

Agriculture and Regional Disparities in India

Pratap S Birthal and PK Joshi

Accelerating economic growth and reducing inter-personal and regional disparities have been the main objectives of India's development policy. The overall growth of the economy reached to 6.3% during 1991/92 - 2007/08, from as low as 3.5-3.7% during 1960s and 1970s. The per capita income also grew from 1.2% during 1960s and 1970s to 3.1% during 1980s and further to 4.4% during 1991/92-2007/08. These trends however are not uniform across states, and there is a growing concern that the accelerating trends are confined to a few rich states, and the poor states have lagged behind¹. This lack of convergence in growth can be attributed to cross-state differences in the resource endowments, production structure, governance, policies and infrastructure.

Historically, agriculture has been recognized as an engine of economic growth. It enhances economic growth by providing raw material and labour force for industrial activities. A strong linkage of agriculture within agricultural sector and with non-agricultural sector for higher economic growth has been argued and supported by empirical analysis (Johnston and Mellor, 1961). Agriculture generates forward linkages through provision of its outputs as "intermediate inputs" to the industrial sector, and thus contributes to the growth of agro-processing and marketing activities, which in turn creates opportunities for economic growth, import substitution and exports. Agriculture has also strong backward linkages through its demand for industrial products such as fertilizers, pesticides, machines, etc. Further, the rural population provides market for manufactured products and services. Hence, the neglect of agriculture could be detrimental to economic growth and welfare of the people. Timmer (2002) argues that continued neglect of agriculture can lead to political and economic instability, which in turn can reduce level and efficiency of investment.

In this brief note, we look at (i) whether regional disparities in India have increased or decreased, and (ii) how can agriculture contribute towards bridging the gap between rich

and poor states. From the perspective of livelihood of rural people, agriculture continues to be an important economic sector, despite a rapid fall in its share in national income; from 45% in early 1970s to about 18% now. The sector engages 58% of the total workforce. Hence, we hypothesize that continued high employment pressure on agriculture is one of the main causes of inter-state differences in income levels and economic growth.

Trend in Regional Disparities

India's per capita income grew at an accelerated rate during 1980/81-2004/05 (Table 1). State level trends however vary considerably. Bihar, Orissa and Uttar Pradesh have continued

Table 1: Growth in per capita income of major states, at 1993/94 prices

| State | Per capita Gross Domestic Product (GDP), Rupees | | Annual compound growth rate in per capita GDP, % | |
|-------------------|---|-----------|--|-----------------|
| | 1981/83 | 2003/05 | 1980/81-1991/92 | 1992/93-2004/05 |
| Bihar | 3773(15) | 5280(15) | 2.3 | 2.2 |
| Uttar Pradesh | 4332(14) | 7156(14) | 2.6 | 1.8 |
| Orissa | 4407(13) | 7557(13) | 2.8 | 2.7 |
| Rajasthan | 4932(12) | 10388(11) | 3.8 | 2.9 |
| West Bengal | 5293(11) | 12917(10) | 2.6 | 5.6 |
| Madhya Pradesh | 5601(10) | 8955(12) | 2.1 | 1.9 |
| Karnataka | 5636(9) | 14522(6) | 3.5 | 5.6 |
| Kerala | 6068(8) | 14257(8) | 2.5 | 4.7 |
| Tamil Nadu | 6098(7) | 15154(5) | 4.0 | 4.1 |
| Himachal Pradesh | 6361(6) | 14347(7) | 3.5 | 4.7 |
| Andhra Pradesh | 6470(5) | 13050(9) | 2.0 | 4.7 |
| Gujarat | 7627(4) | 18735(2) | 2.8 | 3.7 |
| Maharashtra | 8035(3) | 19148(1) | 3.8 | 3.3 |
| Haryana | 8826(2) | 18146(4) | 4.0 | 3.5 |
| Punjab | 9927(1) | 18438(3) | 3.4 | 2.7 |
| India (15 states) | 5730 | 11767 | 3.1 | 3.8 |

Figures in parentheses are ranks of states

¹See, Bajpai and Sachs (1996), Cashin and Sahay (1996), Sachs et al. (2002) and Purfield (2006) for more information.

²Some states were reorganized in 2001 as to create new states. The data for new states were merged with their parent states as to maintain continuity in the data series.