PREFACE:

Madhya Pradesh is a relatively new State, created in 1956 out of the former States of Madhya Bharat, Vindhyा Pradesh, Bhopal and fourteen (Mahakoshal) districts of old Madhya Pradesh. Its territory covers an area of over 171,000 square miles. As its name indicates, Madhya Pradesh lies in the very heart of India. It is, in fact, a watershed for hundreds of rivers that flow out of the State in all directions - feeding the Ganga and the Jamuna to the north, the Narmada and Tapti flowing westward to the Arabian Sea, and the Wardha, Wainganga and Mahanadi flowing north and east towards the Bay of Bengal. The vast catchment areas of these drainage systems are destined to play a vital role in the development of India as a whole.

Administratively, the State is organised into seven divisions with fortythree districts, one hundred and ninety tehsils, and one hundred and sixty municipalities. Of its total population of nearly 4 crores, some 20% is tribal. Nearly 90% of the people live in villages. The average size of M.P. villages (330 persons per village) is much smaller than that of the average Indian village. These small villages are not only more numerous,
they are also more widely scattered. In the absence of adequate transport facilities, such a situation implies greater isolation of villages, and greater difficulties in the way of their economic integration.

Nature has endowed M.P. with rich mineral and forest resources. The mineral deposits - iron ore, coal, manganese, bauxite, limestone, diamond and other minerals - in terms both of potentiality and of current availability - are large, and some of these, such as iron ore, bauxite and limestone are of high quality. The State has a monopoly of diamond mining in India. Nearly 32% of the area of the State is under forests, compared with 17% in all-India. Over 27% of the country's forest area is in this State. These forests may be classified as teak, sal and mixed forests. In the latter species, tendu and bamboo are more important. Commercially and industrially valuable forest products are timber, tendu leaves (for bidi-making), bamboo (for paper making), lac and gum. The scope for developing mineral-based and forest-based industries in the State is thus considerable.

The State's agricultural potentialities too are large. 41 million acres of land are currently being sown. Some 14 million acres of additional land is
reclaimable. The present low agricultural productivity could be improved considerably through ensuring increased supplies of agricultural inputs. The State offers large scope for extensive and intensive cultivation.

Despite its large development potential, however, Madhya Pradesh is among the less developed regions of the country. The backwardness of its economy is reflected in the structure of employment and output as well as in the level of productivity. The dependence of a larger proportion of the population on agriculture and allied activities, the preponderance of small establishments and seasonal factories in the industrial sector, and the smallness of the tertiary sector (commerce, transport and communications) are among the distinguishing characteristics of the State economy. Productivity levels are uniformly low; the State has a low per capita income and, in all the major sectors, output per worker is much below the corresponding national average.

The central problem of the State is to increase the productivity and, at the same time, to transform the economic structure so that industrial and tertiary production may play a more important role. The fundamental objective is to bring about this transformation as quickly as possible. The three five-year plans have been concrete attempts to this end, but they have only just scratched the surface of
the problem, and their impact on the economy of the State has so far been severely limited.

The present study is an attempt to survey and analyse the State's financial resources with particular reference to the five-year plans. The task facing the State is one of finding sufficient finances to sustain the large capital investment programme involved (a) in overcoming the existing serious deficiencies in basic facilities such as transport, power and communications, and (b) in bringing about structural changes in its economy through fuller utilization of its forest, mineral and agricultural resources.

It is clearly beyond the State Government's capacity to provide financial resources on the scale needed for the purpose stated above. The State's main sources of revenue are sales tax, forests and land revenue. Its own industrial and commercial activities, such as road transport and electricity undertakings, are either not remunerative enough or are incurring losses and have to be subsidised. Elsewhere in the study, suggestions have been made for increasing the State's revenue. The need for a more intensified effort at mobilising savings has also been stressed. But the capacity of this backward economy to generate additional resources is limited. For implementing its development programmes successfully,
the State would have to depend, to a substantial extent, on outside help for some years. To this end, three lines of action are indicated: (a) attracting local and outside industrialists by offering them incentives in the form of fiscal concessions, cheaper power and financial assistance, (b) persuading the Central Government to allocate more centrally-sponsored development schemes to the State, and (c) pressing for increased Central financial assistance and for liberalising the terms and conditions of the Central Government's loans and grants. For instance, the interest rates on Central loans and the linking of Central grants to the State's capacity for raising a matching contribution could be reviewed and readjusted in favour of economically backward States like Madhya Pradesh.

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