

ECONOMY OF MAHARASHTRA

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Abstract:

The State has a population of 11.24 crore (Census 2011) which is 9.3 per cent of the total population of India. The State is highly urbanised with 45.2 percent people residing in urban areas. The State has 35 districts which are divided into six revenue divisions viz. Konkan, Pune, Nashik, Aurangabad, Amravati and Nagpur for administrative purposes. The State has a long tradition of having statutory bodies for planning at the district level. For local self-governance in rural areas, there are 33 Zilla Parishads, 351 Panchayat Samitis and 27,906 Gram Panchayats. Maharashtra is India's leading industrial state contributing 13% of national industrial output. 64.14% of the people are employed in agriculture and allied activities. Almost 46% of the GSDP is contributed by industry. Maharashtra has had an immense History in textiles and Mumbai city was the original home of India's textile mills. Today some of the city's known for textile industry Solapur, Ichalkaranji, Malegaon and Bhiwandi.

INTRODUCTION

Maharashtra is the second largest state in India both in terms of population and geographical area (3.08 lakh sq. km.). The State has a population of 11.24 crore (Census 2011) which is 9.3 per cent of the total population of India. The State is highly urbanised with 45.2 per cent people residing in urban areas. The State has 35 districts which are divided into six revenue divisions viz. Konkan, Pune, Nashik, Aurangabad, Amravati and Nagpur for administrative purposes. The State has a long tradition of having statutory bodies for planning at the district level. For local self-governance in rural areas, there are 33 Zilla Parishads, 351 Panchayat Samitis and 27,906 Gram Panchayats. The urban areas are governed through 26 Municipal Corporations, 219 Municipal Councils, 7 Nagar Panchayats and 7 Cantonment Boards. Mumbai, the capital of Maharashtra and the financial capital of India, houses the headquarters of most of the major corporate & financial institutions. India's main stock exchanges & capital market and commodity exchanges are located in Mumbai. The gross state domestic product (GSDP) at current prices for 2011-12 is estimated at 11,99,548 crore and contributes about 14.4 per cent of the GDP. The GSDP has been growing at a rapid pace over the last few years. Presently industrial and services sector both together contribute about 87.1 per cent of the State's income. The agriculture & allied activities sector contributes 12.9 percent to the State's income. The State has 226.1 lakh hectares of land under cultivation and area under forest is 52.1 lakh hectares. Numbers of irrigation projects are being implemented to improve irrigation. A watershed mission has been launched to ensure that soil and water conservation measures are implemented speedily in the un-irrigated area.

Maharashtra's gross state domestic product for 2011 is estimated at 901,330 crore (US\$160 billion) in current prices. As of 2010 Maharashtra had a Per Capita Income of \$ 1,660, far ahead of national average of \$ 1,219. Maharashtra's GDP Per Capita crossed the US\$ 2,000 threshold for the first time in 2011 making it one of the richest states in India. Maharashtra is third-most urbanized state with urban population of 45% of whole population. Mumbai, the capital of Maharashtra houses the headquarters of almost all major banks, financial institutions, insurance companies and mutual funds. Within Mumbai is located Bollywood, the centre of India's Hindi film and television industry. India's largest stock exchange Bombay Stock Exchange, oldest in Asia, is located in the city. After successes in the information technology in the neighbouring states, Maharashtra has set up software parks in Pune, Mumbai, Navi Mumbai, Nagpur and Nasik, Aurangabad. Now Maharashtra is the second largest exporter of software with annual exports of 18 000 cr and accounts for more than 30 per cent of the country's software exports, with over 1,200 software

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units based in the state. Maharashtra ranks first nationwide in coal-based thermal electricity as well as nuclear electricity generation with national market shares of over 13% and 17% respectively. Maharashtra is also introducing Jatropha cultivation and has started a project for the identification of suitable sites for Jatropha plantations. Ralegaon Siddhi is a village in Ahmednagar District that is considered a model of environmental conservation. Over 41% of the S&P CNX 500 conglomerates have corporate offices in Maharashtra.

2. STATE INCOME

2.1 Economic Scenario: Risk of global financial crisis appears to be ebbed at the end of 2012-13, but domestically growth remains sluggish. Notwithstanding, inflation has moderated out to as low as 6.6 per cent in January 2013, lowest since December 2009, prices are at higher level, reining in the consumption. Modest growth in Industry sector likely to slow down the Services sector also. After bumper food grains production and cash crop production in 2010-11, agriculture production lowered in 2011-12 and further reduced in 2012-13. All these have affected the GDP as well as GSDP growth. The GDP growth has reached to 5.0 per cent, lowest in the series. But in the State, after two digit growth in 2010-11, economy has maintained a steady growth of 7.1 per cent in both, last and current year. Policy reforms, fiscal consolidations and price control possibly will help in leveling off the decelerating growth.

2.2 GSDP (Gross State Domestic Product)

2.1 Gross State Domestic Product (GSDP) at constant (2004-05) prices, as per advance estimates, is expected to grow at 7.1 per cent during 2012-13. The Agriculture sector is expected to grow at (-) 1.4 per cent, restraining the growth of 'Agriculture & allied activities' sector at (-) 2.1 per cent. The Industry sector is expected to grow at 7.0 per cent while, the services sector is expected to grow by 8.5 per cent.

2.2 GSDP at constant (2004-05) prices is 7,87,426 crore during 2011-12, as against 7,35,212 crore in 2010-11, showing an increase of 7.1 per cent as per the first revised estimates. GSDP during 2011-12 at current prices is 11,99,548 crore, showing an increase of 15.9 per cent over the previous year.

2.3 Net State Domestic Product (State Income), as per the first revised estimates, is 10,82,751 crore and Per Capita State Income is 95,339 during 2011-12.

2.3 GSDP for 2012-13 (forecast)

2.3.1 The advance estimates of the Gross State Domestic Product (GSDP) at constant (2004-05) prices is expected at 8,43,565 crore, with growth of 7.1 per cent over 2011-12.

2.3.2 Rain fed agriculture sector was affected again this year due to less than the normal rainfall, by about ten per cent less. Till the end of October 2012, ten districts have received less than 75 per cent of normal rainfall. Overall foodgrains production is expected to decline by 18 per cent over the previous year. Sugarcane (harvested) production likely to decrease by 33 per cent. Oilseeds production and cotton production is likely to increase by 15 per cent and 2 per cent respectively. This altogether leads to decline in growth of agriculture sector in 2012-13 to (-) 1.4 per cent.

Forestry and Fisheries sector, both likely to show negative growth of 6.3 per cent and 0.2 per cent, restraining growth of Agriculture and allied activities sector at (-) 2.1 per cent. Price rise and wage inflation leading to higher cost of input thereby increasing the cost of production, subsequently causing reduction in production reflected in Index of Industrial Production (IIP), which recorded growth of one per cent in first nine months of 2012-13. Due to which, growth of Manufacturing sector, may achieve growth of 5.1 per cent. However, expected growth of 11.2 per cent in Construction sector will help Industry sector to grow with 7.0 per cent. The Services sector with a growth of 8.5 per cent over the previous year likely to help GSDP to maintain its growth same as 2011-12 at 7.1 per cent.

2.4 GDP (Gross Domestic Product) for 2012-13 (forecast)

2.4.1 Advance estimates for 2012-13 published by Central Statistics Office (CSO), GoI revealed that GDP at constant (2004-05) prices is expected at 55,03,476 crore with a growth of 5.0 per cent, whereas at current prices is expected at 94,61,979 crore.

2.4.2 As per the advance estimates, expected decline in food grains production by 2.8 per cent, cotton by 4.0 per cent and sugarcane production by 6.5 per cent is likely to restrict the growth of Agriculture and allied activities sector at National level to as low as 1.8 per cent. Index of Industrial Production (IIP), in first eight months of 2012-13, registered growth of 1.0 per cent over IIP of the same period of previous year, reflecting in low growth of 1.9 per cent in manufacturing sector. Construction sector is likely to show growth of 5.9 per cent, helping Industry sector to grow by 3.1 per cent. From Services sector, 'Trade, Hotels & Restaurants, Transport, Storage & Communication' is expected to grow

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with moderate growth of 5.2 per cent, 'Finance, Insurance, Real estate & Business services' by 8.6 per cent and 'Community, Social & Personal services' by 6.8 per cent restricting the growth of Services sector at 6.6 per cent. Low growth in all these sectors of GDP together lead to low growth of 5.0 per cent in GDP at constant (2004-05) prices in 2012-13 as compared to 6.2 per cent in previous year.

3. PRICES

3.1 Average Consumer Price Index (CPI) in the State for the period April to December, 2012 for rural and urban areas increased by 9.7 per cent and 9.6 per cent respectively over the corresponding period of the previous year.

3.2 The year-on-year rate of inflation based on WPI declined from 7.5 per cent in April, 2012 to 6.6 per cent in January, 2013, the lowest in last three years. For 'Food' sub-group, it declined sharply from 10.9 per cent in April to 6.7 per cent in October. Subsequently, it increased to 11.9 per cent in January, 2013.

4. PUBLIC FINANCE

4.1 Revenue receipts of the State Government are expected to be 1,36,712 crore during 2012-13 (BE), as against 1,25,313 crore during 2011-12 (RE). Tax and non-tax revenue are expected to be 1,09,023 crore and 27,689 crore respectively. Actual revenue receipts during April to December, 2012 were 96,405 crore (70.5 per cent of budget estimates).

4.2 Thirteenth Finance Commission has recommended grants-in-aid for specific purposes. Amount likely to be received during 2012-13 is 3,554 crore which includes basic grants of 1,095 crore and performance grants of 751 crore for local self governments.

4.3 Revenue expenditure of the State Government is expected to be 1,36,559 crore during 2012-13 (BE) as against 1,27,372 crore during 2011-12(RE).

4.4 Revenue surplus of 153 crore and fiscal deficit of 23,066 crore is projected during 2012-13. Debt stock at the end of 2012-13 is expected to reach at 2,53,085 crore.

4.5 The percentage of fiscal deficit to GSDP is 1.7 per cent and debt stock to GSDP is 18.4 percent during 2012-13, well within Consolidated Fiscal Reform Path stipulated by the Thirteenth Finance Commission.

5. INSTITUTIONAL FINANCE

5.1 Aggregate bank deposits were 15.94 lakh crore, gross credit was 13.88 lakh crore and credit deposit (CD) ratio was 87.1 per cent as at the end of March, 2012.

5.2 As on 31st March, 2012, deposits from 8.27 lakh Self Help Groups (SHG) were of 724 crore, whereas the loans outstanding with 2.15 lakh SHGs were of 1,164 crore. During 2011-12, loans of 602 crore were disbursed to 0.68 lakh SHGs.

5.3 Under financial inclusion, 6,069 unbanked villages were covered by the end of January, 2013. Total 22.53 lakh 'no frill' accounts were opened up to the end of March, 2012.

6. STATE AND NATIONAL INCOME

6.1 First revised estimates of State Income i.e. Net State Domestic Product (NSDP) at current prices is estimated at 10,82,751 crore in 2011-12, as compared to 9,34,376 crore in 2010-11 showing an increase of 15.9 per cent. The State Income at constant (2004-05) prices in 2011-12 is estimated at 7,09,315 crore, as compared to 6,61,469 crore in 2010-11 showing an increase of 7.2 per cent.

6.2 Net National Income (NNI) at current prices for 2011-12 is estimated at 73,99,934 crore with an increase of 15.2 per cent over previous year. NNI at constant (2004-05) prices for 2011-12 is estimated at 45,72,075 crore.

6.3 Per Capita State Income (i.e. Per Capita NSDP) at current prices is estimated at 95,339 as compared to Per Capita National Income of 61,564 in 2011-12.

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Table 3.1 shows Sectoral growth rates at constant (2004-2005) prices.

Table 3.1 Sectoral growth rates at constant (2004-2005) prices						
Sector	(Per cent)					
	GSDP			GDP		
	2010-11++	2011-12+	2012-13\$	2010-11++	2011-12+	2012-13\$
Agriculture & allied activities	17.8	4.6	(-) 2.1	7.9	3.6	1.8
i) Agriculture	21.4	4.3	(-) 1.4	8.8	3.9	--
ii) Forestry	3.5	6.2	(-) 6.3	2.2	2.4	--
iii) Fisheries	2.9	4.4	(-) 0.2	5.4	1.8	--
Industry	8.8	5.2	7.0	8.4	3.5	3.1
i) Mining & Quarrying	(-) 0.9	(-) 5.5	(-) 1.9	4.9	(-) 0.6	0.4
ii) Manufacturing	7.8	2.5	5.1	9.7	2.7	1.9
iii) Electricity, Gas & Water supply	12.6	13.3	13.3	5.2	6.5	4.9
iv) Construction	11.9	12.4	11.2	10.2	5.6	5.9
Services	10.0	8.4	8.5	9.8	8.2	6.6
i) Trade, Hotels & Restaurants, Transport, Storage & Communication	11.0	5.8	6.8	12.3	7.0	5.2
ii) Finance, Insurance, Real Estate & Business Services	10.0	10.2	9.8	10.1	11.7	8.6
iii) Community & Personal Services	7.2	9.8	8.8	4.3	6.0	6.8
GSDP/GDP	10.2	7.1	7.1	9.3	6.2	5.0

Source : CSO, GoI and DES, Maharashtra ++ Second revised estimates + First revised estimates \$ Advance estimates

7. BUDGET 2012-13

Budget for 2012-13 was presented with a view to strike a fair balance between development need of the State and additional tax burden. The tax proposals are expected to yield additional revenue of 600 crore. VAT (which contributes more than 30 per cent of revenue), is expected to increase by 6.7 per cent over the previous year. The total budget estimates are expected to increase by around 9.5 per cent over the previous year, showing surplus budget. In spite of expected revenue surplus, the fiscal deficit is expected to increase by 11.0 per cent from 20,776 crore in 2011-12 to 23,066 crore in 2012-13. Fiscal deficit for 2012-13 is 1.7 per cent of GSDP. Summary of the State budget is given in Table 5.1

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Table 5.1 Budget at a glance

Items	2010-11	2011-12		2012-13	
			(RE)	(BE)	(BE)
1. Revenue Receipts	1,05,868	1,25,313	1,36,712		
2. Revenue Expenditure	1,06,459	1,27,372	1,36,559		
3. Revenue Deficit (2-1)	591	2,059	(-) 153		
3.1 As % of GSDP	0.1	0.2	0.0		
4. Capital Receipts #	18,965	21,322	23,966		
5. Capital Expenditure #	18,922	19,359	23,953		
6. Total Receipts (1+4) #	1,24,833	1,46,635	1,60,678		
7. Total Expenditure (2+5) #	1,25,382	1,46,731	1,60,512		
8. Budgetary Deficit (7-6)	549	96	(-) 166		
9. Fiscal Deficit	18,857	20,676	23,066		
9.1 As % of GSDP	1.8	1.7	1.7		

Source : Finance Department, GoM # Net of Loan Repayment

8. FINANCE COMMISSION

8.1 Apart from the devoluble amount from central taxes, Finance Commission has made recommendations regarding grants-in-aid to the states for some specific purposes. The State is expected to receive 3,554 crore as grants-in aid in 2012-13. This includes grants-in-aid for UID, Improving Delivery of Justice, District Innovation Fund, Improving District & State Statistical System and Employees & Pension Database. The Commission has also recommended grants-in-aid for local self government.

9. CONCLUSION:

Maharashtra is India's leading industrial state contributing 13% of national industrial output. 64.14% of the people are employed in agriculture and allied activities. Almost 46% of the GSDP is contributed by industry.

Maharashtra has had an immense History in textiles and Mumbai city was the original home of India's textile mills. Today some of the city's known for textile industry Solapur, Ichalkaranji, Malegaon and Bhiwandi. Sugar industry has made considerable progress specially in the co-operative sector. Maharashtra is well known for the development of sugar industry on co-operative lines in which the farmers acquire a share in the sugar mills. Pharmaceuticals, petrochemicals, heavy chemicals, electronics, automobiles, engineering, food processing, and plastics are some of the major industries of the state. Maharashtra is renowned for the production of three-wheelers, jeeps, commercial vehicles and cars, synthetic fibers, cold rolled products and industrial alcohol. Small scale industries have also come up in a big way in the state. The state capital Mumbai is called as an industrial city. Industrial development in the state is largely concentrated in Mumbai. The six important industries in the district are cotton textiles, chemicals, machinery, electricals, transport and metallurgy. These industries also provide employment to a considerable number of people in Mumbai.

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