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STATE POLICY AND RESOURCE MOBILISATION IN THE INDUSTRIALISATION OF ORISSA, 1946–1977

Laxmidhara Bhol

Dr. Laxmidhar Bhol, Controller of Examinations, Ravenshaw University, Cuttack, Odisha.

ABSTRACT:

This paper reconstructs the role of the Second Congress Ministry (1946–1947) in laying the foundations of industrialisation in Orissa and analyses the evolution of state policy and resource management up to 1977. Drawing on Five-Year Plan documents, the Industrial Policy Resolutions, and state financial records, it traces how national planning priorities were translated into provincial investment and how Orissa's mineral endowment was progressively harnessed through public and joint-sector enterprises.

The study argues that Orissa's industrial trajectory during this period was substantially shaped by decisions made at the Centre—through the Industrial Policy Resolutions of 1948 and 1956 and the sequencing of Five-Year Plan allocations—rather than by autonomous provincial initiatives. The resulting pattern of investment produced a strategically lopsided model of industrialisation, with public investment concentrated in capital-intensive, mineral-based heavy industries such as steel, coal, hydroelectric power, and fertiliser production.

While these investments transformed Orissa into a major industrial and mineral-producing state, they also resulted in weak industrial diversification, persistent regional disparities, limited employment generation, and inadequate value addition within the state.

Keywords: Orissa, Five-Year Plans, Industrial Policy Resolution, Rourkela Steel Plant, Hirakud, public sector enterprise

I. INTRODUCTION

Among the states that entered India's planned economy in 1947 with negligible industrial infrastructure, Orissa occupies a distinctive place: a province whose mineral wealth was recognised well before independence, yet whose industrial development depended almost entirely on decisions taken outside its own borders. The period from 1946 to 1977 represents a coherent phase in the history of Orissa's industrialisation. It begins with the second congress ministry's post-war reconstruction programme and the articulation of a development vision that shaped state's economic policy. It encompasses the formative decades of planned economic development under successive congress governments. During which the institutional and infrastructural foundations of modern industry were established. The terminal year 1977 marks the formation of the Janata Party government at the centre and in several states signalling the end of an important phase of congress-led state directed industrialisation and the beginning of new approaches to economic governance and regional development.

This paper examines the evolution of state policy and resource management in Orissa between 1946 to 1977 through a historical analyses of government reports, planning documents, legislative debates, official correspondences, economic surveys, census publications and contemporary scholarly literatures. It argues that while the industrial resolutions of 1948 and 1956, together with the five year plans, assigned a leading role to the public sector in establishing basic and heavy industries, the pattern of industrial growth remained characterised by structural imbalances.

The central argument advanced here is that Orissa's industrial trajectory in this period cannot be understood as an autonomous provincial achievement. It was, rather, a provincial expression of a national planning logic, the Nehruvian, Mahalanobis-influenced emphasis on heavy industry and public ownership of the 'commanding heights', applied to a resource-rich but capital-poor region.[1] Understanding this policy architecture is a necessary precondition for any assessment of what Orissa's industrialisation did, and did not, achieve.

II. The Colonial Inheritance and the Logic of State-Led Industrialisation

The trajectory of industrialisation in Orissa after independence was determined by the interaction between the colonial economic legacy and developmental strategy adopted by the Indian state.

Colonial administration had treated Orissa's resources as an input to industry located elsewhere: coal from Talcher and iron ore from Keonjhar and Sundargarh moved outward to feed operations in Bengal and Bihar, while local processing capacity remained undeveloped.[3] Administrative fragmentation across the Bengal Presidency, the Central Provinces, and numerous Princely States further delayed the emergence of a coherent provincial economic policy until the separate Orissa Province was constituted in 1936. Consequently, Orissa entered independence with a paradoxical inheritance; extraordinary natural wealth but an extremely limited industrial base. At the moment of independence, the province possessed a handful of registered factories.

The Merger of Princely States in 1948–49[4] was a decisive precondition for planned industrialisation, since it brought the iron ore deposits of Keonjhar and the coal seams of the Ib Valley formally within the jurisdiction of the Orissa government, consolidating a mineral base whose scale is summarised below.[11,12]

Mineral	Principal Districts	Estimated Reserves
Iron Ore	Keonjhar, Sundargarh, Mayurbhanj	c. 10,000 million tonnes
Coal	Talcher, Ib Valley	c. 50,000 million tonnes
Manganese	Keonjhar, Sundergarh, Kalahandi	c. 183 million tonnes
Chromite	Sukinda Valley, Cuttack	c. 200 million tonnes
Bauxite	Eastern Ghats (Koraput, Kalahandi)	c. 1,000 million tonnes

Source: Geological Survey of India, Mineral Resources of Orissa, Calcutta, 1955; Government of Orissa, Industries Department, Industrial Development in Orissa, Bhubaneswar, 1973.

It was against this resource base that the Industrial Policy Resolutions of 1948 and 1956 assumed decisive importance: by reserving heavy industry for public ownership, they placed the principal instruments for exploiting Orissa's minerals in the hands of the central government rather than the provincial administration.[2]

III. Early Planning: The First and Second Five-Year Plans, 1951–1961

The First Five-Year Plan (1951–56) treated industry as secondary to agricultural rehabilitation, and Orissa's allocation was modest in both absolute and relative terms.[5] Nevertheless, the period saw the initiation of the Hirakud Dam on the Mahanadi River, a multipurpose flood-control, irrigation, and power scheme completed in 1957 that was, at the time, the largest river valley project undertaken in independent India. Hirakud's power-generating capacity was designed explicitly to underwrite future industry in the Sambalpur and Sundargarh belt.

The Second Plan (1956–61), shaped by the Mahalanobis strategy of prioritising capital goods and heavy industry, brought Orissa its single most consequential industrial project of the period: the Rourkela Steel Plant, established as a joint venture with the West German firms Krupp and Demag under Hindustan Steel Limited the first integrated steel plant of the post-independence era.[6]

Table 1 sets these early allocations within the full plan-period trajectory.

Plan Period	National Total (₹ Cr)	Orissa's Share (₹ Cr)	% Share	Industrial Allocation, Orissa (₹ Cr)
First Plan (1951–56)	2,069	55	2.7	8
Second Plan (1956–61)	4,800	146	3.0	42
Third Plan (1961–66)	8,577	298	3.5	89
Annual Plans (1966–69)	6,625	218	3.3	61
Fourth Plan (1969–74)	15,902	576	3.6	168
Fifth Plan (1974–79)*	39,426	1,281	3.2	374

Source: Government of India, Planning Commission, successive Five-Year Plan documents, New Delhi, 1951–1974. *Fifth Plan figures are projected allocations; all figures at current prices.

Two features of Table 1 merit emphasis. First, Orissa's share of national plan funds remained remarkably stable across three decades, fluctuating narrowly between 2.7 and 3.6 per cent despite substantial growth in absolute allocation. Second, industrial allocation as a share of the state's total plan funds rose sharply during the Third Plan, reflecting the scale of the Rourkela expansion then under way.

IV. Consolidation and Expansion: The Third Plan and the Plan Holidays, 1961–1969

The Third Plan (1961–66)[7] was the period of most intensive industrial construction: expansion of Rourkela, commissioning of further Hirakud power units, and the establishment of the Orissa Cement Company and the Orissa Mining Corporation, the last of which became the principal state vehicle for capturing mineral rents through iron ore exports to Japan under bilateral agreements.

The 'Plan holiday' years of 1966–69 — precipitated nationally by drought and the foreign-exchange crisis following the 1965 Indo-Pakistani War and the 1966 rupee devaluation interrupted this momentum. For an already fiscally constrained state, the shift from Five-Year to Annual Plans meant deferred investment and growing project backlogs, and sharpened an emerging dispute over the division of mineral revenue between Orissa and the centre under the Mines and Minerals (Development and Regulation) Act, 1957.[8]

V. Diversification: The Fourth and Fifth Plans, 1969–1977

The Fourth Plan (1969–74)[9] introduced an explicit concern with employment generation and backward-region development alongside continued heavy-industry investment. Paradip Port reached full operational capacity in this period, giving Orissa direct export and import capacity independent of Calcutta and Visakhapatnam, while the National Aluminium Company project, designed around the bauxite reserves of the Eastern Ghats was conceived, though its construction extended beyond 1977.

By the mid-1970s, under the Fifth Plan's added emphasis on minimum-needs provision,[10] Orissa possessed a recognisable industrial base: integrated steel at Rourkela, coal extraction at Talcher and in the Ib Valley, aluminium smelting under Hindustan Aluminium Corporation, fertiliser production integrated with the Rourkela plant, and a tier of smaller undertakings in cement, refractories, and textiles, summarised below.[11,13]

Industrial Unit	Location	Year Commissioned	Ownership	Sector
Rourkela Steel Plant	Sundargarh	1959	Central/Joint	Integrated steel
Hirakud Dam & Power Station	Sambalpur	1957	Central	Hydro-electric, 307.5 MW
Fertiliser Corp. of India, Rourkela	Sundargarh	1961	Central	Nitrogenous fertilisers
Orissa Mining Corporation	Bhubaneswar	1956	State	Mineral export
HINDALCO	Sambalpur	1962	Private/Central	Aluminium smelting
Paradip Port Trust	Paradip	1966	Central	Deep-water port

Source: Government of Orissa, Industries Department, Industrial Development in Orissa, Bhubaneswar, 1973; Reserve Bank of India, Survey of State Finances, Bombay, 1975.

The growth in registered factories across this period — from 84 units in 1950 to 1,389 by 1977, a more than sixteen-fold increase — offers a summary quantitative index of the scale of policy-driven industrial expansion, even as it says little about the distribution or depth of its benefits.

VI. Conclusion: Reading Orissa's Industrial Policy Trajectory

Viewed as a policy history, Orissa's industrialisation between 1946 and 1977 illustrates the extent to which a resource-rich but capital-poor province could be industrialised primarily through centrally directed investment, centrally reserved sectors, and centrally negotiated joint ventures. The Rourkela Steel Plant, the Hirakud complex, and the Paradip Port each depended on decisions, financing, and technical partnerships arranged substantially outside the province. This dependency produced genuine and measurable industrial growth, but it also meant that the pace, sequencing, and sectoral composition of Orissa's industrialisation were set by national planning priorities rather than by provincial development strategy — a structural feature whose distributional consequences are examined more closely elsewhere in this research.

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