



REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.7631 (UIF)

VOLUME - 12 | ISSUE - 1 | OCTOBER - 2022



KARNATAKA TOWARDS AN ECONOMICS OF WELLBEING

Dr. N. M. Makandar

Associate Professor of Commerce,

Anjuman Arts, Science, Commerce College & PG Studies Dharwad.

ABSTRACTS

Karnataka is among the Top 5 states in India and has demonstrated strong growth over the years. Its per-capita Gross State Domestic Product (GSDP) of INR 3.05 lakhs (estimated for FY 22) is the highest among the Top 5 states. It is observed that Karnataka is among the Top 5 states in India, currently at third position with INR 17.31 lakh crore economy contributing 8.8% to national GDP of INR 197.5 lakh crore. The state economy is growing at a healthy rate of nearly 6.8% per annum, which is ahead of the country's growth rate for the past few years.



KEY WORDS : Gross State Domestic Product (GSDP), economy contributing, country's growth.

INTRODUCTION

Growth has been one of the most fascinating research problem. Economic growth of India after 1990s is impressive and it is often cited as success of good economic policies. India's accelerated growth rate with higher productivity and improved living standards, it is a universally acknowledged fact that now India is on the path of growth. The pace of economic growth is usually regarded as the primary indicator of a country's macroeconomic health.

Karnataka has been a trailblazing state in the area of economic growth. The state economy is growing at a healthy rate of nearly 6.8% per annum, which is ahead of the country's growth rate for the past few years. Karnataka is one of the highest economic growth states in India with an expected GSDP (Gross State Domestic Product) growth of 9.5% in the 2021-22 fiscal year. Karnataka is among the Top 5 states in India and has demonstrated strong growth over the years. Its per-capita Gross State Domestic Product (GSDP) of INR 3.05 lakhs (estimated for FY 22) is the highest among the Top 5 states. Between 2011-12 and 2017-18, the GSDP of the state grew at a Compound Annual Growth Rate (CAGR) of 13.11 per cent to reach ₹ 12.69 trillion (US\$196.88 billion) and the net state domestic product (NSDP) grew at a CAGR of 12.83 per cent to reach ₹ 11.45 trillion (US\$177.68 billion). This paper is an attempt to analyse the trends in the growth of Net State Domestic Product in Karnataka for the period 2017-2022. It is concerned with the growth of different sectors of the economy, the changes in the shares of sectors to the Net State Domestic Product of Karnataka.

SIGNIFICANCE OF THE STUDY:

Karnataka is in the southern region of India. It is surrounded by the Arabian Sea on the west, Goa on the northwest, Maharashtra on the north, Andhra Pradesh on the east, Tamil Nadu on the southeast, and Kerala on the southwest. At current prices, Karnataka's gross state domestic product (GSDP) is projected to be ~Rs. 18.85 trillion (US\$ 243.56 billion) in 2022-23. The state's GSDP increased at a CAGR of 8.79% between 2015-16 and 2022-23. Karnataka evolved as the manufacturing hub for some of the largest public sector industries of India after India's independence. Karnataka is the leader in the information technology sector in India and its capital, Bangalore, is known as the Silicon Valley of India. Karnataka has certainly done well in the past but now, post the COVID-19 pandemic and the resulting recessionary effect, there is a need to re-orient its strategies by studying the particular needs of its citizens, its demographics, and its sectoral composition.

The Gross State Domestic Product (GSDP) of Karnataka for 2021-22 (at current prices) is projected to be Rs 17,02,227 crore. This is an annual increase of 0.1% over the actual GSDP of 2019-20, and 5.6% lower than the revised estimate of GSDP for 2020-21 (Rs 18,03,609 crore). In 2020-21, revised estimate of GSDP has not changed from the budget estimate. In comparison, the nominal GDP of India is estimated to contract by 13% in 2020-21 and grow by 14.4% in 2021-22. The total expected GSDP of Karnataka in 2022-2023 is about \$240 billion. Karnataka recorded the highest growth rates in terms of GDP and per capita GDP in the last decade compared to other states. In 2008-09, the tertiary sector contributed the most to GSDP (US\$31.6 billion 55 percent), followed by the secondary sector (\$17 billion 29 percent), and the primary sector (US\$9.5 billion 16 percent).

REVIEW OF LITERATURE:

Review of the available literature related to the research area is a very useful one for the researcher to get an idea about the area and also it creates the attention of future researchers. Craigwell et al. (2008) described in their research on Barbados economy that, state industrial output is associated with lower agricultural GDP in the long run, but in the short run, changes in industrial output promoted agricultural output. Hye (2009) investigated the link between agricultural and industrial output; using the data of autoregressive distributed lag model. Debnath and Roy (2012) analyzed the trend in sectoral shares in state domestic product and intersectoral linkages in northeast India for the period 1981 to 2007 in his paper.

OBJECTIVES OF THE STUDY:

The broad objective of the present study is to study the structural changes, sectoral performance in Economy of Karnataka state. On the basis of broad objectives the following specific objectives have been framed

1. To study the composition of GDP from 2017-2022 in different sectors (Agriculture, Industry and Service sectors)
2. To examine the sectoral real growth rate in GDP at factor cost.
3. To study the significant relationship between sectors and its growth performance.

LIMITATION OF THE STUDY:

Present study undertakes and analyzes the major three sectors agricultural, industry and services and inters linkages between these sectors. Using the secondary source only has restricted the study. In order to analyze the data, this study takes data from 2017 to 2022.

Towards an Economics of Wellbeing:

It is important to understand changes in sectoral contribution to the GSDP since they indicate changing structure of economy. The trends in the annual growth of GDP and that of the State, at current prices are indicated in Tables and the growth rate of GDP and GSDP at current prices and constant prices is depicted. The parameters identified are as below.

1. Trends in GSDP compared to the GDP
2. Gross State Domestic Product
3. Gross State Value Added of Karnataka state
4. Top 5 states – Economic growth and composition

Trends in GSDP compared to the GDP

Year	2016-17	2017-18	2018-19	2019-20	2020-21
India's GDP (in Crore)	1,53,91,668	1,70,90,042	1,88,86,959	2,03,51,012	1,94,81,975
Growth Rate(percent)	11.76	11.03	10.51	7.75	-4.27
States GSDP(in Crore)	12,07,608	13,36,914	14,90,624	16,28,928	18,03,609
Growth Rate (In Percent)	15.54	10.71	11.50	9.28	10.72

Source: State Finance Audit Report of the Comptroller and Auditor General of India Report No.1 of the year 2022 for the year ended March 2021

The perusal of the above table indicates that the Karnataka's GSDP growth rate at current prices and constant prices is more than that of nation's growth rate in most of the years. However, during 2020-21, while GSDP at current price is more when compared to previous year, GSDP at Constant price registered the lowest growth rate in five years.

GROSS STATE DOMESTIC PRODUCT :

Karnataka is among the Top 5 states in India, currently at third position with INR 17.31 lakh crore economy contributing 8.8% to national GDP of INR 197.5 lakh crore. Gross State Domestic Product at current prices of Karnataka state, with composition of GSDP and per-capita GSDP : From 2017-2022

Gross State Domestic Product (INR lakh crore)

Product Sector	2016-17	2017-18	2018-19	2019-20 (SRE)	2020-21 (FRE)	2021-22 (AR)	5-Year CAGR 2017-22
Agriculture	1.19	1.50	153	1.81	2.24	2.57	16.6
Industry	2.69	2.90	3.19	314	3.04	3.61	6.1
Services	6.96	7.59	8.64	9.76	10.40	12.06	11.6
GSVA	10.83	11.99	13.36	14.71	15.68	18.24	11.0
Net Taxes	1.24	1.34	1.40	1.44	1.63	2.25	-
GSDP	12.08	13.33	14.76	16.15	17.31	20.49	11.2
YoY growth rate	155	10.40	10.70	9.4	7.2	18.4	-
Per-capita GSDP(INR)	186	2.05	2.25	2.44	2.60	3.05	10.4
YoY Growth rate	143	10.40	9.5	8.4	6.5	17.4	-

Source: Economic Survey of Karnataka 2022

The table shows the composition of Karnataka's GSDP over the last half-decade. In FY 22, GSDP comprises of INR 2.57 lakh crores from the agriculture sector, INR 3.61 lakh crore from the industry sector and INR 12.06 lakh crore from the services sector, totaling to INR 18.24 lakh crore of GSVA. The effects of the pandemic and ensuing lockdowns show up in FY 20 itself with 9.4% YoY growth a sub-10% year compared to the previous 14.4% in FY 16, 15.5% in FY 17, 10.4% in FY 18 and 10.7% in FY 19. The 5-year CAGR of Karnataka's GSDP from FY 17 to FY 22 is 11.2%. Per-capita GSDP is INR 3.05 lakh, growing at 17.4% over INR 2.6 lakh in FY 21. The agriculture sector grew at 16.6% CAGR in five years. The services sector, the mainstay of the Karnataka economy is growing at 11.6% CAGR.

COMPOSITION OF GROSS STATE VALUE ADDED

Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. GVA is a very important measure, because it is used to determine gross domestic product (GDP). GDP is an indicator of the health of a national economy and economic growth. It represents the monetary value of all products and services produced in the country within a defined period of time.

Composition of Gross State Value Added of Karnataka state over FY 20 and FY 21(%)

Sector	% GVA 2019-20	% GVA 2020-21	% GVA 2021-22	5-year CAGR
Agriculture	12.3	14.3	14.1	16.6
Industry	21.3	19.4	19.8	6.1
Services	66.3	66.3	66.1	11.6
GVA	100.0	100.0	100.0	11.0

Source: Economic survey of Karnataka 2022

The perusal of above table depicts that the contribution of each of the three major sectors agriculture, industry and services, to the state economy. A standout feature of Karnataka's economy is the significant contribution of the services sectors. Pre-pandemic, in FY 20, the services sector contributed 66.3% to GVA, followed by 21.3% by the industry sector and 12.3% by the agriculture sector. The pandemic dampened industrial growth more than the other sectors. As a result, in FY 21, industrial share has decreased to 19.4%, while services remains at 66.3% and agriculture has jumped to 14.3%. Agricultural growth has been supported by favourable monsoons, significant budget spends and subsidies. This new composition with dampened industrial contribution has continued in FY 22.

KARNATAKA'S PLACE IN INDIA:

The Indian economy contracted by 3% in nominal terms during FY 21 due to the pandemic. 20% of its GVA comes from agriculture while 26% from industry and the balance 54% from services sectors. Average per-capita GDP was INR 1,45,680. With the exception of UP, all the other Top 5 economies' per-capita GDP is INR 2.3 lakh and above much higher than the India average. UP's is INR 73,792, half the national average—a result of its massive 22 crore population. Gross Domestic Product, growth rate, per-capita GDP and GVA composition of India and of the country's Top 5 state economies in FY 21

Further, it is observed that Karnataka has the most substantial services contribution, at 66.3% of GVA. This is a direct result of the substantial IT industry which contributes 25-28% of the state economy. However, Karnataka's industrial GVA of 19.4% is the lowest of the five and also lower than the national average of 26%. It is imperative to also focus on developing the industry sub-sectors like manufacturing and construction to balance the economy and provide large-scale employment.

India and Top 5 states - Economic growth and composition in 2020-21

State	GSDP (INR lakh Crore)	% of India's GDP	GSDP Growth Rate	Per-Capita GSDP (INR)	GVA Composition		
					Agriculture (%)	Industry (%)	Services (%)
Maharashtra	26.62	13.5	-5.6	229488	11.0	28.4	60.7
Tamil Nadu	1902	96	59	249517	12.7	33.0	54.3
Karnataka	1731	88	7.2	259803	14.3	19.4	66.3
Uttar Pradesh	17.06	86	1.1	79792	26.1	25.0	48.9
Gujarat	16.58	8.4	0.6	240914	15.6	48.2	36.2
India	197.46	100	-3.0	145680	20.2	25.9	53.9

Source: Economic survey of Karnataka 2022

It is observed from the above table that Karnataka is among the Top 5 states in India, currently at third position with INR 17.31 lakh crore economy contributing 8.8% to national GDP of INR 197.5 lakh crore. Table 1.8 shows the GDP, growth rate, per-capita GDP and GVA composition of India and of the country's Top 5 state economies in FY 21. Maharashtra at an estimated INR 26.62 lakh crore in FY 21 leads the country contributing 13.5% to national GDP, with Tamil Nadu at INR 19.02 lakh crore contributing 9.6%. Uttar Pradesh (UP) with an estimated INR 17.06 lakh crore contributing 8.6% is fourth with Gujarat at an estimated INR 16.58 lakh crore comes fifth contributing 8.4%. UP has the highest agricultural dependence at 26%, with industry at 25% and services at 49%. Gujarat's agricultural GVA composition is 15.6%, with services at 36.2% and industry at a whopping 48.2%. However, with a low services contribution of 36%, if business-as-usual continues, Gujarat might find it problematic to keep growing dependent on industry when automation and other factors kick in. Instead, it must develop its services sectors to augment its high industry output. Maharashtra and Tamil Nadu's GVA compositions are more balanced. 11% of Maharashtra's GVA comes from agriculture, 28.4% from industry and 60.7% from services. Meanwhile, 12.7% of Maharashtra's GVA comes from agriculture, 33% from industry and 54.3% from services.

CONCLUSION:

Despite the massive disruptions in both demand and supply side factors as caused by the COVID-19 pandemic and further geopolitical distress, India is the only economy among the top ten leading economies which has shown consistent improvement in its macroeconomic performance during the last four years. Being eighth largest state in India (geographically), the involvement of Karnataka for India's rising success is significant. Diverse agricultural and mineral resources and strong manufacturing capabilities of Karnataka accounts for close to 10 per cent of India's product exports. The State's software exports are more than 35 per cent of India's software exports. Being the world's fourth largest technology cluster, Bangalore has the perfect ecosystem fostering growth and development of State-of-the-art technology. The state government lacks the vision of its central counterpart and need a Niti Aayou of its own to plan for the 21st century. Karnataka is the most prosperous state in India with 66 percent of state GDP coming from service sector. It has adequate human capital. The state needs to narrow the economic gap between its northern and southern parts.

REFERENCES:

1. A Study of Structural Changes, Sectoral Performances and Intersectoral Linkages in Indian Economy. B.GANGABAI
2. Devnath, Avijit and Niranjana Roy (2012), "Structural Change and Inter-sectoral Linkages: The Case of Northeast India", Economic and Political Weekly, Vol. XLVII, No.6. Pp. 72-76, 11 February.
3. Karnataka Survey of Karnataka 2021- 22
4. State Finance Audit Report of the Comptroller and Auditor General of India
5. for the year ended March 2021
6. The Policy and Performance of Industrial Sector in Karnataka Working Paper 512 Malini L Tantri Sanjukta Nair
7. Sustainable Development goals-challenges for India" by M. Prabhakar Christopher David, assistant professor department of business administration, school of management studies, Vels University, Pallavaram, Chennai
8. Government of India and United Nations Framework, 2018 sustainable development framework.
9. RBI. (2019). State Finances: A Study of Budgets of 2019-20. Mumbai: Reserve Bank of India.