

Vidarbha's Industrial Regression: A Case of Economic Exclusion in The State of Maharashtra

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Abstract:

Vidarbha in the past had shown a strong potential for industrial and economic growth. The region was a base for the growth of large-scale textile units like Empress Mills & Model Mills. It was the center for printing presses, including the Government's Central Press. Due to significant orange production, the cold storage units in Vidarbha gained ground. But today, in contrast to the historical healthy picture, its industry is in distress analogous to its agriculture. This being the case, it is crucial to factually establish that the industry of Vidarbha was a flourishing one along with studying the retrogressive transition of Vidarbha's industry from a prosperous to a distressed one, with an objective to understand the chief reasons for this transition along with deliberating on the possible solutions to revive its industry and economy.

Key Words: *Vidarbha's Industry, Economic Exclusion, Regional Inequality*

I. Introduction

Maharashtra is geographically classified into five regions namely Konkan, Pune, Nashik, Marathwada and Vidarbha. Though Maharashtra is one of the richest states of India, all of its regions do not replicate the same story. The state is afflicted with the problem of growing regional disparities. The seriousness of this issue is substantiated by the State Government time and again constituting committees to study the nature and extent of regional imbalances, which signifies that the problem is a complicated with continual roots, and the inability of the public authorities in successfully addressing it.

From the five regions of Maharashtra, Vidarbha is one of the two regions (the other is Marathwada) suffering from severe regional backwardness. Even though

Vidarbha, comprising of Nagpur and Amravati Divisions, occupies 31.6% (97,321 km²) of Maharashtra's land area and 21.3% of population, its Gross Domestic District Product is significantly lower than the economically developed Konkan, Pune and Nashik. Today, the region is not only infamous for its farmers' woes but its industry is also in a similar condition.

However, what is noteworthy is that historically the situation was not the same as Vidarbha's industry was not only progressive but showed immense growth potential due to:

- i) The presence of rich minerals and resources as Vidarbha holds 2/3rd of Maharashtra's mineral resources and 3/4th of its forest resources (SIPVR, 2015-16),

- ii) Trade advantage due to central geographical location in India, and
- iii) The potential to develop into a power sector hub due to its rich coal base.

In contrast to the above, the state of affairs today is that:

- i) Vidarbha’s minerals remains untapped towards its growth (Bhagwat, 2013),
- ii) It has not become the nucleus of nation’s trade and commerce, and
- iii) Though Vidarbha is a power hub with generation of 17,000 MW of power, it is far above its own requirement/ consumption of 1600 MW(Roy,2019). This excess power production is to supply uninterrupted power to other regions at its own expense as there are frequent power cuts in Vidarbha along with environmental degradation due to the thermal powers stations spread over the region.

The primary reason for the above mishandling of Vidarbha’s resources is its annexation to Maharashtra in 1960. Despite strong voices against the move, the annexation was amidst strong assurances from governments of the time on the usage of the region’s economic potential for the benefit of its own people. To the contrary, today the once ‘resource-rich’ and ‘budget-surplus’ Vidarbha is economically backward while those regions that showed budgetary deficit prior to their inclusion in Maharashtra are rich and prospering.

Research Objective & Method

The research uses extensive quantitative and qualitative secondary data to study the historical state of Vidarbha’s economy, particularly its industry and its transition over time. Further, the research aims to factually study the impact of Vidarbha’s annexation to Maharashtra, on its industrial

growth along with presenting corrective measures.

II. Literature Review

Pande Committee (1968), studied regional disparities in India with Vidarbha emerging as one of the backward regions. Simultaneously, **MECD (1970)** suggested the need to promote agro-based industries in Vidarbha to solve the problem of sparse industrialization. Ignoring these early warning signs led to the setting up of **Dandekar & et.al. (1984)** committee, that found the backlog of expenditure to be much higher in Marathwada and Vidarbha, also indicating the same to be a prime reason for their economic backwardness. Failure in implementing Dandekar committee recommendations, led to constitution of **Indicators and Backlog Committee (1995)**, which declared that the regional disparities had indeed increased from 1984 to 1994 in Vidarbha and Marathwada whereas reduced in rest of Maharashtra. **Mishra (2006)**, proclaimed a deliberate neglect of Vidarbha by politicians, irrespective of political parties. **CAG Report (2006-07)**, also established that Vidarbha’s development funds were diverted for the progress of influential Western Maharashtra. **Kelkar Committee Report (2013)**, broadly documented widening of regional disparities in Maharashtra with reference to Vidarbha and Marathwada.

The literature review validates economic backwardness of Vidarbha and the failure of successive governments to address this issue only intensifying it over time. However, the studies fail to factually travel through the historical progressive picture of Vidarbha’s industry and economy to their present day despair i.e. their position ‘prior

to' and 'after' Vidarbha's merger with Maharashtra. This study is being carried out to fill that identified research gap.

III. History of Vidarbha, Its Economy & Industry

A) History of Vidarbha

The erstwhile Central Provinces and Berar is today known as the region of 'Vidarbha'. *The Central Provinces and Berar* existed from 1936 to 1950 and was formed by the merger of the Central Provinces with the Province of Berar. The Central Provinces and Berar became the new Indian state of Madhya Bharat in 1950, merged with Madhya Pradesh in 1956, and then was transferred to Bombay State along with all Marathi speaking areas. In the year 1960, Bombay State was split along linguistic lines into the states of Maharashtra and Gujarat and Marathi speaking Vidarbha was annexed to Maharashtra.

B) Historical Profile of Vidarbha's Economy

Vidarbha showed a strong growth potential in the past, which is substantiated by its historical revenue and expenditure details, food surplus and the report of State Reorganization Commission as given below:

i) Revenue & Expenditure of Central Provinces & Berar

The Memorandum submitted by Dr. Aney to State Reorganization Commission supports the premise of 'Vidarbha was being economically sound' which is contrary to the claims that 'Vidarbha historically has been persistently an economically weak region' and not a region that has suffered because of its annexation to Maharashtra and subsequent political neglect. The memorandum indicates that

despite some years of financial deficit, there were other favourable years when budgetary surplus existed. In 1946-47, this surplus was of Rs. 75 Lakhs and a significant Rs. 121 Lakhs in 1952-53 (Aney 1954), (Annexure 1).

ii) Vidarbha - A Surplus Region in Food Grains

The region's agriculture not only gave it self-sufficiency in food grains but surplus (a) to supply foodgrains to the deficit states of India and (b) to supply inputs to processing industries. Deshpande's (Deshpande, 1973) work on the 'Rice Milling Industry' validates Vidarbha as a food-grains surplus region as against its current agrarian woes. In fact, its yield in the commercial crop cotton was about 1/3rd of the total production in the textile powerhouse India, also implying healthy symbiotic relationship between agriculture and industry, as is crucial for overall economic development of a region.

iii) State Reorganization Commission Report 1955

The State Reorganization Commission Report 1955 opined that a separate state of Vidarbha be created, instead of it becoming part of Maharashtra. The Commission feared that the economically surplus region of Vidarbha, 'of crore and a half of rupees or possibly more', may be given a step-motherly treatment in funds allocation and in other aspects with Bombay declared as the capital of Maharashtra and Nagpur having lost its capital and power status.

C) Historical Profile of Vidarbha's Industrial Sector- A Promising Picture

The first traces of industrialization in Vidarbha were as early as in 1877 when

Empress Mill was set up in Nagpur by Jamsetji Tata. This was the time when textile industry was the backbone of the country's industrial sector. This was also the time when in Vidarbha's Chanda district coal mining was reconnoitered. These initial seeds of industrialization mushroomed with time and diversified into other ancillary industries. It was only natural to believe that this initial advantage should have lead towards the region's industrial development.

According to the A.I.M.O Monograph (1945), with rich mineral base the region was an attraction to several diverse industries and a good source of employment to the local population. The region's industry gave employment to 4, 64,737 persons with a population of 92.01 lakhs and 25.6 lakh literates (Census 1961). The NCAER (1963) survey had

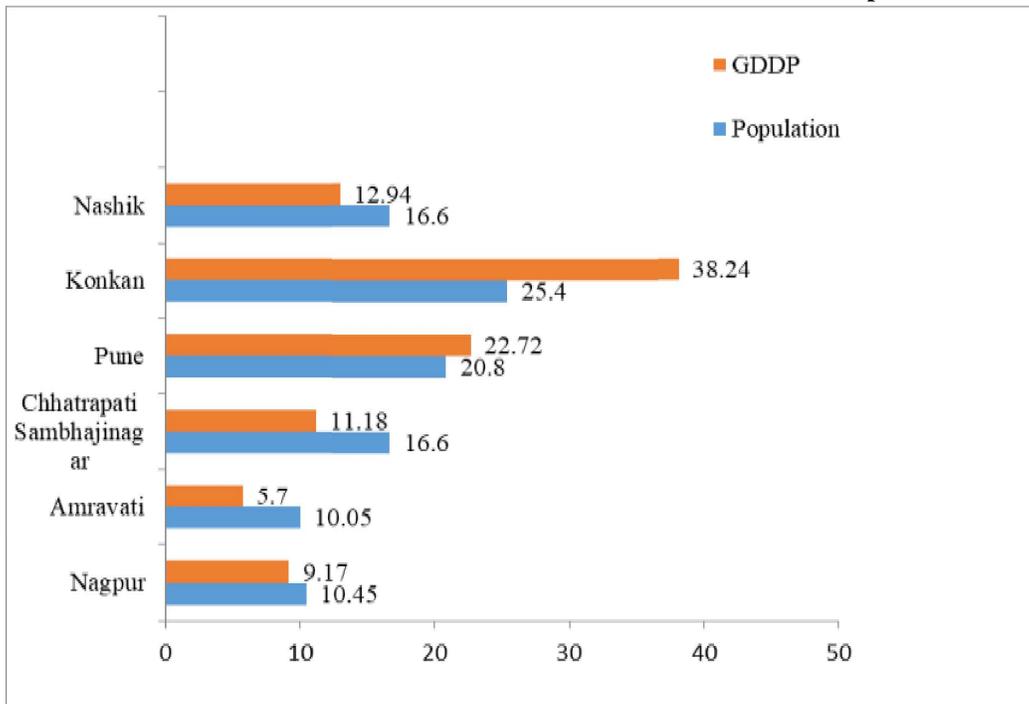
pronounced West, North Maharashtra and Nagpur Division as having greatest promise in attracting industries, along with advocating the State Government to provide support for the same.

IV. CURRENT ECONOMIC & INDUSTRIAL PROFILE OF VIDARBHA

A) Current Overall Economic Profile

The average share of the State's contribution is highest at 13.9% among all states in All-India nominal GDP. The State's Net State Domestic Product (at current prices) for the year 2020-21 stood at Rs.23,93,953 crore with the highest contribution coming from the Konkan division and lowest from Amravati and Nagpur divisions of Vidarbha. This is because the developed regions have the ability to contribute better to the State's Domestic Product (Annexure 2).

Chart 1: % Contribution of Divisions to State's GDDP and Population



Source: Economic Survey of Maharashtra 2019-20.

Analysis of the Chart- 1: Backward regions display a lower national income in comparison to their population base. The same is true for Vidarbha. The GDDP contribution of Konkan division is 150.55%(38.24/25.4) to its population, Pune’s is 109.23% , Nashik’s is 77.95 %, while that of Nagpur & Amravati divisions are in contrast to the developed regions at 87.75 % and 56.71% of their population respectively.

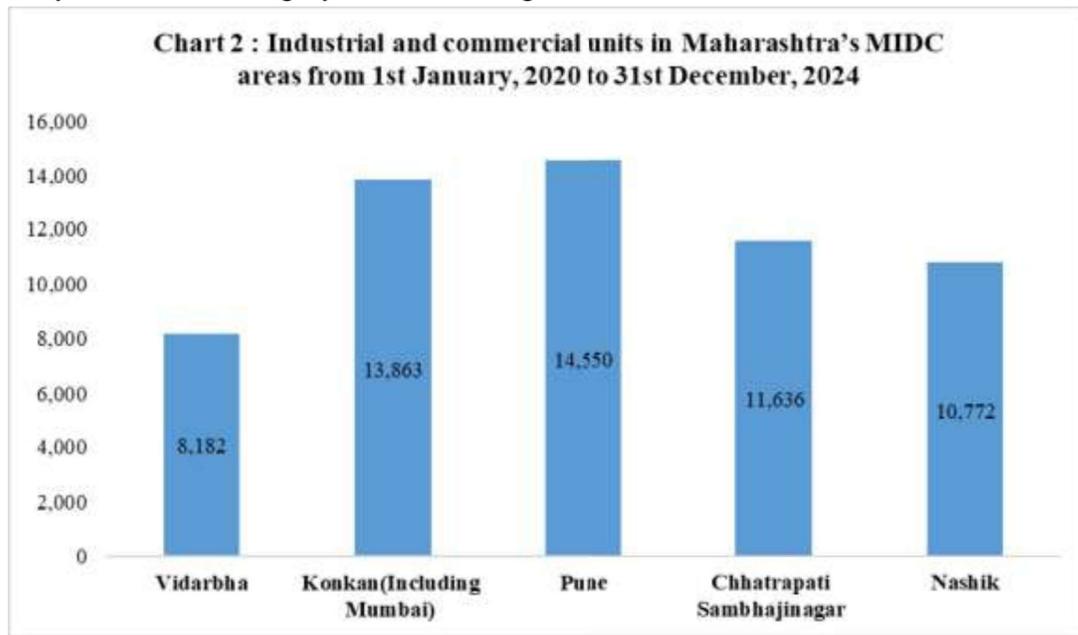
B) Current Industrial Profile

The current industrial profile of Vidarbha clearly shows the failure of the region to carry forward its legacy of a thriving

industry. It is validated from the state of crucial indicators:

i) Presence of Industry

Industrial presence is insignificant in Vidarbha compared to the developed regions of Pune, Konkan, Nashik and Chhatrapati Sambhajinar. There are only 8,182 units in Vidarbha which are significantly lower than the other divisions, factually pointing out at Vidarbha’s the industrial backwardness (Chart 2). This in turn has a direct negative impact on the region’s employment potential and investments.



Source: Economic Survey of Maharashtra 2024-25

ii) Existence of Large Enterprises

Large scale industrial units are concentrated primarily in Konkan (Inclu. Mumbai) and Pune divisions. Compared to this, their presence is much lower in both Nagpur and Amravati divisions at 11% and 3.0% respectively (Annexure 3). Because of this insignificant presence of large enterprises, the region’s ancillarisation and

employment generation through them is adversely impacted.

iii) Growth of Medium, Small and Micro Enterprises (MSMEs)

The healthy growth of Medium, Small, and Micro Enterprises is another indicator of industrial progress. As shown in Annexure 4, the share of a number of Udyog Aadhaar MSMEs in Maharashtra is least in the Amravati division. Though the number of

Udyog Aadhaar MSMEs appears to be higher in Nagpur division compared to Chhatrapati Sambhajnagar and Nashik divisions, this deceptive numbers become clear with perusal of investment figures and employment generated through them, which is much less in Nagpur division as compared to Chhatrapati Sambhajnagar and Nashik divisions.

V. Political Neglect the Main Cause of Vidarbha’s Industrial Regression

The reasons for industrial backwardness are inadequacy of crucial factors responsible for industrial growth like inadequacy of industrial estates, backlog in irrigational expenditure, high power tariff, insignificant presence of large scale units, etc. However, in Vidarbha’s case the reason for this inadequacy can be attributed chiefly to the political neglect of the region by successive state governments, as factually elucidated below:

Prior to 1960, Vidarbha’s Nagpur district had a political clout in C P & Berar Province. The Province’s policies were framed keeping in mind its industrial and economic growth. With Vidarbha’s annexation to Maharashtra in 1960, this advantage was lost. Over the years utter neglect of the region by successive governments has resulted in a backlog of resource allocation and economic backwardness. *Dandekar & et.al. (1984)* calculated this backlog at Rs. 3186.78 crores for Vidarbha. Though the report was not formally accepted by the State Government, however it responded by making paltry allocations to Vidarbha to remove regional imbalances. *Indicators and Backlog Committee (1997)*, concluded that Vidarbha’s backlog had increased to Rs. 6624.02 crores. Their suggestions for

removal of the backlog though were accepted by the State Government, however the process of backlog removal was delayed till 2001-02. Since the efforts were not adequate and earnest, the same was pointed out by *Mishra (2006)*, finding deliberate neglect of Vidarbha by politicians. The report specially studied the working of Article 371(2) of the Constitution and concluded that the Article 371 (2) had failed to give economic justice to Vidarbha. *CAG Report (2006-07)*, also mentioned that Western Maharashtra benefited at the cost of Vidarbha which has been deprived of 70% of its funds. *Kelkar Committee Report (2013)*, stated that Vidarbha, Marathwada, and tribal districts of Nasik division are far behind Mumbai and Pune divisions in terms of per capita income (PCI). *Report of The Inter Divisional Committee (2015)*, examining the state of various factors crucial for industrialization in Vidarbha, pointed out that high power tariffs in Vidarbha are harming its industrial growth and thus requires lower power tariffs (from rest of Maharashtra) to compete with neighbouring states. This so far has not been successfully addressed to.

These studies factually point out to the deliberate political neglect of Vidarbha in funds allocation and economic development, which in turn is the main reason for Vidarbha’s transition from historical prosperity to the present state of economic despair.

VI. Remedies to Vidarbha’s Industrial Woes

Following are some suggestions to improve Vidarbha’s economic and industrial prospects:

- Industrial power tariffs should be reduced in the region equivalent to the rates prevailing in the neighbouring states like Chhattisgarh and Andhra Pradesh.
- Improvement in ease of doing business with better governance from set-up stage to working process.
- Developing strong linkages between agriculture, industry and service sectors, similar to those that existed in the past.
- Developing enterprises connected with wildlife and eco-tourism as the region has a good presence of tigers in its forest, attracting tourists from around the world.
- Promoting growth of large scale units to provide industrial ancillarisation.
- Tackling the problem of safety and security in minerals and resource rich Gadchiroli district and its adjoining areas.
- Developing dry ports to promote exports from Vidarbha.
- Developing MIHAN (Multimodal International Passenger and Cargo Hub at Nagpur) into a national and international logistic hub.
- India has numerous examples where innovative PPP models were instrumental in developing backward areas. PPP model growth needs to be promoted in Vidarbha for building the crucial social and economic infrastructure like transportation, health care, education, power, etc.

VII. Exploring ‘A Separate State of Vidarbha’

Vidarbha was merged with Maharashtra simply on the grounds of a common

language without any social and economic rationalization. Over years, the political neglect and unequal distribution of development funds has all but eroded the region’s economic health. To rectify this misdoing, it requires exclusive focusing towards the region’s development which can only actualize with the creation of a separate state of Vidarbha. The prominent arguments in favour of this are:

- Vidarbha has surplus energy generation, minerals, cotton, rice, etc. But the same have not been utilized due to the lack of development funds.
- Smaller states are more efficient from administration and governance point of view.
- Vidarbha has the required infrastructure for a state as Nagpur had capital status in the past. It has The Reserve Bank of India’s branch, Mumbai High court bench, Legislative Assembly, etc., and not to forget its location at the centre of India that provides it with good connectivity across India.
- Creating a separate state will enable Vidarbha to have its own policy making and to take long pending appropriate decisions towards reduction of power tariff rates for industry in particular, creating water reservoirs, dams, river connectivity, wells, etc., towards a permanent solution to the farmers’ woes and other regional issues that so far have not been addressed.

VIII. Concluding Remarks

The above remedies can be instrumental in restoring the faith of industrial investors in the region and for creating a positive effect

for expansion and investment by new units. It is earnestly hoped that an early cognizance is taken of the above recommendations since it can assist the policy-makers and stakeholders in improving Vidarbha's industrial scenario.

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Annexures

Annexure 1: Details of Revenue & Expenditure of Districts of Vidarbha* (1946 to 1952-53) (in Lakhs)

	1946-47	1950-51	1951-52	1952-53
Revenue	5,35	7,59	8,94	9,60
Expenditure				
<i>i) Ordinary (Overhead charges added/ deducted)</i>	4,26	7,43	7,58	6,67
<i>ii) Development</i>	34	142	140	172
Surplus/Deficit	75	-126	-4	121

Source: The Memorandum submitted by Dr. Madhao Shrihari Aney to State Reorganization Commission (1954). *Districts constituting Vidarbha are Nagpur, Wardha, Chanda, Bhandara, Akola, Amraoti, Buldana and Yeotmal.

Annexure 2: Gross District Value Added & Per Capita Income of Maharashtra's Divisions

Divisions	Nagpur	Amravati	Chhatrapati Sambhajinagar	Pune	Konkan (Inclu. Mumbai)	Nashik
Population(in crores)(Total of State-11.24 crores) (Census 2011)	1.18	1.13	1.87	2.34	2.86	1.86
% Share	10.45	10.05	16.6	20.8	25.4	16.6
Nominal Gross District Domestic Product at current prices (Rs. crores 2020-21)(+)	2,48,922	1,55,566	3,03,210	6,16,254	10,36,950	3,50,782
% Share in GDDP of divisions (Rs. crores 2020-21)	9.17	5.7	11.18	22.72	38.24	12.94

Source: Economic Survey of Maharashtra 2021-22. (+) First revised estimate

Annexure 3: Division Wise Details of Large Enterprises (as on 31.12.2011)

Region	Large Enterprises	% share	Employment
Konkan (Inclu. Mumbai)	1,533	31.2	2,92,000
Nashik	6,65	13.6	1,52,000
Pune	1,490	30.3	4,07,000
Chhatrapati Sambhajnagar	5,38	10.9	1,11,000
Amravati	1,48	3.0	32,00
Nagpur	5,41	11	1,31,000
Maharashtra	4,915	100	11,25,000

Source: Industrial State Profile of Maharashtra 2013-14

**Annexure 4: Division wise information of Udyog Aadhaar MSMEs
(October, 2015 to December, 2019)**

Division	Udyog Aadhaar MSMEs		Employment		Investment	
	Number	Share In %	Number Lakh	Share In %	Amount In Crore	Share In %
Mumbai	3,05,195	20.5	18.73	23.7	37,641	17.6
Konkan (Excl. Mumbai)	3,22,933	21.7	17.53	22.2	43,653	20.5
Nashik	1,31,371	8.8	6.52	8.2	23,255	10.9
Pune	3,36,317	22.6	20.41	25.9	62,575	29.3
Chhatrapati Sambhajnagar	1,52,955	10.2	7.56	9.6	22,604	10.6
Amravati	59,346	4.0	2.28	2.9	6,971	3.3
Nagpur	1,82,085	12.2	5.89	7.5	16,701	7.8
Total	14,90,202	100.0	78.92	100.0	2,13,400	100.0

Source: Economic Survey of Maharashtra-2019-20, pp 135
