Regional Disparities in Economic Growth of Karnataka

Dr. Malleshappa. S. Kumbar

Professor & Head, Post-Graduate Department of Economics, Government College (Autonomous), Kalaburagi-585105

Abstract

Karnataka is one of the leading states in India in terms of economic development. In recent years it has emerged as the power house of economic activities in the country. The IT BT revolution in the early decade of this century has immensely contributed to the rapid economic growth of the state. With GSDP of Rs.22.41 lakh crores (2022-23BE) Karnataka accounts for 8.2 % of Gross National Income of the country in 2022-23 and stands as the 3 rd largest economy in the country after Maharashtra and TamilNadu . With Per Capita State Income of Rs.3,01,633(at current prices) Karnataka stands at 5 th place in the country in 2022-23. In this backdrop this paper intends to analyse the spread of growth process across the state by taking into consideration GSDP and Per capita income at district level.

Keywords: Economic Growth,Regional Disparities,Gross Domestic Product

1.Introduction

Karnataka is a leading state of India. With the geographical area of 1,91,791 sq. kms. Karnataka forms 6 th largest state in the country accounting for about 5.83 per cent of the total geographical area. With population of 6,10,95,297(2011 census) it stands at 8 th place and accounted for 5.05 per cent of country's population in 2011. In recent years Karnataka has emerged as the power house of economic activities in the country. With GSDP of Rs.22.41 lakh crores (2022-23) Karnataka accounted for 8.2 % of Gross National Income of the country in 2022-23 and stands as the 3 rd largest economy in the country after Maharashtra and TamilNadu.With Per Capita State Income of Rs.3,01,633(at current prices) Karnataka stands at 5 th place in the country in 2022-23. Agriculture, industry and service sectors are contributing immensely to the growth of Karnataka economy, as a result the GSDP growth of Karnataka in 2022-23(7.9%) is higher than that of India (7%). In nutshell Karnataka has emerged as the leading economic power house of India in the post-liberalisation period. But,does this growth is evenly distributed across the state or nation.

2.Review of Literature

In the post-World War-II scenario several studies have been carried by economists regarding the nature of growth process. These studies have resulted in the divergent view regarding the spread of growth process. For example, early works of Myrdal (1957) and Hirschman (1958) contributed to the theory of regional economic growth and convergence. In fact, these works gave rise to the development of the 'Inverted U-shaped hypothesis' wherein with the growth of an economy regional disparities tend to increase in the early stage of development and thereafter at a certain stage it will decrease. The empirical

studies conducted by Kuznets (1958) and Williamson (1965) validated the inverted U-shaped hypothesis using data for developed countries. Another version of the neoclassical growth model is the convergence hypothesis. Assuming that tastes and preferences (i.e., savings, investment and population growth) and technology are similar across regions, the neoclassical growth model of Solow (1956) predicts that regional differences in per capita income should converge on a common level of per capita income. This is on account of the neoclassical assumption of diminishing returns to capital. It implies that poor regions with lower capital per head will have higher marginal productivity than in rich regions with greater capital per head. Accordingly, the neoclassical growth model expects that poor regions will grow faster than rich ones provided their initial stock of capital alone differs between the regions. Several research works—Barro and Sala-i-Martin (1992, 1995), De Gregorio (1992), Bishop, Formby, and Thistle (1994), Cashin (1995), and Sala-i-Martin (1996), among others—have validated Solow's convergence hypothesis at the international level. These studies revealed that there has been convergence in Europe, the United States, Canada and Japan. In a sense, the debate has resulted in the overshadowing of the Kuznets's hypothesis by the Solowian idea of absolute convergence. Even in India studies by Dholakia (1994) and Cashin and Sahay (1996) conclude that there has been convergence in real per capita state domestic product (SDP) across states in India. In contrast, several studies—Nair (1971), Majumdar and Kapoor (1980), Marjit and Mitra (1996), Das and Barua (1996), Ghosh, Marjit, and Neogi (1998), Rao, Shand, and Kalirajan (1999), Dasgupta, Maiti, Mukherjee, Sarkar,and Chakrabarti (2000), Kurian (2000), Bhattacharya and Sakthivel (2004),Sachs, Bajpai, and Ramiah (2002), Ahluwalia (2002), Dadibhavi and Bagalkoti (2006), Kumar and Subramanian (2012), Bakshi, Chawla, and Shah (2015), and Sanga and Shaban (2017)—covering different time periods and a number of regions were undertaken to know whether per capita income levels have been converging or diverging across Indian states. Interestingly most of the studies indicated a tendency of divergence instead of convergence. In this context present study aims at analysing the nature of spread of growth process across Karnataka state.

3.Objectives

The main objectives of this study are

1. To give an overview of economic growth in Karnataka state in recent decades.
2. To analyse the spread of growth process across the state.
3. To identify the reasons for divergence of growth process.
4. To suggest policy prescriptions for the even growth of all regions

4.Hypotheses

Following are the hypotheses which present study tries to test

H^1=There is a convergence of growth process across the Karnataka state

H^0=There is no convergence of growth process across the Karnataka state.

5.Methodology and Data set

The study is based on secondary data collected from government publications like various issues of Economic Survey of Karnataka, Karnataka at *a Glance, Statistical abstract of Karnataka.* Simple statistical tools like averages, percentages and growth rates are used to analyse the data. Gross State Domestic Product, Gross District Domestic Product and Per capita income have been used as indicators to get an overview of growth of

6.Data Analysis and Conclusion

a) An Overview of Growth of Karnataka Economy

The growth of Gross State Domestic Product and Per capita income at current and constant prices in the last six decades is presented in the following table get an overview of growth of Karnataka economy. The analysis of the data shows that in the last six decades there is a tremendous growth of Karnataka economy. The Gross Domestic Product at current and constant prices has shown remarkable progress. Similarly, the per capita income has also increased in this period. As a result of which Karnataka is one of the few states in India which have achieved remarkable economic growth especially in the post liberalisation period. Today Karnataka economy is the third largest economy in the country. Karnataka is in fifth place in terms of per capita income in India and in 2022-23 per capita income Karnataka is higher than the national average.

Table-1 Growth of Gross Domestic Product and Per Capita Income of Karnataka

Year	"Gross State Domestic Product (GSDP) at Current Prices (Rs. Lakhs)"	"Gross State Domestic Product (GSDP) at Constant Prices (Rs. Lakhs)"	"Per Capita Income (Per Capita Net State Domestic Product (NSDP) at Current Prices) (in Rs.)"
1961-62	_	-	320
1971-72	-	-	646
1981-82	716860	661709	1707
1991-92	3009173	1149444	5889
2000-01	10836170	10268651	18344
2011-12	60600981	60600981	90263
2012-13	69541304	64303303	102319
2013-14	81666615	70446605	118829
2014-15	91392303	74842912	130024
2015-16	104516810	83132991	148108
2016-17	120760772	94177405	169898
2017-18	133324000	101970817	185840
2018-19	147939143	108510062	205245
2019-20	161113386	114880569	221431
2020-21	162507298	110821175	221310
2021-22	196272542	122971294	265623
2022-23 BE	224136839	132631929	301673

Source:Economic Survey of Karnataka-2022-23

b) Regional Imbalances in Economic Growth of Karnataka
i)Gross District Domestic Product

Gross Domestic Product is one of the most widely used indicators of economic performance. GDP measures economy's total output in a given period and annual GDP totals are frequently used to compare size and growth of economies at various levels viz: national, state, regional or district level. GDP figures are very much useful for the policymakers,investors, financial market participants etc. Hence,Gross District Domestic Product (GDDP) is used as an indicator to measure the size of district economies and distribution of growth process in Karnataka state.Table-1 presents the GDDP of 30 districts of Karnataka along with sectoral contribution to GDDP in the year 2021-22

Table 2: Gross District Domestic Product -2021-22 (at current Prices)

(Rs. crores)

Sl.No	District	Sectoral share to GDDP			Gross District DomesticProduct (GDDP)	Rank
		Agriculture	Industry	Services		
1	Bangalore Urban	0.5	16.8	82.6	698460.83	1
2	Dakshin Kannada	13.1	38.5	48.5	111859.25	2
3	Belagavi	26.1	22.0	52.0	82400.07	3
4	Tumakuru	23.4	29.4	47.2	75177.33	4
5	Mysuru	19.4	17.6	63.1	68297.19	5
6	Ballari	17.0	30.4	52.6	66480.34	6
7	Shivamogga	28.5	21.5	50.0	58040.71	7
8	Udupi	18.1	27.9	54.0	52504.51	8
9	Mandya	20.0	22.0	58.0	48079.51	9
10	Bagalkote	21.2	27.8	51.0	46991.88	10
11	Chikkamagaluru	25.7	28.8	45.5	46921.75	11
12	Hassan	24.2	16.1	59.8	46217.71	12
13	Dharwad	10.4	24.8	64.8	45999.06	13
14	Kalaburagi	25.5	20.8	53.7	40499.98	14
15	Davanagere	35.3	20.0	44.7	39488.71	15
16	Vijayapura	30.6	20.2	49.2	39058.03	16
17	Bangalore Rural	32.7	26.2	41.1	37997.36	17
18	Raichur	29.7	17.7	52.6	34905.46	18

19	Uttara Kannada	22.3	19.9	57.8	34732.96	19
20	Chitradurga	35.3	16.0	48.8	34550.85	20
21	Kolar	21.9	26.9	51.2	33559.57	21
22	Ramanagara	18.1	32.8	49.1	30129.59	22
23	Haveri	25.9	16.5	57.6	29352.42	23
24	Bidar	21.5	16.8	61.7	28440.17	24
25	Chikkaballapur	28.1	20.3	51.6	27756.68	25
26	Koppal	33.0	18.1	48.8	24139.73	26
27	Chamarajanagar	24.2	20.5	55.3	22768.67	27
28	Gadag	18.8	19.9	61.3	20615.35	28
29	Yadagiri	33.9	16.1	50.1	20423.12	29
30	Kodagu	49.8	12.1	38.1	16876.60	30
State		**15.4**	**21.5**	**63.2**	**1962725.40**	

Source: Calculated from the data given in Economic Survey of Karnataka-2022-23 and
　　　Karnataka At a Glance-2022-23

It is evident from the table -2 above, that Bengaluru urban district with GDDP of Rc.6,98,460.83 crores is the top most district in Karnataka as far as GDP is concerned. Hence, Bengaluru urban district ranks no 1 in the state in the generation of GDP. Bengaluru district is followed by Dakshina Kannada district with GDDP of Rs. 111859.25 crores in second place, Belagavi with GDDP of Rs. 82400.07 in third place, Tumkur with GDDP of Rs75177.33 crores in Fourth position and Mysore district with GDDP of Rs. 68297.19 in the fifth place. Thus, in the year 2021-22 Bengaluru Urban District contributed 35.6% to GSDP of the state followed by Dakshina Kannada (5.7%), Belagavi (4.2%). Tumkur (3.83%), Mysuru (3.47%). Thus, top five districts contributed about 52.80% of GSDP of Karnataka state in the year 2021-22. On the other hand, Kodagu with GDDP of Rs.16876.60 crores stand at the bottom of the table with 30th rank as far as GDDP size is concerned. Koppal district with GDDP of Rs.24,139.78 crores, Chamrajnagar with GDDP of Rs.22,768.67 crores, Gadag with GDDP of Rs.20,615.12 crores, Yadgir district with GDDP of Rs.20,423.12 crores stand above Kodagu district in GDDP size. The contribution of bottom five districts to state GDP in 2021-22 was just 5.32 % (Koppal 1.22%, Chamrajnagar 1.16%, Gadag 1.05%, Yadgir 1.04%, Kodagu 0.85%). This itself speaks about the existence of widespread disparities in the growth process in Karnataka even after the seven decades of formation of the state and initiation of several measures to remove regional imbalances. Further, analysis of the above table shows that the districts which have higher share of industry and services sector have high GDDP. The districts which are at bottom positions have high share of agriculture sector. This highlights the need for the development of secondary and tertiary sectors to propel economic growth in the backward districts.

ii) Per Capita Income

Per capita income is the second-best indicator of measurement of economic growth or development. Per capita income refers to the average income per person in a specific country, state or region. It provides a more accurate picture of how the economy is doing for the typical citizen by accounting for population size and wealth distribution. It also considers citizens' access to infrastructure, healthcare, education, and other fundamental requirements. Therefore, rather than relying just on GDP, per capita income is a more accurate reflection of a region's total well-being and actual growth. The per capita income of all 30 districts of Karnataka in 2021-22 at current prices is given in the table-3.

Table-3: Per Capita District Income for the year 2021-22 (at Current Prices)

Sl.No	District	Per Capita Income(in Rs.)	Rank
1	Bengaluru Urban	6,21,131	1
2	Dakshina Kannada	4,43,057	2
3	Udupi	3,70,834	3
4	Chikkamagaluru	3,38,978	4
5	Bengaluru Rural	3,19,380	5
6	Shivamogga	2, 71,418	6
7	Kodagu	2,48,051	7
8	Tumkuru	2,26,773	8
9	Ramanagar	2,25,763	9
10	Mandya	2,17,478	10
11	Ballari	2,17,096	11
12	Hassan	2,12,122	12
13	Dharwad	2,03,906	13
14	Bagalkot	2,02,845	14
15	UttarKannada	1,95,665	15
16	Mysuru	1,84,297	16
17	Chamarajnagar	1,79,338	17
18	Chikkaballapur	1,78,438	18
19	Kolar	1,74,370	19
20	Chitrdurga	1,66,985	20
21	Davangere	1,63,233	21
22	Gadag	1,55,387	22
23	Haveri	1,47,676	23
24	Raichur	1,44,879	24
25	Vijayapura	1,42,810	25
26	Yadagiri	1,39,838	26
27	Koppal	1,39,756	27
28	Belagavi	1,37,644	28

29	Bidar	1,33,935	29
30	Kalaburagi	1,24,998	30
	State	**2,65,623**	

Source: E c o n o m i c S u r v e y o f K a r n a t a k a - 2 0 2 2 - 2 3 , Directorate of Economics and Statistics, Government of Karnataka.

Analysis of the above table shows variations in per capita district income among the districts of the State. As usual Bengaluru Urban district with percapita GDDP of Rs.6,21,131 tops the table followed by Dakshina Kannada,Udupi,Chikmagalur and Bengaluru Rural.districts.The percapita income of these five top districts is higher than the state average. On the other hand bottom five positions are occupied by Kalaburagi,Bidar,Belagavi,Koppala and Yadgir districts. The per capita income of bottom five districts is $1^{1/2}$ times less than the percapita state average. Further analysis of the table reveals that percapita income of ¾ districts is less than the state average. Moreover, all five districts except Belagavi belongs to the Kalyan Karnataka region which is considered economically backward since the inception of the state. This district variation is an important indicator and a source of broader inter-regional disparities in the process of State's economic development.
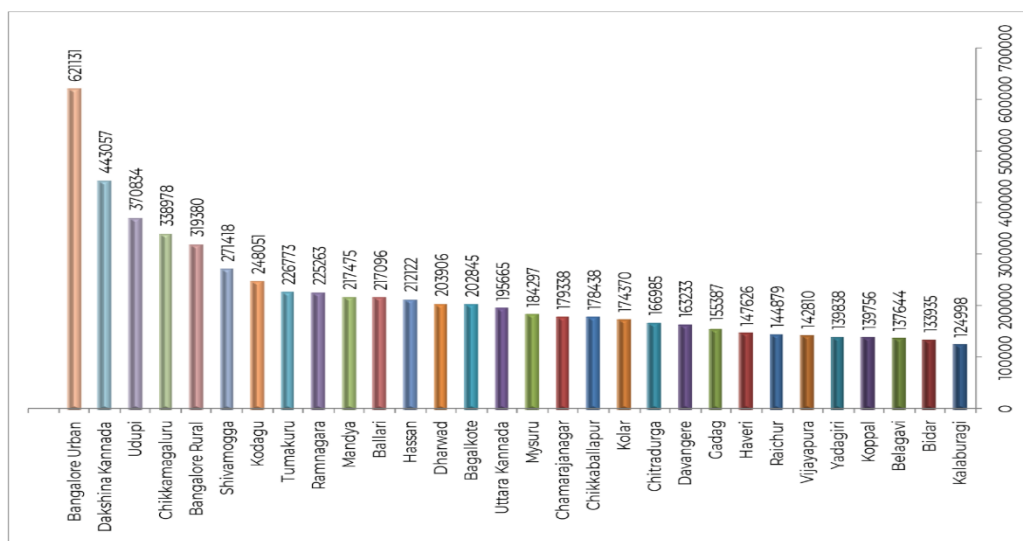

Figure-1: Per Capita Net District Income for the year 2021-22 (at Current Prices)

7.Conclusion

From the above analysis   it can be concluded that though, Karnataka has achieved remarkable progress in economic growth and development over the years, the spread of growth process is not even throughout the state. Wide spread disparities exist between the districts in terms of GDDP and Percapita income. Hence, in case of Karnataka, economic growth is diverging instead of converging. As a result, disparities exist among the districts of Karnataka. The districts with high degree of contribution of industry and services sector are able to produce more GDDP than their counterparts which are primarily dependent on agriculture sector. This calls for the policy prescription that governments should give emphasis on the development of industry and service sector in the backward districts to push the growth process not only in these districts but, even at state level also.

References

1. Ahluwalia, M. S. (2002). State level performance under economic reform in India. In A. O.Krueger (Ed.), *Economic policy reforms and the Indian economy* (pp. 31–122). New Delhi: Oxford University Press.

2. Bakshi, S., Chawla, A., & Shah, M. (2015, January 3). Regional disparities in India: A moving Fortier. *Economic & Political Weekly*, *50*(1), 44–52.

3. Barro, R. J. (1991). Economic growth in a cross-section of countries. *Quarterly Journal of Economics*, *106*, 407–443.

4. Barro, R. J., & Sala–i–Martin, X. (1991). Convergence across states and regions. *Brooking Papers on Economic Activity*, *22*(1), 107–158.

5. Barro, R. J., & Sala–i–Martin, X. (1992). Convergence. *Journal of Political Economy*, *100*(2), 223–251.

6. Barro, R. J., & Sala–i–Martin, X. (1995). *Economic growth* (Ch. 10 & 11). New York, NY: McGraw-Hill.

7. Bhattacharya, B. B., & Sakthivel, S. (2004, March 6). Regional growth and disparities in India: Comparison of pre and post reform decade. *Economic & Political Weekly*, *29*(10), 1071–1077.

8. Cherodian, R., & Thirlwall, A. P. (2013, August). *Regional disparities in per capita income in India: Convergence or divergence? (School of Economics Discussion Papers*, KDPE No. 1313, pp. 1–18). Canterbury: *University of Kent*.

9. Dadibhavi, R. V., & Bagalkoti, S. T. (2006, July). Reforms and regional inequalities in India. *The Indian Economic Journal*, *54*(2), 21–38.

10. Das, S. K., & Barua. A. (1996). Regional inequalities, economic growth and liberalization: A study of the Indian economy. *The Journal of Development Studies*, *32*(3), 364–390.

11. Ghosh, B., Marjit, S., & Neogi, C. (1998, June 27). Economic growth and regional divergence in India, 1960–1995. *Economic & Political Weekly*, *33*(26), 1623–1630.

12. Kumar, U., & Subramanian, A. (2012, January 21). Growth in India's states in the 1st decade of the 21st century: Four facts. *Economic & Political Weekly*, *47*(3), 48–57.

13. Kurian, N. J. (2000, February 12). Widening regional disparities in India: Some indicators. *Economic & Political Weekly*, *35*(7), 538–550.

14. Marjit, S., & Mitra, S. (1996, August 17). Convergence in regional growth rates, Indian research agenda. *Economic & Political Weekly*, *31*(33), 2239–2242.

15. Myrdal, G. (1957). *Economic theory and underdeveloped regions*. London: Duckworth Press.

16. Nagaraj, R., Varoufakis, A., & Vegan Zones, M. A. (2000). *Long run growth trends and convergence across Indian states* (Working Paper No. 131). Paris: OECD Development Centre.

17. Nayyar, G. (2008, February 9). Economic growth and regional inequality in India. *Economic & Political Weekly*, *43*(6), 58–67.

18. Sachs, J. D, Bajpai, N., & Ramiah, A. (2002, March). *Understanding regional economic growth in India* (CID Working Paper No. 88). Cambridge, MA: Harvard University.3–83.

19. Economic Survey of Karnataka-2020-21: Planning, Programme Monitoring and Statistics Department, Govt. of Karnataka, Vol.43,

20. Economic Survey of Karnataka-2021-22: Planning, Programme Monitoring and Statistics Department, Govt. of Karnataka, V0l.44

21. Economic Survey of Karnataka-2022-23: Planning, Programme Monitoring and Statistics

Department, Govt. of Karnataka, V0l.45.