55	6,763
Himachal Pradesh	0.34	18,651
Jammu and Kashmir	0.48	11,783
Manipur	0.03	N/A
Meghalaya	0.06	N/A
Mizoram	0.03	N/A

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State	% share in total credit (31 March 2010)	Per capita bank credit (₹) (30 June 2011)
Nagaland	0.04	N/A
Sikkim	0.03	N/A
Tripura	0.07	N/A
Uttarakhand	0.43	N/A
All India	100	N/A

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, March2009& 2010, Reserve Bank of India (col.2) as downloaded from planningcommission.nic.in on 29 July, 2013; and Statistical Outline of India, 2012-13, Tata Services Ltd. (col. 3)

7. Conclusions

To conclude, economic reforms since 1991 have enabled the states which have better physical infrastructure and developed market and social institutions to have faster growth than those who lack these facilities. Further, more urbanised states where reform has impacted on the industry and services sectors have grown faster than the states like Odisha which are rural with a predominantly primary sector. A large percentage of scheduled tribe and scheduled caste population with deficient human skills and other economic and social indicators have also acted as a drag. Inclusive growth requires creation of an enabling environment in a backward state like Odisha in order to facilitate and promote private sector development essential for economic growth.

Creation of such an enabling environment is possible only through the provision of physical and social infrastructure and raising adequate financial resources for financing the infrastructure, in addition to having responsive and proactive governance. In spite of adequate fiscal management in recent years and relatively decent growth in the state domestic product, the per capita development expenditure in Odisha remains low. The relative availability of bank finance is also considerably less. In a multi-level fiscal system that we have in India and given that most of the financial resources accrue o the Central Government, the lagging states like Odisha must be provided with adequate financial resources to get over the 'disadvantages' that their situation imposes on them.

If we review the economic scenario in our country, it becomes clear that in India's central region there are a number of states—Odisha, undivided Bihar (Bihar and Jharkhand), undivided Madhya Pradesh (Madhya Pradesh and Chhattisgarh) and Uttar Pradesh—whose cumulative economic performance so far has brought down the overall or average growth of the country, although these states are rich in natural and human resources and have shown decent economic progress in the recent years.

The Raghuram Rajan committee that was set up by the central government has, in its report (September 2013), identified ten "least developed states" on the basis of a composite" (under) development index" designed by it. Odisha (followed by Bihar) has been identified as the most backward state in the country. The other states in the 'least developed' category are: Arunachal Pradesh, Assam, Chhattisgarh, Jharkhand, Madhya Pradesh, Meghalaya, Rajasthan, and Uttar Pradesh. Of these states, Arunachal Pradesh, Assam, and Meghalaya are already in the group of 'special category states'. Apart from the criticism that the so-called "(under) development index" suffers from some conceptual deficiencies, the committee in its report has not been able to identify the source or quantum of funds that may be distributed to the backward states on the basis of its formula. On the other hand, the Planning Commission which allocates development funds among the states has taken the view that the Raghuram Rajan committee's (under) development index would not work for the distribution of development funds and has appointed yet another committee to have a fresh look at the subject. In view of the impending general elections in May, 2014, it is almost certain that no decision on the subject will be taken till a new government takes office after the general elections.

In the meantime, the problem of faster economic and social development of the country's backward regions continues. Since three of the ten states identified as 'least developed' by the Raghuram Rajan committee are already included in the group of 'special category' states, the other seven backward states (including Odisha and Bihar) located in the eastern and central regions of the country, may perhaps be covered under a new category —say, with the nomenclature of "Specially Backward States" —separate from the present "Special Category States", for providing enhanced (or special) central assistance to them. For, unlike the latter (special category) group, the backward states in the central and eastern parts of the country have shown development potential that needs to be further developed through accelerated central assistance for enhancing the overall growth of the national economy. This will be perfectly in consonance with the spirit and the original objectives of the decade-old arrangement that was put in place to bring about equitable growth among the states.

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