

India is a land of diversity, both in terms of natural and man-made systems. In order to alleviate poverty and improve the quality of life of its people, the country needs an accelerated process of development. However, it is imperative that this development process be economically feasible, socially equitable and environmentally sustainable. There are several inter-state and intra-state disparities with regard to development and poverty. These regional imbalances call for the region-specific development strategy and policies.

Preparation of the State Development Reports (SDRs) is a timely step, initiated by the Planning Commission, Government of India, which is aimed at producing a major policy document, in the form of the SDR, for each state. These reports could act as ready reference materials not only to review the reasons for success or failure on various fronts, but also as useful tools for the policy makers to decide the strategy for future development in each state.

Maharashtra enjoys the reputation of being one of the most industrialised and progressive states in the country. Over the years, the state has contributed to a large portion of the country's GDP, and has been exemplary to other states on many fronts. However, in the last few years, the overall rating of the state is fluctuating and showing a downward trend due to various reasons. Preparation of Maharashtra State Development Report (MSDR), thus, becomes a very relevant exercise for reviewing the major development sectors of the state. The report reflects the potential of the state in the medium term as compared to the other regions in India and the world. MSDR has been co-ordinated and prepared by the Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India. Other collaborating partners are Gokhale Institute of Politics and Economics (GIPE), Pune, Jamnalal Bajaj Institute of Management Studies (JBIMS), Mumbai and Tata Institute of Social Sciences (TISS), Mumbai.

The objective of MSDR is not merely to state policies and achievements of the Government, but is rather a concerted effort to provide a document with guidelines for accelerated, improved and

sustainable development in the state. It recognises that development is an all-encompassing process, which requires the State Government, the Civil Society, the Panchyati Raj Institutions and all other stakeholders to work in tandem. MSDR is organised in sixteen chapters covering major sectors of development. The issues covered, the main findings and recommendations of each chapter are briefly described as follows.

Chapter 1, titled as “Economic Profile and Development Strategy,” covers the economic growth and its components including agriculture, industry and services over the last few decades. It highlights the performance of the state in terms of growth in employment, availability of infrastructure, poverty in the state, fiscal situation, various investment schemes and social indicators. While identifying poor agro-climatic conditions as the weakness of the state, the chapter recognises abundant entrepreneurship as its strength.

The main finding of the chapter is that the state's success in achieving high rates of growth has been tarnished by its inability to reduce poverty, ignorance and disease. While the annual growth rate during 1985-86 and 2000-01, has been 7.3 per cent, in the 9th Plan, it reduced to 4.7 per cent. Food grain output has declined from 7.3 per cent in 1980-81 to less than 6 per cent in 2000-01. Though the state contributes about 19 per cent to the country's industrial output, the factory employment has decreased from 14.7 per cent in 1990 to 11.2 per cent in 1999. Maharashtra Industrial Policy 2001, focuses on high-tech industries, which may increase the industrial exports and employment. The service sector dominates the economy of Maharashtra, accounting for 69.3 per cent of the value of the output in the country. While the entertainment industry is doing fine due to various tax exemptions, the tourism sector is not harnessed well due to the lack of transport, hospitality and sanitation facilities in the spots of tourist attraction such as hill stations, beaches and national parks.

Amongst the major states, Gujarat, Haryana, Tamil Nadu, Kerala and Punjab had higher values

than Maharashtra on the social and economic infrastructure index. The power sector is suffering due to pilferage, T&D losses, subsidies (mainly in agriculture sector) and obsolete equipments. The road length per sq km is better than the other states, however, their maintenance is poor. Of the total 5.5 million telephone connections, only 16 per cent are in rural areas. Maharashtra scores 0.523 on the HDI, as in 2001, and ranks fourth among the Indian states, by the value of the index, falling below Kerala, Punjab and Tamil Nadu.

There is an urgent need for Maharashtra to harness its resources of entrepreneurial, financial, managerial and administrative skills to achieve ever-higher levels of human development and to grow at a sustainable rate of 8 to 10 per cent per annum over the decade 2002-12. While the short-term strategy recommended is the generation of fiscal surpluses, the long-term strategy would require evolving institutions that would include the marginalised groups and give them voice and stake in the physical and social assets created in the process of growth. There is a need to improve the productivity of traditional crops and diversify the cropping pattern to water-saving commercial crops, horticulture, fruits and vegetables etc. In order to make manufacturing globally competitive, upgrading the cities to the world-class status and substantial improvement in the infrastructure of power, transport and communication is required. With the use of information technology, biotechnology and knowledge-based industries, failures of the past can be corrected. A substantial improvement in the social infrastructure, equity and human development in the state is recommended. New institutions and new relationships have been put forward for enhancing the efficiency of the twin engines of the growth, namely, manufacturing and infrastructure.

Chapter 2 on “Fiscal Situation and Policies” highlights fiscal position of the state government. The chapter dwells in detail, the reasons for persistent high fiscal imbalance in the state budget and its adverse impact on the long-term growth prospects on the economy. While easy fiscal policies in the short-run may have stimulating effect on the economy, in the long run the same lead to lower growth. The state budget shows deteriorating revenue mobilisation and rising unproductive

expenditure, resulting in growing fiscal and revenue deficits, leading to increase in debt and interest payment obligations. This has constrained the Government to undertake necessary productive expenditure in social and economic services.

The analysis of various components of revenue receipts shows that efforts towards revenue mobilisation have to concentrate on the own-tax revenues. Increase in tax buoyancy can come mainly from the sales taxes, electricity duty and motor vehicle taxes. This can be achieved by means of a simplified and efficient tax system, which may include introduction of VAT, removal of exemptions and revamping of tax administration through large-scale computerisation. The state would also have to bring the services sector in the tax-net in coordination with the Centre.

It is stressed that if the GoM does not undertake any significant fiscal reforms, and the underlying revenue and expenditure items exhibit the same trends as in the past, the current fiscal situation may become unsustainable. The state is already experiencing liquidity problems of unprecedented magnitude and is not able to cope up with the high levels of debt and deficits.

In order to identify the quantum of adjustment needed, alternative projections of future fiscal profile of the Government of Maharashtra has been drawn under two scenarios, viz., base scenario (continuation of the present trend and policies) and reform scenario (to achieve sustainable debt and deficit regime). Reform scenario, in a way, is prescriptive and brings out the advantages of reforms and the quantum of adjustment needed in expenditure side and in the receipts side. The reform scenario shows that while fiscal deficit will be reduced in a targeted manner through greater revenue mobilisation and expenditure compression, there will be no reduction in expenditure particularly in the provision of merit goods such as primary education, water supply and sanitation, and basic health care facilities. In fact, the government will have more resources to spend for merit goods through refocusing and redesigning of government expenditure. In the context of decentralisation, it is suggested that fiscal autonomy of local bodies, such as Panchayati Raj Institutions and Urban Local Governments, needs to be raised so that they

become financially less dependent on the higher tier of the government.

Chapter 3 covers “Agricultural Growth” and examines the status and the contribution of the agricultural sector in the state. It reviews the implementation of land reforms, changes in land use, cropping pattern and the input use in agriculture. It also discusses agricultural finance and investment in agriculture, horticulture and allied activities and marketing of agricultural products.

The findings reveal that, in Maharashtra, about 85 per cent of the districts have more than 60 per cent of workforce in the agricultural sector, thus, making it the key sector of the state economy. Technological changes in agriculture associated with the green revolution have brought about significant changes in the size, composition and productivity of livestock. The state ranks first in cotton production in the country and about 20 per cent of its farmers cultivate this crop. The consumption of pesticides in the state has come down to 173 g/ha from 320 g/ha during the Seventh Plan due to integrated pest management (IPM).

It is recommended that the constraints that jeopardise the growth of the agricultural sector should be removed and the strategies to accelerate agricultural growth, which in turn, would stimulate growth in other sectors of development, should be adopted. Top priority must be given to promotion of irrigation facilities and watershed development programmes. Further, promotion of rural non-farm employment will be beneficial so that burden on the agricultural sector is reduced. The GoM should withdraw its support to the co-operative sugar mills and the cotton sector and phase out the monopoly procurement scheme. Reforms pertaining to rural credit also assume importance in view of the poor repayment performance and high proportion of NPAs to total assets. Finally, the state government should capitalise on the export potential of its agricultural products.

“Irrigation” sector is discussed in Chapter 4, which focuses on nine major issues that are related to the irrigation potential, harnessed and utilised; investment in irrigation sector; growth of irrigation projects; trends and development of irrigated area; financial performance of irrigation sector; micro

irrigation; water conservation measures (water users’ association and watershed development programme); the demand and supply scenario of water; and irrigation and productivity nexus.

It is found that the state has the largest number of irrigation projects in the country, but its percentage of irrigated area is one of the lowest among the major states; area under surface irrigation is not equally distributed across the divisions and districts; crop wise irrigated area too is not distributed in a desirable manner; area under micro-irrigation (drip) has increased substantially; not only the productivity of major crops is lower in the state, but also the productivity of irrigated crops is found to be lower than the national average. Also, there seems to be an insignificant relationship between the level of irrigation and level of crop output across the districts.

It is recommended that irrigation policy should focus on completion of on-going projects, even if it means foregoing new projects. Watershed Development Programmes (WDPs) must become central and not marginal to agricultural growth in Maharashtra. There is a need to establish Water Regulatory Authority (WRA) to manage and suggest strategies for improving the performance of the irrigation sector. Both supply and demand management strategies are to be introduced to avoid water shortage in the state.

Chapter 5 on “Industrial Growth,” by analysing the process of industrialisation in Maharashtra vis-à-vis the other states, focuses on the future road map of industrial growth in the state. It gives an overview of employment in this sector and competition among various states. The chapter describes the state’s industrial economy, infrastructure and policy incentives, competitive classification of the industries, and the status of sick and polluting industries and compares them with other states. It attempts to examine the structural changes in the state’s industrialisation and its prospects for industrial growth. The chapter also analyses the status and prospects of small-scale enterprises using the cluster approach.

It is revealed that the sectoral composition of the SDP has been following the national trend of services-led growth. The state occupies a significant position in the manufacturing sector (mainly refined

petroleum products, basic chemicals and other chemical products). Industries such as cotton textiles, wool, silk and synthetic fibre, textile products, wood and wood products recorded a decline. However, industries such as metal products, machinery, machine tools and parts, and other manufacturing industries recorded an increase in location quotient.

It is recommended that facilities such as power, port, and road network should be improved; Better institutional support for developing industries in the backward regions of the state should be provided; Development of Special Economic Zones and Single Window Clearance should be propagated in all the departments; the conditions of the State level financial institutions should be improved and sick Small Scale units and non-BIFR Units should be revived. It is proposed to take steps for the development of the Small Scale Industry in the state. As roughly 60 per cent of manufactured exports emanating from Small Scale Industries (SSI) sector originate in clusters, the development of such clusters is recommended.

“Infrastructure Development” has been discussed in Chapter 6. The problems of inadequacy and poor quality have infested almost all categories of infrastructure. Availability and problems of five basic physical infrastructure services (power; roads; ports and water transport; telecom and water supply to urban population) and the general issues pertaining to growth of infrastructure have been outlined in this chapter.

The state accounts for about 11 to 12 per cent of India’s total installed capacity in power sector in the country and about 80 per cent of the population in the state has access to electricity. Construction of roads has been financed, to a large extent, by the non-plan expenditure. Maharashtra accounts for about 15.8 per cent of India’s telephone subscribers. Financial losses of public utilities, distorted pricing, complex subsidy and cross-subsidy structures, regressive water pricing, peak demand deficits in power sector, lack of adequate modern facilities on ports, etc., are major concerns.

Recommendations include enlarging the scope of the private sector, which may improve both availability of infrastructure and efficiency through

competition. This necessitates unbundling and rationalisation of tariff structure like removal of anomalies in tariff policies both across various infrastructures services (inter-services) and also within the same service (intra-services) and a careful scrutiny of infrastructure projects, which can enable the GoM to overcome some of these problems. Caution needs to be exercised so that the private sector participation leads to more competition rather than merely transfer of monopolistic power to the private operators. Integration of some of the infrastructure schemes, such as, construction of roads with the employment and income generation programmes will help in alleviation of poverty. Political willingness to implement the reforms can also enable the state to access more funds from the centrally sponsored schemes, as has been the case with some other state governments.

Chapter 7 on “Public Sector Units: Restructuring and Reforms” examines the role and performance of public sector enterprises in shaping the economy of the state. It analyses the structure, pattern of investment and performance of public sector enterprises in Maharashtra, and discusses the need for, and the method adopted in, privatising the public sector enterprises in the state. The chapter also examines the measures adopted in public sector restructuring and provides an assessment of the progress of PSU reforms.

It is found that the single largest sector of public sector investment in the state turns out to be in construction activity (77 per cent). The public sector investments in Maharashtra are largely distributed in manufacturing, development organisations and in co-operatives. The highest average investment is in Maharashtra State Road Development Corporation Limited (MSRDC) that largely caters to the infrastructure requirements of the state. Most of the PSUs in Maharashtra are in financially vulnerable positions and continue to depend upon the grants and support from the government.

It is emphasised that there is an urgent need for restructuring and reforms, driven largely by the past performance and the present state of affairs in these enterprises. The analysis affirms that the restructuring and reform measures are too slow and

far from being satisfactory, and require sincere efforts to formulate unit-specific policies. The method adopted for disinvestment needs to accept and highlight the distinction between public corporations and/or enterprises and cooperatives. The labour force should also be taken into confidence in coming to terms with the realities. Technical and conceptual capabilities are the needs of the hour in the programme of restructuring.

Chapter 8 suggests measures for “Human Resources Development of the Weaker Sections”

and endeavours to present a different vision of development from the paradigm that inadvertently excludes majority of the people of Maharashtra. With strident liberalisation, it was expected that the demand for reservation would phase out. During the transition period, it was felt that measures to provide food and nutrition security for all by 2010, security of resources and sustainable livelihood, security of health, education for all and empowerment to ensure good governance should be taken up to prevent widening of rural-urban, regional, gender, tribe, caste and community disparities. Special measures to ensure access to education for children of migrant labour and other marginalised groups, to provide vocational and entrepreneurial skills from class VIII and extension of reservation in private aided/non-aided technical and professional training institutes are suggested.

Chapter 9 on “Handlooms and Handicrafts” presents the current situation; post-independence policy and the problems faced by this sector due to liberalisation and government policies. It also focuses on product diversification, new developments and shift to the modern marketing era.

The Handlooms sector is the largest generator of non-farm rural employment. It is a part of the textile sector, which comprises of the mill segment, the power loom segment, Khadi & Village Industries segment and handlooms. Handlooms sector has many important features like it does not require power, its operations are manual, it has low capital investments, it has an extensive traditional skill base, etc. There is a decline in terms of quality of the goods produced, and in the number of

devoted artisans in this profession, causing low sale of products.

The sector is still surviving and in some pockets it is successful, mainly because of its potential in providing gainful employment to the rural sector and contributing to the Indian economy. Its handicraft products have a deep cultural association with the masses, which is manifested in the traditional identity they provide to the users. Through market share of handlooms is dwindling, it still commands a huge loyal consumer base because of the emotional values it can provoke in its users. The sector thrives on raw material that is readily available and low-cost processing units, but in future, the sector will have to invest in quality measures that will improve the texture and design of its products. The products of the Handlooms and Handicrafts sector need to meet the expectations of the consumers and become competitive to qualify in the national and international markets. The products also require to meet the needs of efficient distribution, marketing and retailing. The adaptation to the modern marketing concept with consumer focus orientation will enable it to create consumer demand.

“Governance” issues are discussed in Chapter 10, highlighting some of the critical emerging concerns of governance in the state. The range of issues chosen for analysis includes the financial fiasco, the mismanagement and negligence of rural programmes, widespread inefficiency and lack of honesty in dealings. It also covers the significance and relevance of governance to the state; administration and bureaucracy; indicators of good governance; discrepancies in rural and urban areas; e-governance; law and order situation; right to information (RTI) and other Acts.

It is found that state debt is more than Rs. 80,000 Crores. The GoM has been borrowing in the market primarily to repay its earlier loans, and to pay interest on its existing loans. The dynamics of corruption in the government starts with a systematic attempt at politicising the bureaucracy. The number of policemen per lakh of population is only 138. About 60 per cent of NGO's working on HIV/AIDS in the state is fraudulent. However, civil society and private sector participation are

beginning to have a constructive impact on the political and administrative reforms of the state. All these issues have been critically examined, with fresh thinking and insights, providing constructive suggestions to resolve some of the inherent problems and their implications for the society.

It is recommended that the government should promote the ownership of the assets by local communities and local governments; improve the efficiency and transparency of government functioning and service delivery; plan resource flows to curb regional and class disparity; and work in close proximity with the Private Sector and NGOs. Quality in the Government services can be improved by integrating the citizen's charter and information technology initiatives under a holistic umbrella.

Chapter 11 on “Integrated Village Development” deals with various aspects of rural regions including tribal areas and examines the major issues of village development in terms of socio-economic indicators such as rural population, poverty and literacy; status of rural infrastructure and regional imbalances. It also assesses various developmental programmes, employment generating schemes, and the impact and functioning of Panchayati Raj Institutions on village development.

It is found that the gap between rural and urban poverty and rural and urban literacy has reduced substantially. Fair progress has been made in provision of primary education, communication facilities and power to villages. About 45 to 50 per cent of the total income of the Gram Panchayats in the state comes from government grants.

It is suggested that participation of voluntary organisations could be encouraged in the areas like general education, welfare of women and children, and primary health services. Measures need to be taken to expand the medical facilities, transport facilities and pucca roads in rural areas. Devolution of more power to the Gram Sabhas with greater accountability and transparency is required.

Chapter 12 on “Tourism” shows that the tourism industry has a great potential for generating income and employment in Maharashtra. Tourism is a major thrust area for economic growth in the state and the

concept of sustainable tourism, future tourism development and the role of private sector is discussed. Tourism policies in the state are compared with those in other places.

Findings indicate that Maharashtra's share in total domestic tourist arrivals in India is 3.6 per cent. MTDC's budget outlay for tourism has increased ten-fold. The scenic 720 km long coastline of the Konkan has been included for development as the National Tourism Circuit.

A holistic planning approach involving sustainability, local participation and ecological conservation is required for giving fillip to the tourism industry. Also required is a marketing strategy to address the needs of domestic and international tourists and publicise the tourism potential of Maharashtra through appropriate media. In order to make the state a competitive destination, the government will have to bring in appropriate development control regulations, rationalise local and luxury taxes and make enabling provisions for speedier clearance of private sector investment proposals. Some other suggestions are- Creation of legalised involvement of the local community in tourism planning at the destination level; Need of Tourism Information Management System; Urgent need to address the accessibility issue; need of larger role of private sector and single window clearance for private sector projects.

Chapter 13 on “Urbanisation” discusses characteristics associated with urbanisation such as pattern of urbanisation, causes and consequences of growth of cities, approaches to urban development in national and state plans, urban policies and their results and future policies.

It is found that major towns of Maharashtra are experiencing an unprecedented population growth and exerting a tremendous pressure on urban infrastructure. About 44 per cent of the state's population is living in urban areas. Mumbai accounted for 37.4 per cent of the state's urban population in 1981, but it reduced to 29 per cent in 2001. Population growth is the root cause of city-level problems of unemployment. Nearly 90 per cent of the housing shortage pertained to the weaker sections. There were 133 villages for every town in 1971, which reduced to 115 in 2001. The

government has tried to improve the access of the poor to urban services. Levels of income increased over the 1990s though income disparities have widened. Although the state is highly urbanised, the levels of urbanisation are uneven across regions and districts within the state. Policies pursued to correct regional imbalance in urbanisation and development have met with limited success.

It is suggested that development of agriculture, non-farm service sector and basic infrastructure could go a long way to help correct the regional imbalance and help backward regions industrialise and urbanise. It is also suggested that the access of the social, economic and civic infrastructure to the poor should be improved, intra-city equity should be promoted and Urban Local Bodies (ULBs) should be strengthened.

“Employment” sector in Chapter 14 covers the issues related to the regional profile of employment in the state, employment by types of organisation (such as formal and informal), various policies and schemes and their achievements.

It is indicated that the relationship between the 'informal' and 'formal' sectors could be complimentary as well as competitive. Several factors that influence the success of Small and Medium Scale Enterprises (SMEs) or informal segment entities are not amenable to easy monitoring, replication, assistance and/or regulation. Number of workers in manufacturing, mining and quarrying has increased but their share in production has fallen. Tertiary sector share has increased. The rate of growth of workers in urban areas is almost five times of the growth rate in rural areas. There is a fall in the share of formal sector and impressive rise in the case of informal sector.

Government agencies engaged in training, information services, and market intelligence or market building may be helpful and appropriate policy responses. Government can raise the demand for goods and services with the hope that the multiplier effect will enhance employment. However, the schemes involving subsidies may be infeasible and/or undesirable in the present precarious fiscal situation. Moreover, these are not likely to be very effective or capable of having any

significant impact on employment. Other steps could be to strengthen and support specific sections or activities in anticipation of market trends and bolster the market trends and regulatory efforts to prohibit some of the practices like Child labour, discriminatory wages and bonded labour. The government can increase demand for labour by undertaking works that are socially productive and useful.

“Water and Environment” is the title of Chapter 15 of MSDR, which delineates the problems of major eco-systems in the state. Environmental sub-sectors covered in the chapter include Water pollution (including fresh water, lakes, rivers and coastal areas); Scenario of water supply and sanitation in rural and urban areas; Air pollution (ambient and indoor); Noise pollution; Solid waste management including MSW, HW and BMW; Forests and bio-diversity; and land degradation. International issues of climate change and trade and environment linkages and their possible impacts on state's economy are also discussed. Steps taken by the authorities and the reasons for state's under performance in the environment sector are given.

It is found that in view of the growing population, rapid industrialisation and large-scale urbanisation, the increased stress on environmental and natural resources is causing serious concerns in the state. Industries in Thane, Raigad, Kolhapur and Sangli districts discharge a very high BOD load. Satara district accounts for the largest share of industrial wastewater and solid waste released into the rivers, which is about 32.5 per cent and 22.9 per cent of total load generated in the state, respectively. Maharashtra tops all the coastal states in total wastewater generation and its disposal into the sea. The state accounts for about 21 lakh tonnes per year of HW, which is about 50 per cent of total HW generated in India. The actual forest cover, which accounted for 15.17 per cent of the total geographical area in 1999, has marginally increased to 15.43 per cent in 2001. Maharashtra soils show the greatest deficiency in nutrients in comparison to other states in the country.

Regarding the recommendations for this sector, it is worth mentioning that Maharashtra has been among the leading states both in recognising and solving the problems of environment. The state

could maintain this lead by adopting an efficient environmental management system for sustaining the development process. Efforts are required to make all stakeholders well aware of the issues and to encourage private participation, increased involvement of NGOs and community participation in this sector. Environmental education requires significant capacity building in all sub-sectors of environment and at all levels such as schools, colleges, community, government etc. In the water sector, there is a need to analyse the supply and demand, rationalise tariff structure and promote rainwater harvesting. Also, emphasis should be given to encourage the reuse and recycle of wastewater for irrigation and gardening.

Deteriorating air pollution scenario calls for improvement in transport infrastructure, particularly roads, improved vehicle design, alternate clean fuels and better traffic management. Promotion of

renewable energy, installation of solar water heaters, and other photovoltaic systems is needed. Policies for SWM should be framed using the principle of the “4 Rs” i.e. reduce, recover, reuse and recycle. Source separations of waste would be of tremendous help in gainful recycling of waste.

Last, but not the least, conflicts between regulations of the central and state governments, which affect development plans of the state government, on environment grounds, should be avoided. It should be kept in mind that even the best planned development would have some cost to the environment. Therefore, a compromise has to be made in such a way that development process in the state causes the least possible damage to its natural resources and environment.

Based upon the findings of various chapters, overall *“Conclusions and Policy Recommendations”* are given in **Chapter 16**.