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STRUCTURAL CHANGE IN SOUTHERN STATES OF INDIA

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ABSTRACT

Economic development is a set of interrelated changes in the structure of an economy that are required for its continued growth. Structural change is a worldwide phenomenon and is found in all economies; national or regional. The present paper attempts to study structural change in addition to certain socio-economic indicators in the southern states of India. Time period of the study is from 1980-81 to 2010-11. A distinctive feature of structural change in these regional economies has been a decline in the share of primary sector in the NSDP and an increase in the share of secondary and tertiary sectors in the NSDP. The process of urbanisation was found in all regional economies with Tamil Nadu showing the highest figures and Kerala showing the maximum rate of increase. Next was Karnataka followed by Andhra Pradesh which showed the lowest figure. Some degree of inequality was also found in the southern states with urban inequality being greater than rural during all points of time. The states of South India witnessed greater inequality as compared to the All India level at various points of time. The socio-economic indicator of population below poverty line has witnessed Kerala and Tamil Nadu performing well than rest of the southern states. In case of demographic indicators of sex ratio and literacy, Kerala has shown the highest figures followed by Tamil Nadu in both the indicators. While Karnataka performed the poorest in sex ratio it was Andhra Pradesh to trail behind in literacy.

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KEYWORDS

Primary sector, secondary sector, structural change, structural transformation, tertiary sector.

1. INTRODUCTION

India has witnessed a gradual structural change over the past years like many developed and developing nations across the globe. A similar phenomenon has occurred at the state level also. The present study is of structural change and certain socio-economic indicators of the southern states of India. An attempt is made to study the manner in which these bordering states located in the south are transforming with time. The time period of the study is from 1980-81 to 2010-11. Major sources of data have been CSO, RBI publications, Planning Commission and Socio-economic Review of States.

The southern states have shown a relatively better growth performance in the last few years with few variations among them. Kerala's growth performance was spread fairly over the three sub-sectors i.e. primary, secondary and tertiary. Performance of Tamil Nadu was dependent on its secondary and tertiary sectors while Andhra Pradesh and Karnataka attribute their growth to the primary sector with a strong services sector base.

To analyse the structure of an economy two approaches are possible – the micro and the macro. The first is concerned with the functioning of economies, their markets, institutions, mechanisms for allocating resources, income generation and its distribution etc. In the second approach, economic development is viewed as an interconnected set of processes of structural change in the long-period that are the outcome of growth. The fundamental features of this approach are urbanization, industrialization, sectoral transformation, demographic transition, income distribution etc. Such interrelated processes of structural change that accompany economic development are jointly referred to as structural transformation.

Economists accept the organic interdependence of structural change and economic growth, and emphasize the necessity of structural change for economic growth. "Some structural changes not only in economic but also in social institutions and beliefs are required, without which modern economic growth would be impossible" (Kuznets 1971). Chenery views economic development "as a set of interrelated changes in the structure of an economy that are required for its continued growth" (Chenery 1979). One historical approach that emphasizes structural transformation is the 'stages approach' by Rostow (1960). He postulated that the economy passes through various stages of development: starting from the traditional stage, to the preconditions stage, then to the take-off stage, to the drive to maturity and finally, to the age of high mass consumption.

The modern analysis of sectoral transformation of the economy originated with Fisher (1935, 1939) and Clark (1940), popularly known as the **Fisher-Clark Hypothesis**, which dealt with sectoral shifts in the composition of the labour force and were probably the first to deal with the process of reallocation of labour force during the epoch of modern economic growth. A more detailed work on the patterns of development followed by most countries has been done by Kuznets (1966, 1971) and Chenery and Syrquin (1975). These authors reached to the same conclusion that: as an economy grows, the production shifts from primary [agriculture, fishing, forestry, mining] to the secondary [manufacturing and construction], and finally to the tertiary sector [services].

2. REVIEW OF LITERATURE

Research has been conducted the world over to study the process of structural change in various economies. **Chowdhury and Chowdhury (1995)** in their study investigate the sectoral linkages in 13 countries using the methodology suggested by Granger. The sample of countries chosen for the study are: South Korea, China, Japan, Indonesia, Malaysia, Thailand, Philippines, India, Pakistan, Bangladesh, Nepal and Australia; **Choliz and Duarte (2004)** analysed the structural and technological changes in the Spanish economy between 1980 and 1994; **Bah (2008)** in his study has compared the structural transformation processes in developed and developing countries. All have found the prevalence of structural transformation of some extent in these economies. Moving closer, the occurrence of structural transformation has also been observed in the Indian economy. Studies conducted by **Rao (1979)** attempts at identifying the important structural changes in the Indian economy since the advent of planned economic development; **Mohanty and Raghavan (1990)** have analysed the growth and structural characteristics of the Indian economy since the First Plan period; **Sastry, Singh, Bhattacharya and Unnikrishnan (2003)** examined the growth of linkage among the agriculture, industry and services sectors in the economy. Similarly, research highlights the existence of structural transformation at the state level in India. Studies conducted by **Saluja and Sarma (1991)** have examined the structural changes between a least developed state of India (Assam) and a most developed one (Punjab); **Shetty (2003)** in his study compared the economic performance across states over the period 1980-81 to 2000-01 and **Sethi (2003)** has examined the nature of structural changes in output and employment along with inter-sectoral linkages in the income of the Haryana state. These studies lay emphasis upon the existence of structural change in the economies; national or regional thereby presenting a strong foundation to the present study of structural change and certain socio-economic indicators of South India and comparing them with the national level.

3. STATEMENT OF THE PROBLEM

The present paper attempts to study structural change in addition to certain socio-economic indicators in the southern states of India. It assesses the relative performance of the southern states viz-a- via each other in various areas that are indicators of structural change in the last few decades.

4. OBJECTIVES

1. To find whether the regional economies of South India are undergoing any structural change.
2. To assess the relative performance of the regional economies of South India on various socio-economic indicators.

5. DATA ANALYSIS, RESULTS AND DISCUSSION

5.1 COMPOSITION OF NSDP OF SOUTHERN STATES

The estimates of the shares of primary, secondary and tertiary sectors in NSDP since 1980-81 are presented in **Table 1**. It is observed that structural change has occurred in all the four states of South India with notable interstate variations. During 1980-81, Andhra Pradesh and Karnataka held the leading position in the primary sector each having a share of 45.58% and 45.40% in the NSDP. They were followed by Kerala whose primary sector had a share of 39.11% in the NSDP followed by Tamil Nadu with a share of 25.43% which was found to be the least among all four. Over the time period of the study all four states witness a decline in the share of primary sector in NSDP, the least share being of Tamil Nadu (13.72%) and Kerala (13.87%) respectively.

The decline in the share of primary sector in the Southern States has been accounted for by an increase in the secondary and tertiary sectors. Although all four states witnessed an increase in the share of secondary sector, it was Tamil Nadu to have the distinction of having the largest share in it in as early as 1980-81 (33.97%) while Andhra Pradesh had the least 17.63% as it was dominated by the primary sector. The share of secondary sector for Kerala was 24.48% and that for Karnataka was 21.41% for the same year. The secondary sector saw an increase in its share in each state in 1990-91 and thereafter tends to decline too in 2000-01 in all the states. It is in 2010-11 that the share of secondary sector gains momentum again being the highest for Tamil Nadu (26.99%) followed by Karnataka (25.53%) and Andhra Pradesh (24.63%), where as Kerala's share was almost stagnant at 21.39%.

A distinguishing characteristic of these regional economies has been the growing importance of the tertiary sector. The economies that used to be dominated by the primary sector in the initial period of the study have turned around to be predominantly service sector oriented. The regional economies of Andhra Pradesh and Karnataka have shown a gradual increase in their share in the tertiary sector, it was Kerala to have taken a giant leap. Kerala's services sector had a share of 32.83% (which was on the fourth place) in 1980-81, rose to 40.74% in 1990-91, taking a huge jump to 60.07% in 2000-01 and thereafter reaching to 64.73% (taking the first place) in 2010-11. It was followed by Tamil Nadu which had a share of 34.75% in 1980-81 and rose to 59.28% in 2010-11 occupying the second place.

TABLE 1: COMPOSITION OF NSDP OF SOUTHERN STATES (In Percent)

		1980-81	1990-91	2000-01	2010-11
ANDHRA PRADESH	Primary Sector	45.58	35.40	31.79	23.63
	Secondary Sector	17.63	23.04	19.71	24.63
	Tertiary Sector	36.77	41.55	48.49	51.73
KARNATAKA	Primary Sector	45.40	36.40	32.18	17.56
	Secondary Sector	21.41	23.73	19.87	25.53
	Tertiary Sector	33.17	39.85	47.94	56.87
KERALA	Primary Sector	39.11	32.64	18.25	13.87
	Secondary Sector	24.48	26.61	21.66	21.39
	Tertiary Sector	32.83	40.74	60.07	64.73
TAMIL NADU	Primary Sector	25.43	19.79	17.33	13.72
	Secondary Sector	33.97	35.63	27.67	26.99
	Tertiary Sector	34.75	44.57	54.98	59.28

Source: CSO

5.2 URBANISATION

The process of urbanisation has witnessed a rise in the Southern states of India during the period under study. As seen in **Table 2** Tamil Nadu has been leading throughout viz-a-via the rest of Southern States. It has shown an urbanization rate of 32.95% in 1981, 34.15% in 1991, 44.04% in 2001 and 48.45% in 2011. Tamil Nadu not only has exceeded the other southern states but also the All India level in this indicator for the said time period. Although Tamil Nadu has exceeded the other three states, its rise was gradually spread over the entire period of the study. It was Kerala to take a massive leap, from 18.74% in 1981 it rose to 47.72% in 2011 showing a staggering increase in the rate of urbanization by 29%.

Andhra Pradesh and Karnataka have shown a gradual increase in urbanization with Karnataka showing 28.89% in 1981 to 38.57% in 2011 followed by Andhra Pradesh who has trailed behind with 23.32% in 1981 and 33.49% in 2011.

TABLE 2: URBANISATION (In Percent)

States	1981	1991	2001	2011
ANDHRA PRADESH	23.32	26.89	27.30	33.49
KARNATAKA	28.89	30.92	33.99	38.57
KERALA	18.74	26.39	25.96	47.72
TAMIL NADU	32.95	34.15	44.04	48.45
ALL INDIA	23.34	25.71	27.81	31.16

Source: Socio Economic Review of Gujarat

5.3 GINI CO-EFFICIENT

The Ginni Co-efficient is a measure of inequality in a population. A lower Ginni Co-efficient indicates a more equal distribution, with 0 corresponding to complete equality while a higher Ginni Co-efficient indicates more unequal distribution with 1 corresponding to complete equality.

As depicted in **Table 3**, the Ginni Co-efficient for the South India showed a greater level of inequality in the urban areas as compared to the rural. Comparing with the other southern states Andhra Pradesh showed the least value of Ginni Co-efficient in the rural sector in 1983-84 and 1993-94 of 0.29 for each year, declined to 0.24 in 1999-00 showing rise in equality but rose to 0.29 again in 2004-05 depicting a fall in equality. In the urban sector it rose from 0.31 in 1983-84 to 0.37 in 2004-05 thus witnessing a rise in urban inequality. In this indicator of inequality it was seen that Andhra Pradesh showed the least levels for the period 1983-84, 1993-94, 1999-00 while Karnataka showed a least figure out of all four in 2004-05 both in the rural (0.26) and urban (0.36) sectors.

Following a similar pattern the level of equality rose as depicted by the declining values of Ginni Co-efficient for all the southern states till 1999-00 in both the rural and urban sectors with the exception of Tamil Nadu where it showed a rise in the values in the urban sector thereby depicting a rise in inequality. Thereafter a rise in value of Ginni Co-efficient in 2004-05 showed a fall in the level of equality except for Tamil Nadu where it fell from 0.38 to 0.36 showing a rise in equality in the urban sector.

The Ginni Co-efficient of the Southern States was more than the All India level at certain points of time thereby representing a greater level of inequality in South India than seen at the national level.

TABLE 3: GINI COEFFICIENT

	Rural	Urban
1983-84		
ANDHRA PRADESH	0.29	0.31
KARNATAKA	0.30	0.33
KERALA	0.33	0.37
TAMIL NADU	0.32	0.35
ALL INDIA	0.30	0.33
1993-94		
ANDHRA PRADESH	0.29	0.32
KARNATAKA	0.27	0.32
KERALA	0.29	0.34
TAMIL NADU	0.31	0.34
ALL INDIA	0.28	0.34
1999-2000		
ANDHRA PRADESH	0.24	0.31
KARNATAKA	0.24	0.32
KERALA	0.27	0.32
TAMIL NADU	0.28	0.38
ALL INDIA	0.26	0.34
2004-05		
ANDHRA PRADESH	0.29	0.37
KARNATAKA	0.26	0.36
KERALA	0.34	0.40
TAMIL NADU	0.32	0.36
ALL INDIA	0.30	0.37

Source: Planning Commission

5.4 POPULATION BELOW POVERTY LINE

Table 4 depicts the various levels of poverty in the Southern states of India and it shows that Tamil Nadu had the highest level of poverty in 1983-84 (51.66%). It fell around 16% and came down to 35.03% in 1993-94. It further slid 14% and became 21.12% taking an overall plunge of 29% since 1983-84 which is the highest fall among all the four states. However it showed a slight increase in 2004-05 and became 22.5%.

Kerala witnessed a poverty level of 40.42% in 1983-84, fell to 25.43% in 1993-94 with a fall of 15%, and declined further to 12.72% in 1999-00. Thereafter it showed a slight rise to 15% in 2004-05 which was the lowest among all the four states.

Karnataka which had the least value of 38.24% among all the states in 1983-84 showed a minor decline to 33.16% in 1993-94 and a major fall of 13% to reach 20.04% in 1999-00. Like Tamil Nadu and Kerala, Karnataka also showed a rise in the poverty level in 2004-05 to 25.00%. Andhra Pradesh witnessed a gradual fall in its poverty figures from 40.88% in 1983-84 to 39.35% in 1993-94 to 33.47% in 99-00 to finally 17.60%. It was only Andhra Pradesh which showed a decline in its poverty levels in the last decade of the study while the rest three states witnessed a marginal rise in their poverty levels. It was only in 2004-05 that all four states had values less than the All India level.

TABLE 4: POPULATION BELOW POVERTY LINE (In Percent)

States	1983-84	1993-94	1999-2000	2004-05
ANDHRA PRADESH	40.88	39.35	33.47	17.60
KARNATAKA	38.24	33.16	20.04	25.00
KERALA	40.42	25.43	12.72	15.00
TAMIL NADU	51.66	35.03	21.12	22.50
ALL INDIA	44.48	35.97	26.10	27.50

Source: Planning Commission

5.5 SEX RATIOS

The demographic indicator of sex ratio, Table 5, was seen to be highest in Kerala for the entire time period so much so that it was even higher than the national level at all points of time. It was 1032 in 1981 and has shown a consistent increase throughout to 1036 in 1991, 1058 in 2001 and 1084 in 2011 as against the national figures of 934, 927, 933 and 940 in the same time period.

It was followed by Andhra Pradesh and Tamil Nadu where it slipped from 975 in 1981 to 972 in 1991 for A.P. but thereafter rose to 978 in 2001 and later to 992 in 2011. Similarly for Tamil Nadu, it slid from 977 in 1981 to 974 in 1991 but regained itself to 986 in 2001 followed by 995 in 2011 being second after Kerala. Karnataka, although lagged behind all Southern states yet it was ahead the All India figures throughout the said time period.

TABLE 5: SEX RATIOS

States	1981	1991	2001	2011
ANDHRA PRADESH	975	972	978	992
KARNATAKA	963	960	964	968
KERALA	1032	1036	1058	1084
TAMIL NADU	977	974	986	995
ALL INDIA	934	927	933	940

Source: Planning Commission

5.6 LITERACY RATES

Kerala has performed well on this indicator too showing the highest rate in 1981 of 78.85%. It outperformed the rest of the southern states throughout by having literacy rates of 89.81% in 1991, 90.86% in 2001 and 93.91% in 2011. Kerala was followed by Tamil Nadu showing literacy rates of 54.39% in 1981, 62.66% in 1991, 73.45% in 2001 and 80.33% in 2011. Next has been Karnataka having 46.21% in 1981 which increased to 75.60% in 2011. With the exception of Andhra Pradesh, the rest of the Southern States have shown literacy rates greater than the National level. Andhra Pradesh although showed a rise in literacy rates in the last four decades but still has a long way to go to match up to its other counterparts.

TABLE 6: LITERACY RATES (Percent)

States	1981	1991	2001	2011
ANDHRA PRADESH	35.66	44.08	60.47	67.66
KARNATAKA	46.21	56.04	66.64	75.60
KERALA	78.85	89.81	90.86	93.91
TAMIL NADU	54.39	62.66	73.45	80.33
ALL INDIA	43.57	52.21	64.84	74.04

Source: Planning Commission

6. CONCLUSION

The present study highlights certain interrelated factors which determine the ongoing process of structural change in the states of South India. A distinctive characteristic of structural change in these states has been seen in the declining share of primary sector in the NSDP and the increasing share of secondary and tertiary sectors in NSDP during the time period of the study. Kerala followed by Tamil Nadu have shown the largest increase in the services sector. Andhra Pradesh, although being an agriculturally dominated state has also witnessed a rise in the services sector.

Urbanisation, an important indicator of structural change was found in all regional economies with Tamil Nadu showing the highest figures throughout. Kerala has shown a remarkable rise in the latter part of the study by occupying the second position in 2011 where it was on the fourth place in 1981. Next was Karnataka followed by Andhra Pradesh which showed the lowest rate.

Level of inequality was also witnessed in the southern states with urban inequality being greater than rural during all points of time. Andhra Pradesh showed the least levels in comparison to the other three states for nearly three decades whereas towards the end the lowest level was depicted by Karnataka. Maximum level of inequality was found in Kerala in the last phase. Also, the states of South India witnessed greater inequality as compared to the All India level at various points of time.

The socio-economic indicator of population below poverty line has witnessed Kerala outperforming the other southern states. It showed the least rate in population below poverty line for nearly three decades. Tamil Nadu on the other hand, witnessed the maximum decline over the entire period of study. It was only Andhra Pradesh which showed a decline in its poverty levels over the entire time period of the study while the rest three states witnessed a marginal rise in their poverty levels during the last decade.

In case of demographic indicators of sex ratio and literacy, Kerala has shown the highest figures followed by Tamil Nadu in both the indicators. While Karnataka fared the poorest in the sex ratio it was Andhra Pradesh to lag behind in literacy.

Thus, structural change is taking place which is an indicator of development with Kerala and Tamil Nadu topping the charts on various indicators. Suitable measures need to be administered so that these states may progress to achieve balanced growth and be at par with each other in the process of development.

7. LIMITATIONS

As the data was mainly collected from secondary sources, certain variations in the time periods were found in few indicators due to the non-availability of data for specific years from the same source.

8. SCOPE FOR FURTHER RESEARCH

The study was conducted taking into consideration only the southern states of India. It can be extended to study structural change by including various other states of India, India as a whole and a comparison of various economies of the world may also be made.

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