

CHAPTER - 4 : THE ECONOMY OF MAHARASHTRA

Introduction :

The state of Maharashtra came into existence on 1st May 1960. The state economy has achieved a distinguished status as a result of the collective efforts of its people.



Administrative Divisions of Maharashtra :

As per Economic Survey of Maharashtra 2017-18, the state has been divided into 36 districts under 6 revenue divisions viz, Mumbai, Pune, Nashik, Aurangabad, Amravati and Nagpur, for administrative reasons.

Important features of the economy of Maharashtra :

- 1) Maharashtra is the second largest populated state in the country, the population of the state was 11.24 crores during 2011.
- 2) Maharashtra is the third largest state in the country in terms of geographical area measuring about 3.08 lac sq. kms.
- 3) It is the most urbanized state with 45.20% of its population living in towns and cities.
- 4) According to 2011 census, the sex ratio of Maharashtra was 929 females per 1000 males.
- 5) The state literacy rate was 82.3% as per 2011 census.
- 6) According to the Economic Survey of Maharashtra for 2016-17, the State had the highest growth of GSDP (Gross State Domestic Product) and **State Per Capita Income** (SPCI) in comparison with other states.
- 7) The state economy is characterised by



- i) abundant natural resources
 - ii) availability of skilled manpower
 - iii) technological advancement
 - iv) developed infrastructure.
- 8) Maharashtra is the most favoured destination for creativity, skill development, investment and tourism.

Economic development of Maharashtra :



Fig. 4.1 : Economy of Maharashtra

A) Agricultural sector : Agriculture and allied activities play an important role in the economic development of the state. As per Economic Survey of Maharashtra 2017-18, the share of agriculture and allied activities in the total Gross State Value Added (GSVA) was 12.2% during 2016-17 as against 15.3% during 2001-02 which shows a declining trend over the period.



Fig. 4.2 : Agriculture

General problems in the agricultural sector :

- i) Decrease in the average size of land holdings leads to low farm productivity.
- ii) Increase in the number of small and marginal farmers.
- iii) Excessive use of chemical fertilizers and pesticides, leading to soil degradation.
- iv) Agricultural indebtedness.
- v) Poor implementation of land reforms and adverse crop pattern.
- vi) Dry land and inadequate irrigation facilities.
- vii) Lack of capital
- viii) Improper implementation of rural development plans.
- ix) Lack of marketing facilities
- x) Impact of climatic changes

Think about it :

What will happen if the farmers sell their farm produce without the middlemen?

Measures undertaken by the Government for agricultural development (Economic Survey of Maharashtra 2017-18) :

- 1) Distribution of quality seeds at reasonable rates.
- 2) Increased number of outlets for fertilizer and pesticide distribution.
- 3) Development of irrigation facilities.
- 4) Electrification of agricultural pumps and efforts to provide 'electricity on demand'.
- 5) Financial assistance as per requirements.
- 6) Setting up of Agriculture Produce Marketing Committees (APMC), establishment of agro export zones, horticultural training centres, grading and packing facilities for effective distribution.
- 7) Creating awareness about agricultural information through the use of mass media for making agriculture a profit making business.

B) Industry : Maharashtra is an industrially advanced state. Industrial sector plays a

major role in the economic development of Maharashtra. It has the potential to absorb excess labour from the farming sector,. It leads to diversification of markets, generates higher incomes and higher productivity. As per Annual Survey of Industries (ASI) 2016-17, the industrial sector of Maharashtra is at the top position. The share of industry in the Net Value Added (NVA) is about 18%. Maharashtra has also been the first choice of domestic and foreign investors.



Fig. 4.3 : Industry

Find out :

Names of any five enterprises from each category producing the following goods in Maharashtra : chemicals, food processing, textiles, automobile, I.T. and pharmaceuticals.

Foreign Direct Investment (FDI) :

In the early 1990s, the Government of India started amending the norms capping **foreign direct investment** in certain sectors. The liberalisation act of 1991 cleared the path of FDI. Maharashtra has been consistently ranked as the number one investment destination in India. The State has remained in the forefront in terms of FDI inflow in the country. The FDI inflows in Maharashtra since April, 2000 till September 2017 was ₹ 6,11,760 Crore which is 31% of the total FDI inflow at all India Level.

General problems in the industrial sector :

- 1) Delays in government procedure
- 2) Lack of opportunities for skill development.
- 3) Lack of updated technology.

- 4) Lack of infrastructural facilities.
- 5) Lack of motivation to new entrepreneurs.
- 6) Lack of development programmes.
- 7) **Regional imbalance**

Measures undertaken by the Government for industrial development (Economic Survey of Maharashtra 2017-18) :

- 1) Single window cell was initiated to provide all clearances to the existing and prospective investors.
- 2) Maharashtra Industry, Trade and Investment Facilitation Cell (MAITRI) was introduced to provide online consolidated information about the investment process.
- 3) Awards for export performance, space rent subsidies are provided to small scale industries to encourage participation in international exhibitions.
- 4) Creation of Special Economic Zones (SEZ) to boost industrial growth.
- 5) Maharashtra State Industrial Cluster Development Programme (MSICDP) is being implemented all over the state to develop small, medium and micro enterprises.

C) Service Sector : Service sector consists of insurance, tourism, retail banking, education and social services. Service sector includes provision of services to business as well as final consumers.

Service sector is the largest employment generating and fastest growing sector of the economy. The contribution of service sector to the **Gross State Domestic Product (GSDP)** has been the highest compared to the other sectors in the economy. It was 54.5% during 2017-18.

The core areas for development of service sector include **Fintech**, IT/ITES, start ups, cloud computing, electric vehicles, defence, tourism and private universities. Government has also tried to expand the service sector by various activities in **Tier II cities**.

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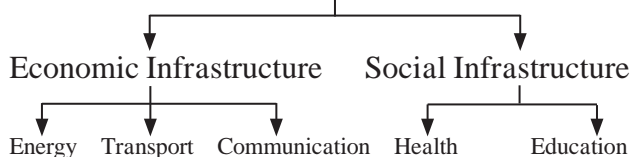
Classify the services mentioned in the previous paragraph into services for business and services for final consumers.

Core Areas of Service Sector :

• Infrastructure :

Infrastructure is the basic requirement for economic development. A sound infrastructural foundation is the key to overall socio-economic development of the state. This acts as a magnet for attracting additional investment into the state and thus provides a competitive edge to it over other states. Adequate infrastructural facilities are an absolute necessity for rapid achievement of sustainable economic growth.

Classification of Infrastructure



a) Economic Infrastructure : It facilitates production and distribution of goods and services for economic development.

Measures for development of economic infrastructure :

- 1) Increasing installed capacity of electricity generation.
- 2) Rural electrification, network improvement and programmes for energy conservation.
- 3) Modified direct benefit transfer scheme to LPG consumers in the state.
- 4) Road development plan (2001-2021) is being implemented in the state with a target to develop 3.37 lakh kms of road.
- 5) Metro Railway has started at Mumbai and Nagpur.
- 6) Maharashtra Port Development Policy was constituted for integrated development of ports. State government is promoting Sagarmala programme launched by the central government for port led development.

7) Internet subscriber base was 5.45 crore in Maharashtra as on 30th September 2017, which is the highest among all the states.

b) Social infrastructure : Social infrastructure is also one of the important components of the economy because it improves the quality of human life as well as stimulates the economic development. It not only improves the quality but also gives the power to produce knowledge. Social infrastructure includes literacy programme, education, public health, housing, drinking water and sanitation.

Measures undertaken to develop Social Infrastructure :



i) Education :

Education is considered as one of the basic human needs. It forms the backbone of socio-economic development of any country. Education is significant aspect of human resource development (HRD). In the present scenario, India is getting the advantage of highest demographic dividend due to maximum percentage of young population in the country. Education, therefore becomes 'a priority' at the national as well as state level. The state of Maharashtra has implemented various educational schemes to achieve the goal of education. There are four levels of education in our country.

- 1) Primary
- 2) Secondary
- 3) Higher Secondary
- 4) Higher education

a) Primary education : The state of Maharashtra has implemented the Right to Education (RTE) of children in the age group 6-14 years to provide free and compulsory education under the Sarva Shiksha Abhiyan (SSA). The expenditure of the State government on primary education was ₹19,486 crores during 2016-17.

Primary (Std. I to VIII) Educational Institutions and Enrolment

Year	Number of Schools	Total Enrolment (in lakhs)	No. of Teachers (in lakhs)	Pupil-Teacher Ratio
2016-17	1,04,971	159.86	5.30	30.1

Source : Economic Survey of Maharashtra 2017-18



- b) Secondary and Higher Secondary Education :** Rashtriya Madhyamik Shiksha Abhiyan (RMSA) was launched in 2009 with the objective to improve the access as well as the quality of secondary education. During 2016-17, the State government's expenditure on secondary and higher secondary education was ₹16,089 crores.

Secondary and Higher Secondary (Std. IX to XII) Educational Institutions and their Enrolment

Year	Number of Schools	Total Enrolment (in lakhs)	No. of Teachers (in lakhs)	Pupil-Teacher Ratio
2016-17	25,737	66.15	2.13	31.1

Source : Economic Survey of Maharashtra 2017-18

- c) Higher education :** Apart from universalization of primary education, the Government of Maharashtra is taking efforts to expand opportunities in higher education also. Higher education helps in creating technical and skilled human resources which is an important input necessary for overall economic development. There are 22 state universities, out of which 4 universities are for agriculture, one university for health science courses, one university for veterinary science, one for technology and 15 other universities for general courses. In addition to these, there are 21 autonomous universities, one central university, 4 private universities and 5 institutes of national importance in the state.

To meet the challenges of liberalization, privatization and globalization, the state enacted the new Maharashtra Public Universities Act, 2016. Key focus of this Act is to promote **academic autonomy** and excellence, skill based education through democratic process in higher education.

Maharashtra is also the first state in the country to receive RUSA grant of ₹ 20 crore under Research and Innovation and Quality Improvement for setting up innovation and technology transfer hubs. Rashtriya Uchchatar Shiksha Abhiyaan (RUSA) is a centrally sponsored scheme launched by the Government of India in 2013.

- d) Others :**

1) Inclusive education : This is for differently abled children with special needs.

2) Girls' Education : Various schemes to promote girls' education such as free education till the higher secondary level, free of cost S.T. bus service for school going girls in rural areas, bicycles to needy girls living within 5 kms from schools have been introduced by the Government of Maharashtra.

3) Adult Literacy : To increase adult literacy in the state, innovative schemes like 'Each one Teach one', 'Sakshar Bharat Abhiyan' are implemented with community participation.

4) Tribal Education : Government of Maharashtra has introduced residential Ashram Schools in the tribal areas of the state. Tribal students are provided accommodation, food, uniforms, educational materials and other concessions free of cost. There are 556 aided Ashram Schools in the state. Government hostel facility is provided at division, district and taluka levels to encourage tribal students to pursue higher studies.

Find out :

Symbols of the following :

- Sarva Shiksha Abhiyan (SSA)
- Rashtriya Madhyamik Shiksha Abhiyan (RMSA)
- Adult Literacy Mission (ALM)



ii) Health Services :

There were 1814 primary health centres and 360 community health centres in the state as on 31st March 2017. Government of Maharashtra also emphasizes on programmes to strengthen health system in rural and urban areas through National Rural Health Mission (NRHM) and National Urban Health Mission (NUHM). These programmes include health determinants like sanitation and hygiene, nutrition and safe drinking water. The Government of Maharashtra



has created a **three tier** health infrastructure to provide comprehensive health services.

Primary tier includes Primary Health Centres and Community Health Centres. The Secondary tier includes sub district hospitals and district hospitals.

The tertiary tier includes well equipped medical colleges and super speciality hospitals located in major cities.



• **Tourism :**

Maharashtra attracts many tourists from different states and abroad too. To promote the state as a leading tourist destination, the government has formulated Maharashtra Tourism Policy, 2016.

Objectives of tourism policy include :

- To make Maharashtra a leading tourist destination by 2025.
- To attract investments to the tune of ₹ 30,000 crore.
- To create one million additional jobs in the industry.

Maharashtra Tourism Development Corporation (MTDC) is the nodal agency for implementation of this policy in the state. MTDC organises different events such as Ellora festival, Elephanta festival etc.

MTDC has also launched the scheme of 'Mahabhraman' to bring different experimental projects such as **agro tourism**, **village tourism**, **food tourism**, safaris, tribal lifestyles etc. under one roof.



• **Hospitality :**

Hospitality is a much broader industry than other industries. It has grown manifold in Maharashtra due to flourishing tourism. One of the most defining aspects of this industry is that it focusses on customers' satisfaction. Hotel industry is one of the sectors of the hospitality industry. Many forms of transportation that cater to the tourists are also part of this business, e.g. Airlines, Mumbai-Goa cruiseship, fancier trains (Deccan Odyssey), restaurants, general

tourism and event management are also a part of this sector.



• **Entertainment Industry :**

India produces the largest number of films in the world. Maharashtra has played a remarkable role in this. Entertainment sector of Maharashtra generates employment opportunities to large number of people. Kolhapur has been a worth mentioning city for regional films. Mumbai, popularly known as 'Bollywood' has a great impact on the global film industry.

D) Co-operative Movement in Maharashtra :

Co-operative movement is the greatest contribution given by the state of Maharashtra to the country.



Fig. 4.4 : Co-operative Movement

Co-operative Movement is an effective instrument in the economic development of rural areas and improving socio-economic conditions of the under-privileged in Maharashtra. The basic nature of co-operative societies is to encourage the values of self help, democracy, equality and solidarity.

Co-operative movement in Maharashtra was confined mainly to the field of agricultural credit but subsequently extended to other sectors such as :

- agro processing
- agro marketing
- sugar co-operatives
- fisheries co-operative societies
- co-operative dairy societies



- textiles
- housing societies
- consumer stores

As on 31st March 2017, there were about 1.95 lakh co-operative societies in the state with about 5.25 lakh members.

EXERCISE

Q. 1. Give economic terms :

- 1) Investments done by foreign companies in our country
- 2) Programme for development of small, medium and micro industries.
- 3) Basic requirement for facilitating production and distribution of goods and services for economic development.
- 4) Movement that promotes values of self-help democracy and equality.

Q. 2. Find the odd word out :

- 1) Agricultural Indebtedness, dry farming, lack of capital, engineering
- 2) Tourism, Banking, Automobile Production, Insurance
- 3) Pune, Hyderabad, Nasik, Nagpur
- 4) MTDC, MAITRI, SEZ, MIDC
- 5) Primary education, Hospitality, Higher education, Skill based education.

Q. 3. Identify and explain the concepts from the given illustrations :

- 1) To facilitate research in robotic technology, Japan has invested ₹ 1000 crores in India
- 2) Prajakta and her family visited the beaches during her eight-day Diwali vacation.
- 3) Pravin from Latur works as a technician in the films division at Mumbai city.
- 4) Rani Gond from Chandrapur works as a hostess with the Mumbai-Goa cruise ship.

Q. 4. Distinguish between :

- 1) Economic Infrastructure and Social infrastructure

- 2) Agriculture sector and Service sector
- 3) Tourism and Hospitality
- 4) Education and Health services

Q. 5. Answer the following :

- 1) Explain the role of Co-operative movement in Maharashtra.
- 2) Explain in detail measures taken by the government for agricultural development of Maharashtra.
- 3) Explain the major problems in the industrial sector of Maharashtra.
- 4) Explain the measures taken to develop social infrastructure in Maharashtra.

Q. 6. Read the following passage and answer the questions given below :

Government of India has launched an ambitious programme of 'Bharatnet' for rural India by keeping in mind today's modern era. More than one lakh rural (Grampanchayat) areas have been connected under Bharatnet high speed broadband scheme. Maharashtra has become the best performing state. East Uttar Pradesh, Chattisgarh, Rajasthan and Jharkhand have also been placed among the best performing states in the first phase of Bharatnet broad band connection scheme.

- 1) Why did the Government of India launch the Bharatnet project?
- 2) How many Grampanchayats have received the Internet service?
- 3) Which states have been placed as the best performing states in the first phase of Bharatnet?
- 4) 'Internet has brought the world closer' - Express your views on it.

