CHAPTER I
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1.1 The Research Problem

Goa, the 25th state in the Republic of India, 3702 sq. kms. in area, nestled on the slopes of the western ghats, divided into 11 talukas which make up the 2 districts of the State, is no exception to the universally observed and accepted reality of regional and sectoral inequalities in economic development, the causes for which can be traced back to the more than 450 years of colonial rule of the Portuguese in Goa. The Portuguese conquest and policies have left a deep impact on the economic development of Goa, creating and perpetuating a staggering difference in the levels of development between the coastal and hinterland regions of Goa.

It is an undeniable fact that Goa has made substantial socio-economic progress since its liberation from colonial rule in December 1961 and subsequent attainment of statehood in May 1987, ranking high on several socio-economic indicators in a comparison of Indian states. Goa is held up as a shining example of being the healthiest state in the western region of India (as compared to Daman & Diu, Gujarat, Maharashtra, Dadra & Nagar, Rajasthan and Madhya Pradesh) while considering its performance across 8 criteria-budget and prosperity, agriculture, consumer markets, primary education, primary health, law & order, infrastructure and investment environment. Goa is also ranked second among 10 small states (those with area less than 35,000 sq. kms. and population of less than 5 million).
Goa has amongst the lowest percentage of population living below the poverty line at 0.16 percent as against Delhi (2.44 percent), Tripura (1.03 percent) or Puducherry (0.24 percent) among the small states while the big states like Uttar Pradesh, Bihar and Maharashtra have 59.39 percent, 37.48 percent and 31.57 percent respectively.

The per capita Net State Domestic Product at current prices (New Series) is the highest in Goa (Rs.58,677) with Delhi (Rs.51,644) and Puducherry (Rs.40,947) being way behind. Amongst the bigger states, Harayana (Rs.29,963) and Maharashtra (Rs.29,204) barely reach the half way mark.

Goa (83.71) is ranked 1st on the basis of a Composite Index prepared by the National Commission on Population while Puducherry (82.70) is ranked 2nd and Delhi only 6th on the basis of performance on population indices such as Infant Mortality Rate (17/1000), Sex ratio (961 females/1000 males), Literacy Rates (82.01 percent), Female Literacy Rates (75.37 percent) and Life expectancy at birth (male 68 years and female 72 years).

It is however, equally true that the benefits of this development are not evenly distributed over the entire State. The state is divided into three regions, that of the coastlands, consisting of the talukas located along the coastline, namely, Pernem(to the extreme north of the state), Bardez, Tiswadi, Murmugao, Salcete and Canacona(to the extreme south of the state), the midlands, consisting of the talukas of Bicholim, Ponda and Quepem and the hinterlands, consisting of the talukas of Sattari in the north of Goa and Sanguem in the south of Goa.
The coastland region (with the exception of the talukas at the extreme north and south of the state) is the one which is more developed, be it in agriculture, manufacturing or service activities, particularly that of tourism. Consequently, the coastland region, with the exception of the talukas of Pernem and Canacona enjoys the benefits of high development which recede progressively as one moves towards the midland and the hinterland regions. Thus, wide regional imbalances are observed in the economic development of Goa.

The core subject matter of this study deals with understanding the nature of regional inequalities existing in Goa across the talukas in various segments of the economy and the measurement of the extent of inequalities.

1.2 Economic Development: Meaning and Nature

Economic Development can be understood in the context of (a) The traditional approach or (b) The new welfare oriented approach. The traditional approach viewed development strictly in economic terms, as a sustained annual increase in the Gross National Product (GNP) at rates varying between 5 to 7% together with changes in the structure of the economy from being predominantly agricultural to an increase in the prominence of manufacturing and services. Policy measures in such an economy were, therefore, to do mainly with the promotion of industries and objectives of poverty elimination, reduction in economic inequalities and employment generation were referred to only in passing, presuming that an increase in GNP with resultant increase in per capita national product would percolate down to the grass roots in one way or another.
The new welfare oriented approach emphasised that reduction or elimination of poverty has to be the indispensable indicator of development. Jacob Viner, in the 1950's, argued that as long as poverty remained undiminished, one could not claim that a country was achieving economic progress. Viner wrote "Were I to insist ............ that the reduction of mass poverty be made a crucial test of the realisation of economic development, I would be separating myself from the whole body of literature in this field" (Viner, 1953). It was not until the 1970's that Viner's views got the recognition they deserved, as almost 40% of the developing countries realized that they were not benefiting from the growth of the GNP and per capita national product and neither from the structural changes that were taking place in their respective economies during the 50's and 60's.

Thus, during the 1970's economic development was redefined in terms of reduction or elimination of poverty. "Redistribution with growth" was the popular slogan of the times. Kindleberger and Herrick (1977) reflected this thinking in their assertion that "Economic development is generally defined to include improvements in material welfare, especially for persons with the lowest incomes, the eradication of mass poverty with its correlates of illiteracy, disease, and early death; changes in the composition of inputs and outputs that generally include shifts in the underlying structure of production away from agricultural towards industrial activities; the organization of the economy in such a way that productive employment is general among the working age population rather than the situation of a privileged minority; and the correspondingly greater participation of
broadly based groups in making decisions about the directions, economic and otherwise, in which they should move to improve their welfare".

Seers (1972) confirmed this further when he said "The questions to ask about the country's development is therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development' even if per capita income doubled".

Mahbub-ul-Haq (1971), a leading Pakistani economist, endorsed this view when he observed "the problem of development must be defined as a selective attack on the worst forms of poverty. Development goals must be defined in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment, and inequalities. We were taught to take care of our GNP because it would take care of poverty. Let us reverse this and take care of poverty because it will take care of the GNP. In other words, let us worry about the content of GNP even more than its rate of increase".

Viewed in the above context, the concept of economic development was definitely superior to the traditional view, however, some economists still see it as restricting the concept to being only an economic phenomenon. In their opinion, the phenomenon of
development or lack of it, is not merely a question of economics or the quantitative measurement of incomes, employment and equality. Underdevelopment, according to them, is to be seen as a state of mind, as much as a state of national destitution.

Thus, economic development, as explained by Todaro (2000), must be conceived as a multi-dimensional process involving major changes in social structure, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development, in its essence, must represent the entire gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system, moves away from the condition of life widely perceived as unsatisfactory and towards a situation or condition of life regarded as materially and spiritually better".

1.3 Inequalities In Economic Development

Inequalities in economic development exist not only between nations but also within the nations, between different regions and sub-regions.

The development gap between nations is an unfortunate reality. All countries (regions) including the modern industrial ones in the West, were once at subsistence level. In fact, till the industrial revolution there were little international (regional) inequalities. However, the industrial revolution accompanied by rapid technological development caused wide international (regional) disparities in development. The situation was further aggravated by the drain of wealth from colonies to the western countries, whose
development was, thus, further boosted. The extent of inequalities is reflected in GNP per capita measured at PPP (Purchasing Power Parity), which was $27,450 in developed countries, and in sharp contrast was an appalling $1,990 in underdeveloped countries in 2000.

Low-income level countries share amongst themselves peculiar characteristics which differentiate them from the high-income economies, most common among which are (i) Low levels of Gross National Income (GNI) per capita and slower GNI per capita growth. The World Bank, in 2000, estimated that there were 64 low income economies where the GNI per capita at current prices was $775 or less, worse still, 16 countries in this category had GNI per capita which was even less than $250 (World Bank, 2002), (ii) Larger income inequalities and widespread poverty; in a comparison of the poorest 60 per cent of a country’s population with that of the richest 20 per cent, as a rough indicator of income inequalities, in as many as 14 low income countries (out of the 25 for which data is given in the World Development Report 2000-01) the poorest 60 per cent accounted for less than one third of the national income while the richest 20 per cent accounted for more than 40 per cent of the national income and (iii) Low levels of labour productivity, which Myrdal (1968), in his well known "theory of circular and cumulative causation" suggests, is the effect of low levels of living in such economies. (iv) Leibenstein (1958) pointed out that developing economies excessively depend on agriculture and have a backward industrial structure. He estimates that 30-80 per cent of the labour force is engaged in agriculture and allied activities in these countries (regions). (v) Kuznets (1979) highlights that low income countries have a high proportion of consumption
expenditure and low saving rate. "The shares in net national product are 90 per cent for ultimate consumption and 10 per cent for net national capital formation in underdeveloped countries (regions) and 84 and 16 per cent respectively in developed countries". (vi) The demographic trend of population growth rates in such countries varies in between 2 to 3.5 percent per annum and results in a high dependency burden. (vii) According to Todaro (2000), the combined urban and rural labour forces in underdeveloped countries which remain "unutilized" is approximately 35 per cent of the total labour force (Sabalo, 1995). (viii) Technological backwardness and lower participation in foreign trade are also highly evident in underdeveloped countries.

Apart from these common characteristics certain other distinguishing features of less developed regions are (a) The social life in such regions is tradition bound and orthodox, hampering any kind of change in the outdated socio-economic relations. (b) The social organisations in such countries (regions) is characterised by negative features such as high degree of illiteracy, extensive prevalence of child labour, general weakness of middle class and inferiority in the status of women and, (c) As Myrdal (1968) points out underdeveloped regions are invariably "Soft States", implying that they lack social and legal discipline, on account of high levels of corruption.

Not only is there vast economic distance in levels of development between developed and developing countries, but extreme inequalities also exist within developing nations themselves and within the constituent regions of these nations.

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In a study conducted of 43 developing countries, Adelman and Morris (1973) based on data of the late 1950's and 1960's, pointed out that in 41 countries, the share of national income of the top 5 per cent of the population was more than that of the bottom 40 per cent of the population. A study of inequalities of income for 66 countries conducted by Ahluwalia (1975) substantiates that most underdeveloped countries exhibited greater relative inequality than the developed countries.

The World Development Report 2000-2001, presents data which reveals that there are extreme inequalities of income distribution in developing countries, for example, in India, the lower 20 per cent of the population received only 8.1 per cent of the national income in 1997 while the top 20 per cent received as much as 46.1 per cent of the national income.

Personal income inequality trends in India underlie the existence of regional inequalities within the country. Rao and Kalirajan (1999) examining the period 1965-95, found that the State Domestic Product (SDP) for the 14 major States (excluding Goa and all the special category States) were diverging (using standard growth regressions for conditional convergence), even when one controlled for differences in initial conditions (Singh, 2003).

Goa, the 25th State of the Republic of India, also exhibits such regional inequalities in economic development, the cause for which can be traced back to the colonial rule of the Portuguese in Goa. Traditionally an agricultural economy, Goa became a prominent trade
port for the Portuguese after it was conquered by them on 25th November 1510 and remained so till it was liberated on 19th December 1961, ending 451 years of colonial rule in the region. The Portuguese conquest has left a deep impact on the economic development of Goa, creating a big gulf in the levels of developments between the coastal and interior regions of the State.

All the four talukas which are situated in the coastal region are the areas that were conquered by the Portuguese first ('old conquests') and the Portuguese Government made special efforts to develop them. These were also the areas where large scale religious conversions took place. At one time more than 80 per cent of the population of these areas was made up of religious converts. The Portuguese Government provided several economic facilities and concession to the religious converts, for almost 300 years of their rule. The Portuguese also opened up maritime trade and commerce, especially with Europe for the Goan population, which brought rich dividends. Many Goans from the coastal region migrated to Europe, Africa and other parts of the world, and the remittances that they sent home, enriched the local population. Similarly, local trade in imported goods, including gold, flourished and extra dividends were earned by channelising the imported goods to Bombay and other parts of India, at much higher prices. All these trading activities which flourished in coastal Goa under the patronage of the Portuguese administration brought unprecedented prosperity to these areas.

In contrast, areas in the interior hilly region of Goa were annexed to Portuguese Territory only after two hundred fifty years of the initial settlement of Goa by the Portuguese. By
which time coastal Goa or the 'old conquests' had already reached the pinnacle of its social growth and economic prosperity. The people of the "nova conquistas" or 'new conquests' where religious conversions were among the least, were viewed with suspicion by the alien administration. In fact, numerous revolts against the Portuguese administration had taken place in these areas, especially, in the north-eastern borders of the territory. Consequently, these areas did not fully enjoy the confidence of the Portuguese administration neither did they get a fair deal at their hands. It was only after the upsurge of the nationalist movement in India, which began to resound in Goa, in the first half of the last century, that the Portuguese Government adopted a more liberal attitude towards the 'new conquests'.

The pertinent fact to be noted is that the import oriented trade which brought rich dividends to the coastal areas did not penetrate to the interior regions. Neither modern education nor non-farm employment opportunities were extended to the 'new conquests'; means of communication and industry were also conspicuously absent in these areas. Little wonder then, the areas on the eastern boundaries of Goa remained economically backward.

Present day Goa can be hardly recognized from pre-liberation Goa. It is true that Goa has made substantial socio-economic progress in the past 45 odd years after liberation; from being an agricultural and trading economy it has transitioned into a rapidly developing industrial and service-oriented economy. However, it appears that it is the coastal areas of Goa that are well developed, economically and socially, the interior regions remain as
backward as the most backward regions in other parts of the country, the causal roots of which can be traced back to the historical events that took place particularly after the Portuguese colonisation of Goa, until the liberation of the territory in 1961.

1.4 Relevance of the Present Study

The present study is of extreme relevance because even a cursory observation indicates that the historical antecedents of regional imbalances in economic development of Goa, have persisted, if not become worse, inspite of over 45 years of liberation, of which for approximately 25 years, Goa was a Union Territory, receiving generous financial support for development activities.

Since the declaration of Statehood, elected representatives, in the consecutive governments ruling the State, have framed policies for development and have carried out development of physical and social infrastructure, to such an extent that a study conducted by economists Bibek Debroy and Laveesh Bhandari for the leading fortnightly India Today, (India Today, May 19, 2003) ranks Goa as No.1 State amongst the 19 States that were studied, giving importance, to both, business environment and quality of life, while framing 46 parameters across 8 categories. The question that looms large across the mind of a close observer of Goa is whether these development indicators are evenly spread across the length and breadth of the State or has Goa bagged the status of No.1 State on the basis of averages, which push the reality of unequal regional development to the background? Unfortunately, the development gap in Goa, is a harsh reality. The level
of development of the coastal talukas is disproportionately higher than that of the interior talukas of Goa.

A cursory glance at the distribution of population alone is sufficient to prove the point; more than 57 per cent of the population resides in the four coastal talukas. The density of population in these four talukas is almost two and a half times higher than the State average of 272 people per square kilometer. The coastal talukas have the highest concentration of urban population, with 83 per cent of the population of 15 towns in the State being concentrated in just 8 towns along the coast. On the other hand, the interior talukas have just about 17 per cent of the population.

As urbanisation is closely associated with growth in the secondary and tertiary sectors of the economy, the four coastal talukas exhibit a pronounced spurt in these activities with approximately 70 per cent of large and small scale industries and developed industrial estates located in the coastal talukas. In the tertiary sector, it is tourism that has a dominant presence with Goa having emerged as the foremost tourist destination in the country for not only foreign tourists but also for the growing number of domestic tourists. Tourism as the major activity in the service sector has not only propelled the growth of the service sector but also that of the economy of the state as a whole, generating foreign exchange earnings, employment, intra-sectoral linkages and higher standards of living through a multiplier effect which percolates down to the lower strata of the population. Yet again, the benefits of tourism too, have accrued mainly to the coastal regions of the state on account of an overwhelming focus on beach tourism, with very little attention
having been paid to developing other forms of tourism such as heritage tourism or eco-
tourism, which could benefit the interior regions of the state.

Given the above situation, the present study becomes highly relevant to suggest a
development strategy that shall assist in the reduction of the regional disparities existing
within the State. Such a development strategy shall proceed on the presumption that
while coastal talukas shall continue to maintain their dominant position, the focus of new
development will have to shift to the interior talukas.

1.5 Objectives of the Study

1. To study the nature of regional imbalances in the economic development of Goa by
developing an index.

2. To measure the nature and extent of taluka wise inequality in the development of
the agriculture sector in Goa, both spatially and temporally.

3. To measure the nature and extent of taluka wise inequality in the development of
the manufacturing sector in Goa, both spatially and temporally.

4. To examine the inequality in the service sector development as compared to the
other sectors in various talukas, spatially and temporally.

5. To assess the overall inequality in the economic development of Goa and to suggest
measures to bridge the gap in the economic development of Goa.
1.6 Hypotheses

1. Regional disparity exists among the various talukas in Goa in all sectors of the economy.

2. The inequality among talukas exists in all sectors of the economy.

3. The extent of inequality among talukas differs widely in agriculture, manufacturing and service sector of Goa’s economy.

4. The extent of inequality in the service sector is high and the tourism driven growth in the service sector is the major cause for inequality in this sector.

5. The inequality is on an increase in all sectors of the economy over the period of study.

1.7 Data and Methodology

The study is based on secondary data for 20 years, from 1987 to 2006, for all the 11 talukas (Tiswadi, Bardez, Pernem, Bicholim, Sattari, Ponda (in North Goa) and Sanguem, Canacona, Quepem, Salcete and Murmugao (in South Goa) of Goa pertaining to the agriculture, manufacturing and service sectors, collected from Directorate of Planning Statistics and Evaluation, Government of Goa, Panaji.

13 parameters are considered in agriculture, 8 in manufacturing, and 21 parameters in the Service Sector (13 in education, 6 in public health, 5 in banking and 3 in tourism). Thus, a total of 48 parameters are considered over the three sectors, for the 11 talukas over the 20 year period 1987 to 2006. In all, 10,560 observations are taken into consideration for the analyses.
The study involves the construction of a development index for each taluka for agriculture, manufacturing and service sectors and composite index for the entire state. The 11 talukas are then ranked and classified on the basis of these indices into high, medium and low development categories. Measure of rank correlation coefficient is used to understand whether the ranking is consistent over the years.

The study uses the coefficient of variation to determine the extent of inequalities within a taluka over the period of study (a temporal analysis) and between all the talukas (spatial analysis) in the selected years from the period of study. The study also uses the Gini-coefficient to measure the inequalities over talukas during the period of study in the agriculture, manufacturing and service sectors of Goa. Main objective behind using Gini coefficient is to measure the inequality in terms of the population of that taluka.

1.8 Outline of the Thesis

The whole study is organized into eight chapters. Chapter I, being an introductory chapter, states the research problem and then gives the background, objectives, methodology and the outline of the study.

Chapter II gives review of literature on the nature and extent of inequalities that exist across countries and within them; inter state inequalities, intra state and intra district inequalities in India.

The chapter III describes the methodology used in the study.
The chapters IV deals with the regional imbalances in the development of the Agricultural Sector in Goa.

The Chapter V deals with the regional imbalances in the development of the Manufacturing Sector in Goa.

In the Chapter VI, the inequality in the development of the Service Sector, comprising of the four sub-sectors, namely, Education, Public Health, Banking, and Tourism is examined and followed by that the composite development of the Service Sector. It also examines the inequality in overall development of Goa by considering the development of the three sectors, namely Agriculture, Manufacturing and Services.

The chapter VII gives the major findings and the conclusions of the study. The chapter also highlights the implications of the study.

1.9 Limitations of the Study

The study is limited to examining the sectoral development of the State with relation to only those parameters for which taluka level data is available. The analyses is also restricted to data available after 1987, as taluka-level data pertaining only to Goa is only available after Goa attained Statehood, separating it from the union territories of Daman and Diu. The study presumes the authenticity of the data made available by the Department of Planning, Statistics and Evaluation, Government of Goa.