

CHAPTER 7 ECONOMY AND TRADE

7.1 Background

The formulation of development plan for the district warrants an appreciation of its economy. The district economy needs to be viewed in the context of state-economy. Under this chapter, we are, therefore, presenting an overview of Orissa economy in the first place. Following this, there is an analysis of district economy. The agriculture and service sector, in case of Sambalpur, are expected to perform largely on business-as-usual pattern. It is the industrial sector which will upgrade its development dynamics. We have, in view of this, devoted a separate chapter to industrial sector in Sambalpur district.

7.2 Orissa Economy

The distinctive contours of Orissa demography and economy are as follows.

7.2.1 Orissa: Demography (2011)

Population	: 41.94 million
Decadal Growth	: 13.97%
Density (2001-11)	: 269 persons/sq.km
Area	: 155702 sq.kms
Sex Ratio	: 978
Literacy	: 73.45%

7.2.2 Economy

Table 7 A
Orissa Growth in Economy,2007-2012

Growth in Economy (GSDP, NSDP, Per Capita at Current & Constant Prices), ORISSA							
Five Year Plans		At Current Prices (%)					
		GSDP (Growth)	NSDP (Growth)	Per Capita (Growth)	GSDP (Growth)	NSDP (Growth)	Per Capita (Growth)
(1)		(2)	(3)	(4)	(5)	(6)	(7)
11TH Plan (2007-2012)							
11th Plan (1st Yr)	2007-08	25.3	26.7	25.2	11.2	11.4	10.1

11th Plan (2nd Year)	2008-09	12.2	11.8	10.5	6.7	6.2	5.0
11th Plan (3rd Year)	2009-10	13.0	12.7	11.4	8.4	8.1	6.8
11th Plan (4th Year)	2010-11						
N.B:- GSDP, NSDP and Per-Capita for the period 2002-03 onwards has been used at 1999-2000 prices (New series)							

- Poverty (2009-10)
 - Rural : 39.2%
 - Urban : 25.9%
 - Overall : 37%
- Sectoral Composition of NSDP
 - Agriculture : 18%
 - Industry : 28%
 - Service : 54%
- Drivers
 - Mineral resources
 - Coastline

7.2.3 Industry Sector ¹

1 Agriculture consists of agriculture, animal husbandry, fisheries and forestry sub-sectors. Industry consists of manufacturing, mining and quarrying and electricity-gas-water subsectors. Service sector includes banking and insurance, real estate, public administration, trade/hotels/restaurants, construction, transport/storage, communication and other services

The salient features of Orissa industry sector are as follows.

- Main driver of Orissa's growth in recent years
- CAGR 12.56% during 2007-10 period
- Share of 28% in state NSDP (2009-10)
- Manufacturing accounts for 60% of industry sector GSDP
- Within manufacturing GSDP, the share of registered factories is 86% (2009-10)
- Major Industries
 - Cement
 - Ceramic and glass
 - Refractory
 - Ferro Manganese
 - Fertilizer
 - Agro based
 - Chemical
 - Tyre
 - Aeronautical

7.2.4 Mining

Mining contributes 7.5% of Orissa GSDP and is poised for quantum growth. In terms of value of mineral output, Orissa tops the India states. This is evidenced by the following.

- Nearly 17% of national mineral reserves are concentrated in Orissa
- Over 90% of chromite, nickel ore and graphite, 77% of bauxite, 34% and 29% of iron ore and manganese and 28% of national coal reserves are in Orissa.

The position is as follows.

Table 7 B
Orissa Minerals,2009-10

(Million Ton)

Sl No	Ore/Mineral	Total Reserve	Exploitation	Rate of exploitation to total reserves (%)
1	Iron ore	5,074	79.68	1.37
2	Chromite	170	3.41	2.00
3	Coal	65,121	105.49	0.16
4	Bauxite	1,806	4.88	0.27
5	Lime stone	1,004	2.71	0.27
6	Dolomite	330	1.32	0.40
7	Fire clay	175	0.06	0.04
8	Quartz, quartzite and Silica	70	0.14	0.20
9	Mineral sands	226	0.25	0.11
10	Graphite	4.4	0.02	1.58
11	Manganese ores	119	0.60	0.51

7.2.5 MSME Sector

The MSME sector in Orissa is modest. There existed 104000 MSME in Orissa in 2008-09. The important categories are

- Repair & services : 33411
- Food & allies : 23925
- Engineering & metal : 12026
- Textiles : 8070
- Glass & ceramics : 7920
- Forest & wood-based : 6560

Orissa possesses a rich tradition of craft and handloom weaving.

7.2.6 Service Sector

The service sector contributes 54% of Orissa's NSDP (2009-10). Its composition is as follows.

- Trade/hotels/restaurants : 23%
- Transport/storage/communication : 18%
- Banking and insurance : 6%
- Construction : 7%
- Real estate/public administration : 25%
- Other services : 21%

Given the advantage of educated manpower, it is emerging as an important IT hub in India. Such leading IT companies as TCS, Infosys and Mindtree have set up a base at Bhubaneswar. There are 300 IT units and IT employment is expected to grow to 2 lac persons by 2013.

7.2.7 Agriculture

60% of Orissa population depends on agriculture for livelihood, though agriculture contributes 18.4% of its NSDP (2009-10). It used to contribute 55% of state NSDP in 1980-81. The diversion of manpower from agriculture to non-agriculture sector vastly lags behinds the decline in the share of agriculture in NSDP.

The food-grain output has grown from 51.04 lac tons in 1970-71 to 75.51 lac tons in 2009-10. The food-grain yield has grown from 847 kg/ha (1970-71) to 1393 kg/ha (2009-10) but it remains significantly below the national average of 1562 kgs/ha.

Paddy dominates, though its share in net sown area has slipped from 64.36% (1950-51) to 61.21% (2009-10).

Its agriculture profile is as follows (2008-09).

- Net Sown Area : 56 lac ha
- Gross Cropped Area : 90.71 lac ha (Kharif & Rabi)
- Irrigated Potential Created : 42.74 lac ha
- Gross Irrigated Area : 31.77 lac ha

- Crop Intensity : (74% of potential)
- Crop Intensity : 162%
- Fertilizer Consumption : 62 kgs/ha
- Cereal Production ('000 tons) : 76.40 (90.5% is paddy)
- Pulses ('000 tons) : 9.94
- Oilseeds (mostly groundnut) ('000 tons): 7.03
- Fibres ('000 bales) : 3.90
- Cane ('000 tons) : 26.65

Floods, cyclone and droughts hold down the agricultural growth of Orissa.

The livestock sector in Orissa is underdeveloped. The per capital availability of milk and meat is 113 gms/day and 1.59 kg/annum respectively, as against the national average of 281 gms/day and 1.6 kg/annum.

7.2.8 Infrastructural Status

Orissa is favourably placed in respect of power and water.

The power distribution in Orissa was privatized in 1996. The installed power capacity (thermal and hydro) is 2085 and 880 MW in the state sector. In the central sector, it is 1059 MW. The capacity under construction is 15245 MW. The power supply exceeds demand . It is a power-surplus state (**Annexure 7.1**) .

The total road length in the State was 2.43 lakh km by the end of 2008-09. The State had

2,339 km of railway route, including 54 km narrow gauge railways by the end of 2009-10.

There are the following seven industrial zones.

- Talcher-Angul
- Kalinganagar-Duburi
- Bhubaneshwar-Khurda
- Rayagada-Sunabeda
- Gopalpur-Chatrapur
- Paradip-Jagatsinghpur
- Jharsuguda-Brajarajnagar

16 SEZ are coming up. Infocity (350 to 500 acres), Fortune Tower, IDCO Tower and Software Technology Parks are the IT areas in Orissa.

Paradeep, Gopalpur and Behrabalpur are the ports; Paradeep being the 8th largest Indian port. It handled over 46 million tons of cargo during 2009-10.

7.2.9 Export Performance:

Orissa registered a 169% growth in exports from Euro 862.61 million in 2004-05 to Euro 2320.51 in 2008-09(**Charts 7.1 & 7.2**).

7.2.10 Policy Regime

Orissa has carried out extensive policy-formulation and implementation work in recent past. This is summarized below.

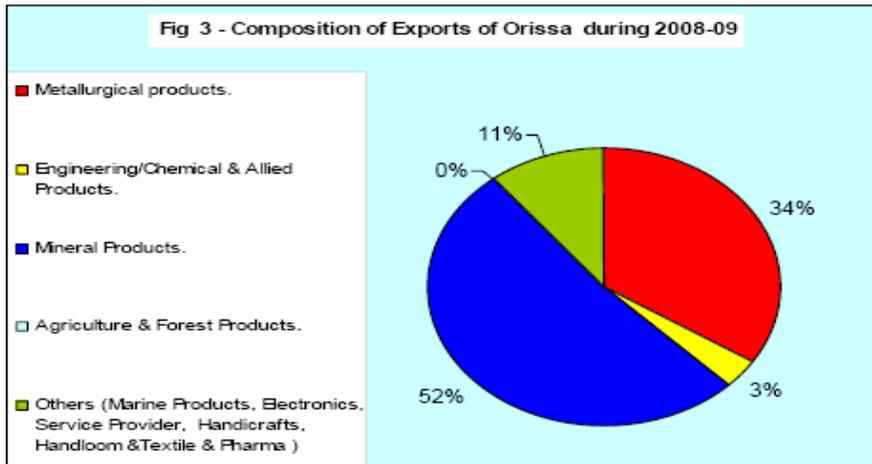
- Power sector Reform
 - First State to undertake power sector reforms
 - Electricity Reform Act 1996
 - Unbundling of generation, transmission and distribution
 - Privatization of generation & distribution
- Public Enterprises Reforms
 - Enterprise specific initiatives – privatisation, closure and restructuring
 - VRS
 - Social Safety Net
 - E-governance
- Industrial Policy Resolution (IPR) - 2007
- MSME Development Policy-2009
- Public Private Partnership Policy-2007
- Resettlement and Rehabilitation Policy (R&R) – 2006
- Agriculture Policy
- State Water Policy
- Port Policy
- Policy Guidelines on Power Generation Non- Conventional Energy Sources

Chart 7.1



Source: Economic Survey of Orissa 2009-10 & Directorate of Export Promotion & Marketing

Chart 7.2



Source: Economic Survey of Orissa 2009-10 & Directorate of Export Promotion & Marketing

- Policy Guidelines for raising Energy Plantations and Bio-diesel Production
- Food Processing/PPP/SEZ/CSR/Mineral Policy

7.2.11 Institutional Framework For Industrial Development

State Government has introduced a Three Tier Single Window Clearance mechanism to facilitate speedy implementation of industrial projects as charted below

Three Tier Single Window Clearance Mechanisms

The institutional framework is as follows.

IPICOL – Industrial Promotion and Investment Corporation

1. Its key functions are acting as Single Window Contact for large and medium industries in
2. the State

Operating the State incentive schemes, Providing and managing data base and consultancy for preparation of project reports, Identifying and listing potential investment opportunities, Providing finance for projects and promotional work

Team Orissa

The Orissa Investment Promotion Agency has been named as “Team Orissa”, and is located within IPICOL. Team Orissa would focus and target the large and medium industries in the organized sector.

IDCO – Orissa Industrial Infrastructure Development Corporation

The Activities of IDCO encompass the following areas:

- Industrial Promotion
- Infrastructure Development
- Land Acquisition
- Project Construction

Directorate of Industries

To promote and facilitate the growth of the Small Scale industries (SSIs) in the State

IDCOL - Industrial Development Corporation of Orissa Ltd

To set up, promote, industrial units for optimum utilization of mineral resources and to provide single window service to the entrepreneurs

Directorate of Information Technology through OCAC – Orissa Computer

The technical directorate of Orissa IT Department

APICOL - Agricultural Promotion and Investment Corporation of Orissa Ltd

- Formulation and implementation of policies for food processing industries
- Promoting rationalization of tariffs and duties relating to food processing sector

OSFC - Orissa State Financial Corporation

To provide loan assistance to the tiny, small and medium scale industrial concerns

7.2.12 Investment Climate

In recent years, Orissa continues to head Indian states in terms of envisaged investment in manufacturing sector. This is evident from the following.

Total envisaged investments in Manufacturing Sector And Rank Among Indian states

(` in Rs billion)

State	2005		2006		2007		2008		2009
	Rank	Value	Rank	Value	Rank	Value	Rank	Value	Rank
ORISSA	1	1917	1	2780	1	2534	1	3255	1

From April 2000 to May 2010, the state received FDI inflows of US\$ 246 million.

The major investors in the metals sector are Tata Steel, Pohang Iron and Steel Company, Arcelor-Mittal, the Bhushan Group, the Jindal Group, Essar Steel, Hindalco, Vedanta, Aditya Aluminium, L&T-Dubal, Sterlite Iron and Steel, Welspun Power & Steel and Uttam Galva Steels.

In the services sector, telecom and IT have attracted maximum investments.

7.2.13 Outlook

The mineral and coastline are valuable resources.

The pragmatic fiscal policies, administrative reforms, strong investment in social sector and dominant development strategy followed by the state and embedded in political stability augur well for its economic growth.

Mineral industry, energy, tourism, IT/ ITeS, agriculture, marine products and food processing are the thrust areas. There is a pool of educated manpower. On the other hand, widespread poverty, absence of entrepreneurial ethos and natural calamities are the challenges. Land acquisition, relief and resettlement of displaced persons and

environmental impact are the issues.

Mckinsey have projected its GSDP growth @ 7.1% over next 10 to 12 years. This is the highest in eastern India (**Annexure 7.2**).

7.3 Sambalpur: An Overview

The district was divided in 1993. The present Sambalpur district admeasures 6,624 sq.kms. Its population in (2011) was 10.44 lacs; the decadal growth of population (2001-2011) was 11.63%. The population density is 158 persons/sq.kms as against 269_ persons in Orissa. 70.19% of Sambalpur is rural.

Within Orissa, it is the northern and southern regions; which are particularly poor. Sambalpur is a part of western Orissa; which is relatively developed and marked by lower population density and lower percentage of tribal population. Unlike other parts of Orissa, it is not mineral rich. Its economy is agrarian.

It is a gateway to Orissa from the western side. Its agri-cum-forest output makes it a significant trading hub and there is some resource-based industrial development. The Hirakud dam, comfortable power position, industrial upsurge in the neighbouring Jharsuguda district and urban development are facilitating the economic growth of Sambalpur district.

Human development index and gender development index is 0.589 and 0.560, while comparable values for Orissa are 0.579 and 0.546. It ranks 13th and 10th respectively on these counts. Its infrastructure development index is 119.01 against the state average of 100. It ranks 9th in this behalf.

7.3.1 Character of Samblpur Economy

It is driven largely by agriculture and trade 45 out of 100 residents work and 53% of the workforce is engaged in agriculture. Hirakud Dam is its key asset. Forest products are important; particularly kendu leaf. Sponge iron, rice-milling and construction material production are the main contours of its industrial profile. It is the headquarter of one of the eight subsidiaries of Coal India, though not a significant coal producer. Sambalpur city occupies the centre-stage of economy, the other important town being Burla.

The following are some facets of its economy

	Rank Among 30 Orissa District (2006)
Market Size : 1735 crores	17

Per Capita Annual Income

- Urban : Rs. 41806 10
- Rural : Rs. 13977 23

Penetration vis-à-vis households

- Electricity : 46.2% 8
- TV : 31.9% 7
- Two wheeler : 19.3% 6
- Four wheeler : 2.1% 4

Population Below Poverty Line (%)

- Urban
- Rural

It is clearly one of the top 10 districts of Orissa from the standpoint of overall prosperity, though urban-rural divide appears to be rather sharp.

7.3.2 Agriculture

This is the mainstay of district economy.

Hirakud Dam, 15 kms from Sambalpur, across River Mahandi, is the lifeline of agriculture in the district. It irrigates 1.08 lac and 1.56 lac ha of land during Rabi and Kharif seasons in Orissa; including Sambalpur.

The district has suitable agro-climatic conditions for horticulture.

The agricultural output during 2008-09 (Rabi and Kharif) was as follows.

Table 7C

Agricultural output of Sambalpur District,2008-09

Crop	Production ('000 ton)	Productivity (kg/ha)
Paddy	503.2	3325
Maize	1.8	1269
Jawar	0.05	788

Bajra	0.06	505
Small millets	0.02	467
Mung	8.1	364
Black gram	7.1	356
Arhar	2.2	987
Fieldpea	0.7	782
Cowpea	0.6	782
Sesame	12.7	496
Ground nut	2.3	1471
Others pulse	2.3	456

Paddy, pulses and oilseed, in that order, are the most important agricultural crops. Vegetables and condiments are significant horticultural crops.

The productivity of Sambalpur district in respect of the following crops is higher than the average in Orissa.

Table 7D
Agricultural Productivity of District Vs State

	(kg/ha)	
Productivity of major Agriculture Crops	Sambalpur	Orissa
Paddy	2875	1,534
Ragi	930	663
Biri	353	291
Sugarcane	80525	63417
Mustard	404	170

There are several private seed processing plants- Vijaya, Samaleswari, Aneema, Sai Agro and Kunti.

The horticulture production is as follows.

Table 7E
Horticultural Production of Sambalpur District

Fruits			
Sl. No.	Particulars	Area (ha)	Production(MT)
1	Mango	4063	8810
2	Guava	328	2330
3	Citrus	798	7165
4	Litchi	881	3092
5	Sapota	32	156
6	Banana	444	6356
7	Papaya	22	484
8	Pineapple	7	67
9	Other fruits	1703	15327
10	Ber	93	556
	Total	8371	44342
11	Coconut	278	15 lakh Nuts
Vegetables			
Sl. No.	Particulars	Area (ha)	Production (MT)
1	Brinjal	1842	26801
2	Tomato	1225	16329

3	Cabbage	455	12578
4	Cauliflower	1533	21947
5	Pea	48	416
6	Okra	1550	13498
7	Sweet Potato	1760	14626
8	Others	4575	44662
9	Potato	295	3729
	Total	13283	154586
Spice Crops			
Sl. No.	Particulars	Area (ha)	Production (MT)
1	Onion	1755	16847
2	Garlic	352	1179
3	Coriander	985	442
4	Chilly	4193	3689
5	Ginger	689	1301
6	Turmeric	144	345
	Total	8118	23803
Flowers			
Sl. No.	Particulars	Area (ha)	Production (MT)
1	Marigold	40	3120

2	Rose	12	31
3	Gladioli	15	76
4	Tube Rose	10	101
	Total	77	3328

Mango, citrus and banana are cultivated extensively. Brinjal, cauliflower, tomato, sweet potato, and okra output is significant. Onion, chilli, ginger and garlic production is noticeable. Evidently, it is a production-surplus district in respect of fruits, vegetables and spices and these go out. The facilities for either storage or processing of these are negligible. There is a defunct private sector cold storage.

Bamboo production is negligible. It does not have plans for jatropha plantation, unlike neighbouring Chhatisghar.

The farming is done through traditional method- plough and bullocks. There are only 1800 working of tractors. The annual growth I tractor ranges from 15% to 18%. In contrast, there are 1.91 lac bullocks. The annual demand for bullock carts is 750.

Daily industry remains under-developed. The national milk production averages 246 gms /capita. In Sambalpur, it is 94 grams per capita.

Poultry is one of the fastest growing sectors in Orissa. The backyard poultry and farm-poultry population of birds in Orissa's 1.94 crores and 11.53 lac respectively as per 18th Livestock Census. Sambalpur has 4.32 lac poultry birds. The per capital egg availability is 34 as compared to 38 in Orissa. There are 103 poultry farms, 2 layer farms and 12 chick rearing units.

Goat and sheep population in Orissa is 71.27 lac and 18.18 lac respectively. Goat meat is preferred in Orissa. Sambalpur agro-climatic conditions are suitable for sheep/goat/pig rearing and there is adequate grazing land (12000 ha). The sheep/goat/pig population in the district is 13616, 390605 and 12761 (2007 livestock census). There is a decline in sheep and pig rearing.

7.3.3 Forest-Based Activity

Kendu leaf is the most important product. Sambalpur, Jharsuguda and Deogarh is the beedi-making belt of Orissa. As per Orissa Review, April 2012, there are 99,000 identity card holding beedi rollers in Sambalpur district. The trade estimates the number at 1.5 lacs. 70% are women, 20% are children and 10% are men. There are 27 licensed and seven unlicensed companies which control the trade. The roller receives Rs. 40 per 1000 beedies rolled. Some of them collect kendu leaf from the forest as well; in which case the payment is Rs. 80 per 1000 beedies rolled. The daily rolling

per worker varies from 400 to 800 beedies. The occupation involves severe health hazard. It appears that beedi workers report themselves as marginal or non-workers under the census. Kendu leaf collection and beedii making is a low-wage and hazardous part of the district economy.

7.3.4 Tourism

Given Hirakud dam, natural beauty and religious spots, e.g., Samaleswar temple, there is noticeable tourism but it is largely regional domestic flow. There were 1.7 lac domestic tourists in 2006. The foreign tourists are few. There are 12 hotels/guest-houses at Sambalpur.

7.3.5 Banking

The position is as follows.

- Number of bank branches, 2006
 - Rural : 45
 - Semi-urban : 10
 - Urban : 34
 - Total : 89**
- Amount of deposits 2006 (Rs. lakh)
 - Rural : 21063
 - Semi-urban : 49389
 - Urban : 106924
 - Total : 177376**
- Amount of credit outstanding 2006 (Rs. lakh)
 - Rural : 12102
 - Semi-urban : 8373
 - Urban : 56646
 - Total : 77121**

7.3.6 Microfinance

There are 5 lac SHG's in Orissa (March 2011). There are 8817 SHG's in Sambalpur. 6010 of these are credit linked directly by the banks. The average loan per SHG is Rs. 84700; the total bank loans being Rs. 5091 lacs. 98% of SHG members are women.

7.3.7 City Economies

Sambalpur and Burla are the major towns.

The railways played a pioneering role in developing the economy of Sambalpur city. Subsequently, it was the development of public institutions which paved way for the growth of trade and commerce-rice mills, oil mills and foundry. It is now a flourishing gateway economy.

Burla's economy is driven by education and health care sectors. Veer Surendra Sai Medical College is the largest hospital in Western Orissa. Veer Surendra Sai University of Technology is the oldest engineering college in Orissa. Sambalpur University is one of the three oldest Universities in Orissa. All these institutes of higher learning make Burla a top-tier destination for thousands of students every academic year.

Hirakud is largely an industrial town; Hindalco being most high profile industry.

7.3.8 Leveraging Jharsuguda Growth

Sambalpur and Jharsunda are 48 kms apart and connected by an excellent road (state Highway 10). Jharsuguda does not possess the urban infrastructure which Sambalpur does. So, Sambalpur is gaining from the industrial boom at Jharsuguda in terms of residential and commercial development. Big Bazar, Reliance Fresh, Bazar Kolkata, Eyelex Multiplex, car company show rooms, retail outlets for branded products have come up in Sambalpur in recent years. The state govt. has approved a proposal to operate a city bus service.

The state govt has also proposed a plan to establish a 2000-acre satellite city by SDA between Sambalpur and Jharsuguda (**Annexure 7.3**).