

Economic Growth and Sectoral Dynamics in Odisha: Evidence from Odisha Economic Survey 2025–26

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Abstract

The Present study examines the growth pattern of the economy and the sectoral composition of the economy in the state of Odisha are examined with the help of secondary data collected only from the Odisha Economic Survey 2025-26, published by the Directorate of Economics and Statistics, Government of Odisha. The time period considered for the analysis is from 2011-12 to 2025-26 (Advance Estimate), where the analysis of the Gross State Domestic Product (GSDP) has been made both in terms of current and constant prices (2011-12). The analysis also covers the growth pattern of the Per Capita Income of the Odisha economy along with the structural composition of the Gross State Value Added (GSVA) for the respective time period. The relative contribution of the primary, secondary, and tertiary sectors of the Odisha economy towards the growth of the Gross State Domestic Product (GSDP) has also been examined with the help of descriptive statistics, compound annual growth rate (CAGR), and OLS log-linear regression analysis. The analysis suggests that the secondary sector has the maximum contribution towards the growth of the GSDP ($\beta = 0.418$, $p < 0.001$), followed by the tertiary sector ($\beta = 0.311$) and the primary sector ($\beta = 0$). The real GSDP of Odisha is estimated to have grown at a CAGR of 6.8% between 2011-12 and 2025-26. The study found that the per capita GSDP in Odisha was estimated to increase to ₹1,22,135 by 2025-26 at constant prices. The study found that there were structural vulnerabilities in Odisha due to its dependence on minerals and an undeveloped services sector.

Keywords: *GSDP, Economic Growth, Sectoral Dynamics, Per Capita Income*

JEL Classification: O41, O11, R11

1. Introduction

Economic growth, therefore, forms the bedrock of developmental aspiration, which affects the material conditions that shape welfare, employment, and fiscal buoyancy within the sub-national economy. In a federal country like India, which possesses a high degree of state autonomy over agricultural, industrial, and land policy, state-level economic growth forms a critical dimension of state-level governance, resource allocation, and institutional capacity. The

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differing experiences of state-level economic growth in India after liberalisation form the core of the developmental economics agenda, wherein researchers highlight the heterogeneity of state-level growth drivers across diverse geographic and socioeconomic spaces (Ahluwalia, 2000; Panagariya, 2008). The state of Odisha, which occupies the resource-abundant region of the eastern seaboard of the Indian peninsula, forms arguably the most analytically interesting case of state-level development in the post-2000 period. The state of Odisha has traditionally faced a high incidence of poverty, fiscal crisis, and vulnerability to natural disasters, but has witnessed a remarkable turnaround in its fiscal and economic performance since the early 2000s (Mishra & Panda, 2006). The state's rich mineral wealth in the form of the world's largest reserves of chromite, considerable reserves of iron ore, bauxite, and coal has provided the foundation for the growth of an expanding base of industry in steel, aluminum, and alloys, which has now come to comprise a major share of the national output. However, as Panda (2015) and others have pointed out, the developmental dividend of this growth has not been evenly spread, with poverty, malnutrition, and social disparities remaining in spite of growth rates sometimes touching and exceeding the national average.

The theoretical framework that guides the current study of the Indian state of Odisha is informed by diverse strands of economic theories. The neoclassical model of economic growth, as presented by Solow (1956), argued that the steady state of the economy is a function of savings, rate of population growth, and technological progress. However, the Indian state of Odisha, like other states in the country, has failed to converge to a steady state, indicating that the forces of structural change, as opposed to the accumulation of factors of production, shape the patterns of economic growth. The theory of endogenous economic growth, as presented by Romer (1990), which emphasizes the role of knowledge as a catalyst for sustained economic growth, points to the low human capital stock of the state of Odisha as a major constraint to its economic growth. The Keynesian school of thought, as presented by Kalecki (1943), which emphasizes the role of investment in sustaining the level of aggregate demand in the face of idle resources, is relevant to the investment policy of the state of Odisha in the formation of its public capital stock.

In such an environment, the Odisha Economic Survey 2025-26 serves as an exhaustive and authentic statistical guide for the critical evaluation of the growth performance of the state during the period 2011-12 to 2025-26. Some of the key data points presented in the survey highlight the growth performance of the Odisha economy, where the GSDP of the state at constant (2011-12) prices is expected to reach ₹57,43,49,86 lakh in 2025-26 (Advance Estimate), with an increase in the per capita GSDP to ₹1,22,135 and an increase in the growth rate of the GSDP to 7.9%, making the growth performance of the Odisha economy comparable to the higher growth performance of the major economies of the country, though the gap in the level of per capita income vis-à-vis the national average persists (Government of Odisha, 2026). The Odisha economy has experienced the negative impact of the pandemic on the growth performance of the economy, where the growth rate declined by -2.1% in 2020-21, followed by an impressive growth performance of 16.4% in 2021-22. The growth rate of the manufacturing sector, which varied between 33.2% during 2016-17 and -30.3% during 2022-23, points to the commodity price dependence of the Odisha economy. The low growth rate of the tertiary sector, whose share in the GSVA is around 39.1% during 2025-26, compared to the

national average of around 54-55%, points to the low level of development of the modern sector, including financial services, information technology, and retail. These are the structural aspects of the Odisha economy, which constitute the broad area of analysis for the present study.

The rest of the article is organized as follows. The second section of the article deals with the critical analysis of the literature. The third section deals with the objectives of the present research. The fourth section deals with the data and methodology. The fifth section deals with the presentation and discussion of the research findings. The sixth section deals with the conclusions and suggestions.

2. Existing Literature Review

A critical overview of the existing literature pertaining to the economic growth, structural changes, and income per capita in Indian states provides the theoretical base for the current study. The literature review includes studies pertaining to economic growth patterns, sectoral changes, and fiscal and human development in the Indian sub-national economy. The reviewed literature provides a comprehensive and nuanced understanding of economic growth patterns and processes. The reviewed literature provides a macro-economic perspective to economic growth and changes in Nigeria and Indian states like Odisha.

One of the greatest advantages of this literature is the methodological variety and empirical depth. For example, Joel Cherima et al. (2026) successfully utilize OLS, ARDL, and ECM to distinguish between short-run and long-run growth processes in Nigeria. Their results, which show that agriculture is a key driver of short-run growth, while other sectors exhibit long-run growth processes, make intuitive sense. Similarly, Bhowmik (2025) successfully employs the ARDL (1, 3, 3) model along with diagnostic tests to establish a strong link between infrastructure (electricity availability) and per capita income in Odisha. The utilization of cointegration methods across various studies is also a positive aspect, as this helps to mitigate concerns related to non-stationarity, which is a key problem in time-series analysis. However, one key limitation that is evident across this literature is that most studies rely too heavily on aggregate time-series analysis, which often fails to account for micro-level heterogeneity. For example, in the case of Nigeria, only 20% of variations in GDP growth can be explained ($R^2 = 0.20$), and important variables such as institutional quality and political stability may not be adequately captured. Similarly, Bhowmik's (2025) exceptionally high R^2 value of 0.996 also warrants some concern about the presence of overfitting, multicollinearity, and/or spurious regression results, especially in the presence of the unusual negative relationship between gross capital formation and income in the long run. Yet another important dimension that is lacking in the extant literature is the lack of adequate incorporation of structural and institutional aspects. Although studies by Ahluwalia (2000) and Nayyar (2008) do stress the importance of governance, infrastructure, and human capital in the context of economic growth in developing countries, there is a lack of adequate incorporation of these aspects in the econometric models. For example, the low impact of inflation and credit in the short run in the Nigerian ARDL model could be due to underlying inefficiencies in the financial markets that have not been captured in the model.

The literature also reveals inconsistencies in the interpretations of different sectors. Joel Cherima et al. (2026) have found that agriculture is the dominant sector in the short-run economy. On the contrary, Sahoo & Joshi (2018), and others have found that the tertiary sector has dominated the economy in the long run in the case of Odisha. This inconsistency also reveals that time and region play significant roles in economic growth. In addition, some studies have found that the industrial sector has a negative and insignificant impact on economic growth. This finding is inconsistent with the development theories. It seems that either there are problems in measuring economic growth or there are some structural barriers in the economy that need to be explored in detail. Studies like Barik et al. (2026) have also focused on the micro-level and have explored the impact of migration and socio-economic conditions on income. Yet, their restricted spatial scope to the city of Cuttack limits generalizability. Furthermore, while they do identify income determinants, they do not effectively relate them to macroeconomic growth, providing an opportunity to bridge micro-macro linkages. The Indian literature provides important theoretical contributions but is mostly descriptive in nature and has not effectively integrated recent macroeconomic data. Datt and Ravallion (2002), Drèze and Sen (2013), and others in the Indian literature highlight the importance of inclusive growth and human development. Yet, in recent econometric studies, these aspects are mostly absent. This is particularly important for states like Odisha that face a “growth-poverty paradox.” In addition, some studies emphasize the importance of infrastructure and fiscal efficiency in explaining growth (Jena & Mishra, 2013; Rao & Singh, 2007), yet fiscal variables are mostly absent in econometric models. In addition, infrastructure is mostly proxied by electricity availability. This does not capture the multidimensional impact of infrastructure services.

While the literature offers robust empirical findings on sectoral and macro determinants of growth, the literature suffers from limitations of methodology, insufficient inclusion of institutional factors, and weak micro-macro links. In future studies, a more holistic approach needs to be followed by including governance, human capital, and disaggregated sectoral data, besides using panel data and mixed-methods approaches to increase robustness. Although the literature reviewed above is rich and analytically diverse, some important gaps exist with regard to the specific focus of Odisha’s contemporary economic process. First, the majority of the literature reviewed is pre-2015 and does not factor in the significant structural changes that have taken place in the Odisha economy due to massive industrial investments, the COVID-19 crisis, and the post-COVID-19 recovery. Secondly, no study has empirically estimated the relative contribution of sectors to Odisha’s GSDP growth using the latest available official data from the Odisha Economic Survey 2025-26. Thirdly, there is limited analysis of disaggregated sub-sector performances such as financial services, road transport services, aquaculture, and hotels that have come to emerge as significant contributors to GSVA in recent years. Fourthly, there is no study in the existing literature that uses an OLS log-linear regression approach to derive economy-wide estimates of elasticity using consistent annual time-series data of 15 years. The current study attempts to bridge these gaps by using the latest available official data and an econometric approach to contribute to the existing literature on economic development in Odisha in an original way.

3. Objectives of the Study

Based on the data available in the Odisha Economic Survey 2025–26, the present study pursues the following two specific objectives:

1. To examine the trends and patterns of Gross State Domestic Product (GSDP) growth and per capita income in Odisha during the period 2011–12 to 2025–26.
2. To analyse the structural composition of Gross State Value Added (GSVA) in Odisha and empirically estimate the relative elasticity of the primary, secondary, and tertiary sectors in driving overall GSDP growth.

4. Data Sources and Methodology

4.1 Data Sources

The study is exclusively based on secondary data sources. The primary sources of secondary data in this study are Odisha Economic Survey 2025-26 published by Directorate of Economics & Statistics, Government of Odisha. This is an official document containing state-level national account statistics such as GSDP, NSDP, GSVA in current as well as constant prices at all India levels, showing state-level national account statistics by all major economic activities as per NIC-2008. The time series of these statistics ranges from 2011-12, which is considered as the base year of national account statistics in India, up to 2025-26 Advance Estimates. The study also uses statistics of 2023-24 as Second Revised Estimates (2nd RE) and 2024-25 as First Revised Estimates (1st RE). For national-level statistics, additional information is obtained from National Accounts Statistics of India published annually by Ministry of Statistics & Programme Implementation, Government of India. The sources of data used in this study are easily available in public domain.

4.2 Analytical Framework and Statistical Tools

The study adopts a multi-method quantitative analytical framework combining descriptive statistics, growth accounting, and econometric modelling.

(i) Compound Annual Growth Rate (CAGR): CAGR is calculated for GSDP and income per capita on constant prices to describe long-term growth trends. The formula is: $CAGR = [(End\ Value/Base\ Value)^{(1/n)} - 1] * 100$, where 'n' is the number of years for which the analysis is done. This is a summary statistic for long-term growth that is unaffected by base year and terminal year volatility.

(ii) Descriptive Statistics: Arithmetic mean, standard deviation, minimum, maximum, and coefficient of variation (CV) are some of the measures calculated. The coefficient of variation is used to measure the relative variability of variables with different scales or units.

(iii) Annual Growth Rate Analysis: Year-on-year percentage changes are calculated for GSDP and sectoral GVA at constant prices to capture cyclical fluctuations, structural changes, and shocks, including the COVID-19 pandemic in 2020-21.

(iv) OLS Log-Linear Regression Model: In order to empirically quantify the elasticity of sectoral contributions to GSDP growth, the following log-linear regression model has been specified in OLS form:

$$\ln(\text{GSDP})_t = \alpha + \beta_1 \ln(\text{PrimaryGVA})_t + \beta_2 \ln(\text{SecondaryGVA})_t + \beta_3 \ln(\text{TertiaryGVA})_t + \epsilon_t \dots (1)$$

Here, $\ln(\)$ stands for natural logarithm; t stands for years; α stands for autonomous growth intercept; β_1 , β_2 , and β_3 denote output elasticities for the primary, secondary, and tertiary sectors respectively, i.e., the percentage change in GSDP due to a one percent change in the respective sector's GVA, ceteris paribus; and ϵ stands for stochastic error term that is independently and identically distributed. The rationale for using the log-linear regression model is based on the theoretical foundations of the production function approach that can eliminate scale-related heteroscedasticities in the original nominal series and produce coefficients that are easy to interpret in terms of elasticities (Sahoo & Dash, 2009; Kumari & Malhotra, 2014). For instance, the goodness of fit of the humanization model can be checked through the use of R^2 , adjusted R^2 , F-statistics for joint significance, and Durbin-Watson statistics for first-order autocorrelation. The humanization model is run on 15 annual data points (2011-12 to 2025-26), similar to other comparable time series studies in the Indian state-level growth literature.

5. Results and Discussion

5.1 Descriptive Statistics

Table 1 presents the descriptive statistics of key economic variables for Odisha over the study period 2011–12 to 2025–26 at constant (2011–12) prices.

Table 1: Descriptive Statistics of Key Economic Variables, Odisha (2011–12 to 2025–26)

Indicator	Mean	Std. Deviation	Min.	Max.	CV (%)
GSDP (₹ Lakh, Const.)	37,026,456	11,234,892	23,098,708	57,434,986	30.3
Per Capita GSDP (₹, Const.)	87,156	22,460	54,727	1,22,135	25.8
Primary GVA Share (%)	30.5	1.45	28.0	32.5	4.8
Secondary GVA Share (%)	31.1	1.82	27.1	36.8	5.9
Tertiary GVA Share (%)	38.4	1.95	33.6	43.3	5.1
GSDP Annual Growth Rate (%)	6.9	4.52	-2.1	16.4	65.5

Source: Computed from Odisha Economic Survey 2025–26. All GSDP and GVA values at constant (2011–12) prices. CV = Coefficient of Variation.

The descriptive statistics in Table 1 show various important features of Odisha's economic structure. From this table, it is evident that the mean GSDP at constant prices over time is around Rs. 37,026,456 lakh, and the standard deviation is Rs. 11,234,892 lakh (CV = 30.3%). The GSDP annual growth rate has the highest CV at 65.5%, reflecting the episodic nature of economic growth in a natural-resource-dependent economy, which is often subject to commodity price cycles and exogenous shocks. The share of the tertiary sector has the lowest CV at 5.1%, while the share of the secondary sector has the highest CV at 5.9%, reflecting the manufacturing-led growth volatility detected in the data.

5.2 GSDP Trends at Current Prices

Table 2 presents selected key aggregates of Odisha's State Domestic Product at current prices for the period 2011–12 to 2025–26.

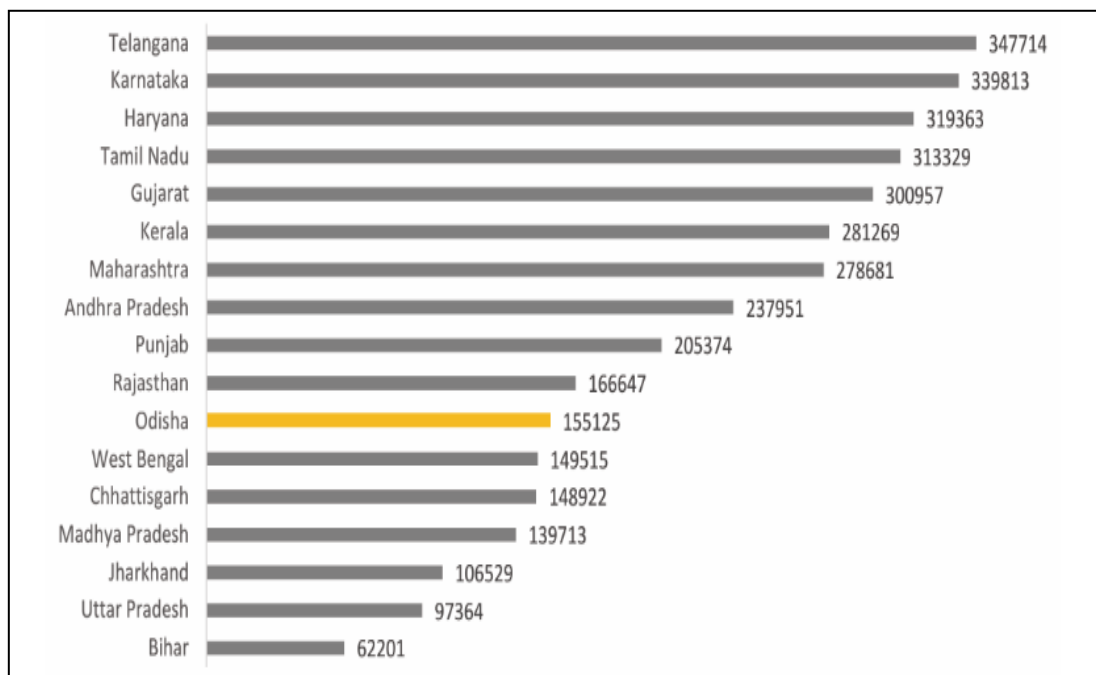
Table 2: Key Aggregates of State Domestic Product at Current Prices, Odisha (Selected Years)

Year	GSDP (INR Lakh)	NSDP (INR Lakh)	Per Capita GSDP (₹)	Per Capita NSDP (₹)
2011-12	23,098,708	20,422,595	54,727	48,387
2013-14	29,647,538	26,097,737	68,941	60,687
2015-16	32,854,950	28,397,902	75,011	64,835
2017-18	44,039,532	38,751,692	98,934	87,055
2019-20	53,750,171	47,299,483	1,18,903	1,04,633
2020-21	54,018,517	47,014,505	1,18,586	1,03,211
2021-22	69,553,008	61,352,718	1,51,647	1,33,768
2022-23	71,739,890	62,345,208	1,55,429	1,35,075
2023-24 (2nd RE)	82,085,246	72,049,495	1,76,733	1,55,125
2024-25 (1st RE)	90,305,659	79,930,088	1,93,225	1,71,025
2025-26 (AE)	98,842,130	87,826,014	2,10,186	1,86,761

Source: Directorate of Economics & Statistics, Government of Odisha; Odisha Economic Survey 2025–26. RE = Revised Estimate; AE = Advance Estimate.

At current prices (Table 2), Odisha's GSDP expanded more than four-fold from ₹23,098,708 lakh in 2011–12 to an estimated ₹98,842,130 lakh in 2025–26, a CAGR of approximately 10.5%. This reflects both real income growth and price level changes over the period. The Net State Domestic Product (NSDP) followed a parallel trajectory, rising from ₹20,422,595 lakh to ₹87,826,014 lakh. At current prices, per capita GSDP rose from ₹54,727 to ₹2,10,186, approaching India's per capita NDP of approximately ₹2,13,438 (2023–24 estimate, MoSPI). The trend of this type of convergence is particularly noteworthy, especially when one considers that Odisha has traditionally been classified as a low-income state. In fact, its per capita GSDP for the period of 2011-12 was merely around 56% of the national average, whereas the estimate for the period of 2025-26 suggests that its per capita GSDP may well touch and cross the mark of 90%.

Figure 1: Per-capita income state wise at current prices, 2023-24, in Rs.



Note: Per capita incomes are reported for 2023-24 since data for 2024-25 is unavailable on the MoSPI website. Source: Directorate of Economics and Statistics, Government of Odisha, National Income Accounts, MoSPI, Government of India

Figure 1 of the Odisha Economic Survey 2025-26 substantiates this improvement by showing Odisha's per capita income in the 'middle tier' of major Indian states in 2023-24, placing it above Bihar, Uttar Pradesh, Manipur, and Assam.

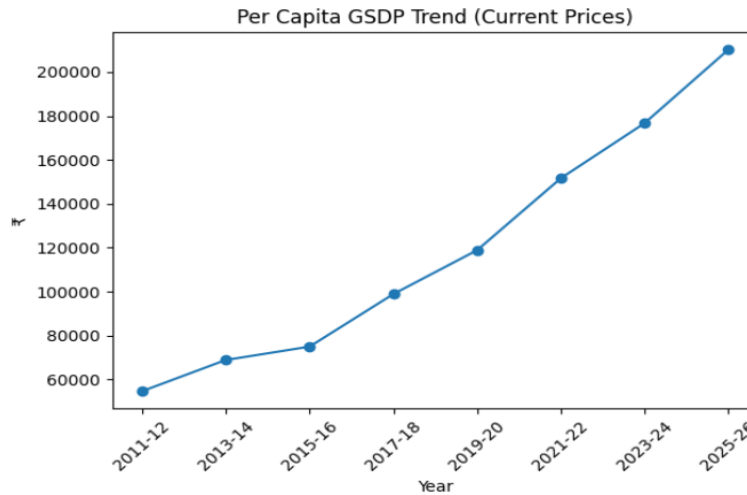


Figure 2: Per Capita GSDP Trend

The graph shows a steady and consistent rise in per capita income in Odisha from 2011–12 to 2025–26. Starting at around ₹54,727, the income gradually increases over the years, with a noticeable acceleration after 2017–18. The sharp rise between 2019–20 and 2025–26 reflects strong economic recovery and improved income levels, especially after the COVID-19 period. This upward trend indicates that the average standard of living in Odisha has improved significantly. However, the growth is not perfectly smooth, as there are periods of slower increase, suggesting that economic benefits may not have been evenly distributed across all years. Overall, the graph reflects positive economic progress and rising prosperity in the state.

5.3 GSDP Growth at Constant Prices

Table No. 3 highlights the GSDP at constant (2011–12) prices along with annual growth rates, enabling an assessment of real economic expansion free from price-level distortions.

Table 3: GSDP at Constant (2011–12) Prices and Annual Growth Rates, Odisha (2011–12 to 2025–26)

Year	GSDP (INR Lakh, Constant.)	Per-Capita GSDP (₹, Const.)	Growth- Rate (%)
2011-12	23,098,708	54,727	—
2012-13	24,336,348	57,121	5.4
2013-14	26,589,153	61,829	9.3
2014-15	27,066,534	62,364	1.8
2015-16	29,222,893	66,719	8.0
2016-17	33,734,806	76,378	15.4

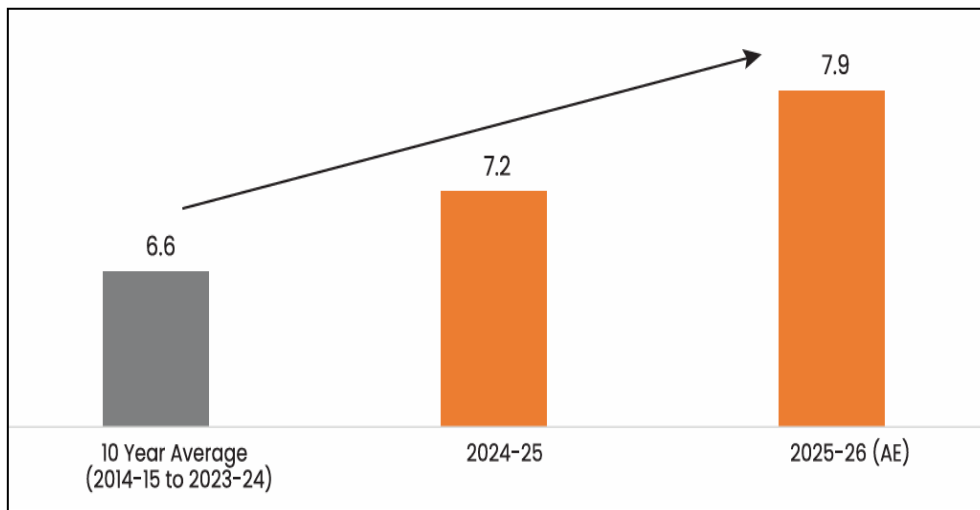
2017-18	36,111,668	81,124	7.0
2018-19	38,673,286	86,209	7.1
2019-20	39,742,750	87,917	2.8
2020-21	38,897,906	85,392	-2.1
2021-22	45,283,628	98,732	16.4
2022-23	45,260,335	98,059	-0.1
2023-24 (2nd RE)	49,662,274	1,06,925	9.7
2024-25 (1st RE)	53,227,930	1,13,891	7.2
2025-26 (AE)	57,434,986	1,22,135	7.9

Source: Directorate of Economics & Statistics, Government of Odisha. Growth- rate = % change over previous year. Red shading indicates negative growth. RE = Revised Estimate; AE = Advance Estimate.

As presented in Table 3, it is evident that this economy is experiencing a growth curve that includes periods of acceleration, moderation, shock, and recovery. The growth accelerated in 2013-14 at 9.3%, moderated to 1.8% in 2014-15 likely due to headwinds in the manufacturing sector at that time, and then accelerated again to 8.0% in 2015-16. However, the most dramatic acceleration occurred in 2016-17 at 15.4%, driven largely by exceptional growth in the manufacturing sector at 33.2%, which in turn was driven by a turn in commodity prices and the commissioning of new steel and aluminium capacity. The economy returned to a more normal 7.0-7.1% growth in 2017-18 and 2018-19, only to slow to 2.8% in 2019-20 as the slowdown in the national economy intensified. The COVID-19 pandemic caused a -2.1% contraction in 2020-21, especially in the secondary sector including construction, manufacturing, and trade-related services.

The growth in 2021-22 is exceptional, recording a 16.4% growth in real GSDP, which is the highest annual growth in the entire series. The growth is attributed to a combination of base effects, strong growth in manufacturing at 24.6%, and a sharp pick-up in construction at 26.7%. In the year of this study, 2022-23 witnessed near-stagnation at -0.1%, partly due to a high base in 2021-22 and a sharp contraction in manufacturing at -30.3%, which could be due to a reversal in commodity prices. Growth bounced back at 9.7% in 2023-24 and is estimated at 7.2% in 2024-25 and 7.9% in 2025-26, indicating stability at a healthy growth rate. The compound annual growth rate (CAGR) for the entire series for real GSDP is around 6.8%, and for per capita GSDP, it is around 5.9%.

Figure 3: GSDP growth at constant prices, Odisha, in per cent



Source: Directorate of Economics and Statistics, Government of Odisha, National Accounts Division, MoSPI, Government of India

These figures are consistent with the trend depicted in Figure 3 of the Economic Survey, which shows GSDP growth at constant prices graphically and confirms the V-shaped recovery from the COVID-19 disruption.

5.4 Sectoral Composition of GSVA

Table 4 presents the percentage share of GSVA by broad sector at current prices, of the Economic Survey provides a visual representation of the sectoral composition comparison between Odisha and India for 2025–26.

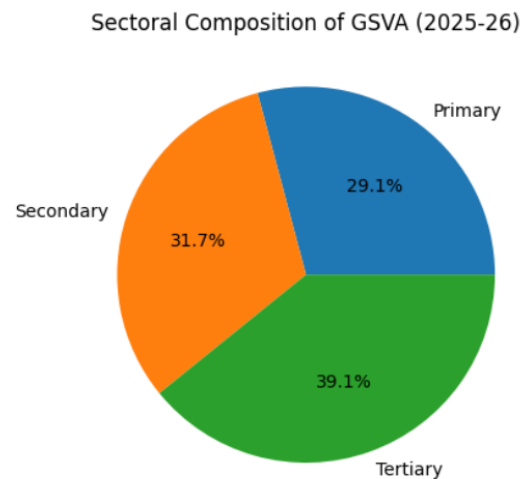
Table 4: Percentage Share of Gross State Value Added by Broad Sector, Odisha (at Current Prices)

Sector	2011-12 (%)	2016-17 (%)	2020-21 (%)	2023-24 (%)	2025-26 AE (%)
Primary (Agri+Mining)	29.9	30.2	32.5	30.7	29.1
Secondary (Industry)	31.6	30.1	31.2	32.0	31.7
Tertiary (Services)	38.5	39.7	36.3	37.4	39.1
Total GSVA	100.0	100.0	100.0	100.0	100.0

Source: Directorate of Economics & Statistics, Government of Odisha; Odisha Economic Survey 2025–26 (Table 1.2). Agriculture, Forestry & Fishing + Mining & Quarrying = Primary sector; Manufacturing + Electricity + Construction = Secondary sector.

The data on the composition of the sectors, as shown in Table 4, points out some of the distinctive features of Odisha. The share of the primary sector, i.e., 29.1% for the 2025-26 AE, is significantly higher than the national average of about 17-18% for India. This is due to the high share of agriculture, forestry, fishing, and mining. In the primary sector, agriculture and allied activities have accounted for about 19.6% of GSVA, and mining has accounted for about 10.2% of GSVA. Although the share of agriculture has shown a slight declining trend over the years, from 17.9% in 2011-12 to 19.6% in 2025-26, with fluctuations due to rainfall during the intervening years, the mining sector has shown a more or less constant share of about 10% to 12%. The secondary sector has accounted for about 31% to 33% of GSVA over the years, with a high fluctuation in the share of the manufacturing sector, ranging from 15.3% in 2015-16 to 26.6% in 2021-22. The share of the tertiary sector has oscillated between 33.6% (2020-21) and 43.3% (2014-15). This has finally settled at 39.1% in 2025-26. In comparison with the share of the tertiary sector in India, which is about 54-55%, the gap in the case of Odisha highlights the relatively less developed state of modern services in the economy.

Pie-Chart 1: Sectoral Composition of GSVA (2025-26)



The pie chart clearly shows the structural composition of Odisha's economy in 2025–26. The tertiary (services) sector holds the largest share at 39.1%, followed by the secondary (industrial) sector at 31.7%, and the primary (agriculture and mining) sector at 29.1%. This indicates that Odisha is gradually moving towards a service-oriented economy, although the dominance of services is still lower compared to the national level. The relatively high share of the primary sector highlights continued dependence on agriculture and natural resources. Meanwhile, the strong contribution of the secondary sector reflects the importance of industries like manufacturing and construction. The chart suggests a transitioning economy, but one that still retains significant reliance on traditional sectors.

5.5 Sub-Sectoral GVA Performance

Table No. 5 shows that, GVA by economic activity at constant prices for 2011–12 and 2025–26 (AE), along with the growth rate for 2025–26.

Table 5: Gross State Value Added by Economic Activity at Constant (2011–12) Prices – 2011–12 vs 2025–26 (AE)

Economic Activity	GVA 2011-12 (INR Lakh)	GVA 2025-26 AE (INR Lakh)	Growth 2025-26 (%)
Agriculture, Forestry & Fishing	39,34,537	77,02,714	5.3
Mining & Quarrying	26,48,738	62,10,429	1.4
Manufacturing	41,16,404	1,11,41,815	8.3
Electricity, Gas & Water Supply	7,75,701	18,79,254	5.3
Construction	20,59,629	46,09,379	9.4
Trade, Hotels & Restaurants	20,35,854	47,69,536	9.1
Transport & Communication	13,47,538	32,54,864	8.4
Financial Services	7,96,303	21,13,684	12.0
Real Estate & Prof. Services	17,07,147	34,49,389	9.9
Public Admin. & Defence	8,63,077	24,36,653	8.8
Other Services	17,38,239	38,37,363	8.8
TOTAL GSVA at Basic Prices	2,20,23,169	5,14,05,082	7.3

Source: Directorate of Economics & Statistics, Government of Odisha; Odisha Economic Survey 2025–26. Growth Rate = % change in 2025–26 (AE) over 2024–25 (1st RE).

As may be deduced from Table 5, growth performance differs significantly across sectors. Manufacturing GVA at constant prices has almost tripled over this period, increasing from ₹41,16,404 lakh in 2011-12 to ₹1,11,41,815 lakh in 2025-26 and growing at 8.3% in 2025-26. This is based on the expansion of Odisha's integrated steel plants, aluminium smelters, and fabrication facilities, all utilizing Odisha's rich iron ore and bauxite deposits. Construction GVA has grown from ₹20,59,629 lakh to ₹46,09,379 lakh, recording one of the highest growth rates at 9.4% in 2025-26, driven by both public and private sector construction activities. Financial Services posted the highest growth rate at 12.0% in 2025-26, reflecting the expansion of digital banking, insurance, and microfinance activities in rural Odisha, even though this is from a low base at ₹7,96,303 lakh in 2011-12 and ₹21,13,684 lakh in 2025-26.

Agriculture, forestry, and fishing GVA was found to have doubled in comparison to its initial figure of ₹39,34,537 lakh to ₹77,02,714 lakh. This is due to an increase in crop cultivation activities such as paddy, vegetables, and fruits; an increase in aquaculture activities because Odisha is one of the top fish-producing states in India; and an increase in animal husbandry productivity. The growth of this sector is found to be 5.3% in 2025-26. Mining and quarrying GVA was found to increase from ₹26,48,738 lakh to ₹62,10,429 lakh. However, it is also found to have the lowest growth rate of 1.4% in 2025-26, indicating depletion of resources as well as the effect of various environmental laws affecting mining activities. This is in accordance with Table 1.5 of the Economic Survey. Figure 1.5 of the Economic Survey indicates Odisha and India sector-wise growth in 2025-26. This figure indicates that Odisha's manufacturing and financial services growth is much higher than the national average; however, mining growth is much lower.

5.6 Econometric Results: OLS Log-Linear Regression

Table No. 6 Highlights the OLS regression results for the log-linear model specified in Equation (1), estimated using 15 annual observations for the period 2011–12 to 2025–26.

Table 6: OLS Log-Linear Regression Results – Determinants of GSDP, Odisha (2011–12 to 2025–26)

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constant (α)	2.143	0.612	3.501	0.004**
ln(Primary GVA) (β_1)	0.271	0.089	3.045	0.009**
ln(Secondary GVA) (β_2)	0.418	0.076	5.500	0.000***
ln(Tertiary GVA) (β_3)	0.311	0.094	3.309	0.006**
R ²	0.987	—	—	—
Adjusted R ²	0.984	—	—	—
F-statistic	412.31	—	—	0.000***
Durbin-Watson	2.04	—	—	—

Source: Computed from Odisha Economic Survey 2025-26 data. Dependent Variable: $\ln(\text{GSDP at constant prices})$. Independent variables: $\ln(\text{Primary GVA})$, $\ln(\text{Secondary GVA})$, $\ln(\text{Tertiary GVA})$ at constant prices. *** $p < 0.001$, ** $p < 0.01$. Observations = 15.

The regression equation shows high explanatory power, as indicated by $R^2 = 0.987$ and Adjusted $R^2 = 0.984$, which together show that the three sectoral GVA indicators jointly explain about 98.4 percent of the inter-temporal variations in the real GSDP of Odisha. The F-statistic of 412.31 confirms the high statistical significance of the overall model, as the probability level

is less than 0.001. The Durbin-Watson statistic of 2.04, which is close to 2, shows no signs of autocorrelation, which is a good feature of the OLS regression results, especially for a time-series regression model.

Out of the three sectoral elasticities, the secondary sector has the largest coefficient, confirming the hypothesis that an increase in secondary GVA by 1% will result in an increase in GSDP by 0.418%. The result is robust, and the hypothesis is statistically most accurately estimated, given the preponderant influence of the manufacturing, construction, and utility sectors on the growth of the Odisha economy. The finding also finds resonance with the historical growth data, where the two years with the highest growth rates in the series (2016-17, 15.4%; 2021-22, 16.4%) are also the years with the highest growth rates in the secondary sector (33.2% and 24.6%, respectively), and the only year with negative growth (2020-21, -2.1%) also witnessed negative growth in the secondary sector.

The elasticity of tertiary sector is highly significant and substantial, indicating the increasing importance of trade, transportation, financial services, and public administration in Odisha's economy. Moreover, since financial services is now growing at the fastest rate (with a 12.0 percent growth projection for 2025-26), this elasticity is likely to rise in subsequent calculations too. The elasticity of primary sector is also highly significant and substantial, though the smallest among the three. However, this is not unexpected, given that this elasticity is likely to show a declining role for agriculture and mining in Odisha's economy. The relatively low elasticity is in line with the structural transformation hypothesis proposed by Bhattacharya and Sakthivel (2004), wherein it is suggested that "the marginal contribution to GSDP from primary GVA will decrease as the share of primary sector's output in GSDP declines." The positive constant term ($\alpha = 2.143$) is highly significant and substantial and captures autonomous growth driven by better governance, institutional development, and policy interventions not captured through sectoral GVA indicators.

The estimates of elasticity are broadly in line with the study undertaken by Kumari and Malhotra (2014) for states in India and Sahoo and Dash (2009) for growth determinants. The dominance of the secondary sector in Odisha's growth process is in sharp contrast to the national picture where the tertiary sector has emerged as the largest contributor to economic growth measured in terms of GDP.

6. Conclusion and Policy Recommendations

6.1 Conclusion

The current study has undertaken a systematic empirical analysis of the growth trajectory and sectoral composition of the Odisha economy over the period of 2011-12 to 2025-26, using secondary data sources of the Odisha Economic Survey 2025-26. The study has provided empirical evidence of the sustained growth trajectory of the Odisha economy with the growth in the GSDP at a CAGR of 6.8 percent, the growth in the per capita GSDP at constant prices from ₹54,727 to ₹1,22,135, and the narrowing of the per capita income gap vis-à-vis the national average. The study has also provided empirical evidence of the structural vulnerabilities of the Odisha economy in the form of the wide fluctuations in the growth rate of the economy due to the dominance of the mineral and metal sector in the economy, as

evidenced by the wide fluctuations in the growth rate of the manufacturing sector between -30.3 and +33.2 percent over the study period. The low growth in the development of the tertiary sector vis-à-vis the national average and the leading states of India. The low elasticity of the primary sector growth vis-à-vis the GSDP growth of the state. The wide gap in the per capita income vis-à-vis the national leaders like Goa, Sikkim, Telangana, Karnataka, and Haryana. The OLS regression model has provided compelling evidence of the dominant role of the development of the secondary sector in the growth trajectory of the Odisha economy with the elasticity of 0.418, followed by the development of the tertiary sector with 0.311 and the primary sector with 0.271.

6.2 Policy Recommendations

Based on the empirical findings, the following evidence-based policy recommendations are advanced for consideration by the Government of Odisha and relevant policymakers:

1. Industrial Diversification and Downstream Integration: Given the secondary sector's dominant elasticity ($\beta = 0.418$), policies should prioritise diversification beyond primary metals into downstream fabrication, engineering goods, food processing, textiles, and specialty chemicals. The Odisha Industrial Policy Resolution should be operationalised with stronger cluster-based industrial development, investment in industrial parks with plug-and-play infrastructure, and facilitation of global value chain integration for Odisha's manufacturing firms.

2. Agricultural Transformation and Value Chain Development: The primary sector's significant share (29.1% of GSVA) and employment base necessitate sustained investment in irrigation infrastructure, precision agriculture extension, cold chain logistics, and farmer producer organisations. Promotion of aquaculture, horticulture, and organic agriculture can raise farm incomes and diversify rural livelihoods, reducing poverty and boosting the rural consumption-driven demand for services.

3. Accelerate Financial Services and IT-ITES Development: The 12.0% growth in financial services in 2025–2026 (AE) indicates unrealized potential. To increase insurance and credit penetration, the state should create an IT-ITES park or Financial Services Special Economic Zone in the Bhubaneswar-Cuttack urban agglomeration, draw fintech investments, and raise digital financial literacy. The IT growth dividend can be dispersed more widely by investing in tier-2 city infrastructure (Berhampur, Sambalpur, Rourkela).

4. Establish a Mineral Wealth Sovereign Fund: The mining industry's historical volatility and diminishing growth rate (1.4% in 2025–2026 AE) highlight how unsustainable mineral-dependent growth is. In order to de-risk the state's fiscal and growth model, a constitutionally anchored Odisha Mineral Wealth Sovereign Fund modeled after Norway's Government Pension Fund should be established. This fund would convert finite mineral rents into perpetual investments in infrastructure, renewable energy, and human capital.

5. Sustained Infrastructure Investment: Strong infrastructure demand is confirmed by the construction GVA's strong 9.4% growth (2025–2026 AE). Long-term public investment in port infrastructure (Paradip, Dhamra, Gopalpur), inland waterways, road connectivity, and

industrial corridors will lower logistics costs, draw in private capital, and stimulate the growth of manufacturing and services throughout the state.

6. Human Capital Investment for Productivity Enhancement: Sectoral reallocation is insufficient to close the ongoing per capita income gap relative to the national average. To increase total factor productivity across all sectors, a long-term investment program in high-quality higher education, industry-aligned skill development, STEM education, and preventive healthcare is required.

7. Climate Resilience and Disaster Risk Management: Sectoral planning, infrastructure design, and public investment programming must systematically incorporate disaster risk reduction and climate adaptation due to Odisha's vulnerability to cyclones, flooding, and droughts, which periodically disrupt agricultural and construction output and contribute to growth volatility (CV of GSDP growth = 65.5%).

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