CHAPTER IV

STATE DOMESTIC PRODUCT

Though area under irrigation has remained low in Gujarat, in process of development, output levels have increased mainly as a result of number of contributory factors. The Net State Domestic Product increased from Rs. 738 crores (1960-61 at 60-61 prices) to Rs. 2,189 crores in 70-71 at 1970-71 prices and Rs. 2,741 crores (1970-79 at 70-71 prices). Within last 12 years it has increased by nearly 25 per centage points. It has registered a growth rate of nearly 3.3 per cent compound per annum.

Highest growth rate has been registered in transport and communication sector where the SDP has increased from Rs. 122 crores (1960-61) to Rs. 378 crores (1970-71 and 593 crores (1979-80, last two figures are at 1970-71 prices). This gives a compound growth rate of nearly 4.9 per cent per annum.

Manufacturing and construction has registered a growth rate of 3.2 per cent compound per annum where SDP has increased from Rs. 191 crores to Rs. 455 crores and 699 crores during this time period last two figures being at 1970-71 prices.

In case of Banking insurance, public administration etc. SDP has increased from Rs. 118 crores to Rs. 662 crores (1970-71) and Rs. 1,028 crores (1979-80).
In case of agriculture the SDP was Rs.307 crores in 1960-61. In 1970-71 the primary sector produced Rs.1071 crores and in 1979-80 it produced Rs.1014 crores at 1970-71 prices. The per annum compound growth rate works out to nearly 2.7 per cent.

Three points merit discussion in this structure of SDP as reported in Appendix IV - A.

1. Impact of increase in Population

Population in Gujarat has been increasing at nearly 2.4 per cent. The last decade registered an increase of 2.2 per cent. When development results are divided by increase in population, one finds from per capita SDP figures, that per capita output has increased by nearly Rs.46 during this period of 18 years. Considering the low initial size also, this achievement is only of a limited nature. High growth rate of population and relatively smaller and fluctuating growth rate of SDP result in such, almost stagnant per capita SDP.

2. Shares of various sectors

Shares of these sectors evince fluctuations during this time period. Share of agriculture has fluctuated from 28.2 per cent (1974-75) to 44.0 per cent (1961-62 and 1970-71). During three drought years viz. 1972-73, 1974-75 and 1979-80, its share has been 34.7 per cent, 30.8 percent and 32.4 percent respectively. Share of manufacturing, etc. has, likewise fluctuated between 20 percent (1970-71) and 30 percent (1974-75). Share of transport, etc., has
fluctuated between 17 per cent (1970-71) and 21 per cent (1974-75). In case of Banking etc. it has been between 12 per cent (1970-71 and 17 per cent (1974-75).

These fluctuations are found to move within a small margin. Over the years, proportion of agriculture in the SDF has also not found to decline perceptibly. As a broad pattern, the proportions obtaining are, 35 per cent in case of agriculture, 30 per cent in case of the secondary sector and approximately 30 per cent each in cases of the tertiary sectors.

3. Features of unsteadiness

Main feature of data presented in Appendix IV-A is the basic character of unsteadiness. In case of agriculture, such output fluctuations have wide ranging ramifications.

Output has fallen remarkably whenever there are drought years of high intensity. In case of drought years when intensity is not high the droughts have been shallower. Apart from intensity of drought, which reflects an intensity of failure of rainfall in a micro-region, extent to which an area is affected also becomes an important dimension affecting total agricultural output of the recent drought-years in Gujarat where for some years the droughts were fairly extensive. Table 4.1 below sets out this information.
TABLE 4.1
Drought Years and Number of Districts Affected.

<table>
<thead>
<tr>
<th>Drought Year</th>
<th>Number of Districts Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>10</td>
</tr>
<tr>
<td>1962-63</td>
<td>11</td>
</tr>
<tr>
<td>1963-64</td>
<td>6</td>
</tr>
<tr>
<td>1964-65</td>
<td>4</td>
</tr>
<tr>
<td>1965-66</td>
<td>2</td>
</tr>
<tr>
<td>1966-67</td>
<td>14</td>
</tr>
<tr>
<td>1967-68</td>
<td>4</td>
</tr>
<tr>
<td>1968-69</td>
<td>7</td>
</tr>
<tr>
<td>1972-73</td>
<td>16</td>
</tr>
<tr>
<td>1973-74</td>
<td>8</td>
</tr>
<tr>
<td>1974-75</td>
<td>16</td>
</tr>
<tr>
<td>1975-76</td>
<td>16</td>
</tr>
</tbody>
</table>

Thus, 1966-67, 1972-73, 1974-75 and 1975-76 are years when scarcity was declared in 14 to 16 districts of the state which has 19 districts, these could be considered...

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2/ For the purpose of Drought prone Area planning 12 districts are identified.
to be all prevailing as almost all districts were affected during these years.

Widespread fluctuations in agricultural output could be observed as follows:

(a) Between 1961-62 and 1962-63 output has fallen only by ₹.20 crores, though 11 districts were affected by scarcity condition.

(b) Between 1964-65 and 1965-66, though both were drought years with limited spread, output has fallen by ₹.79 crores compared to the earlier normal year. Though the next year suffered more extensively, output has fallen by only ₹.20 crores. In 1967-68 again a drought year, it has increased to the level of 1964-65 viz. ₹.402 crores.

(c) Between 1967-68 and 1971-72 output has touched a new peak of nearly ₹.500 crores. Yet, in the intervening periods it has fallen to a trough of ₹.321 crores. 1970-71 and 1971-72 were years of good crops and thus the share in SDP as well absolute output has increased sharply.

(d) 1972-73 and 1974-75 were years, again of abnormal droughts. Though, output levels in all these years have not touched the peaks of 1970-72, they have fallen below the earlier troughs. Thus, in 1972-73 the trough reached ₹.267 crores and in 1974-75 ₹.271 crores at 1960-61 prices. These output levels are a little more than half the output of the two peaks.

It is obvious from this that process of agricultural development leads to better realisation of potential. It fails miserably when the question of
insulation comes. The process, as set in the motion, has
the basic weakness that its success depends on timely and
good rainfall. More serious part of this is the distribu-
tion of such fall in output across various land size
classes and across various drought prone districts.

Though, generally speaking, droughts lead to
scarcity situations as defined by the government, it should
be obvious that an extensive drought may cause a large
scale damage. However, even an extensive drought too, may
not lead to such outcome if the drought condition in these
areas is not an intense one. This way, 1975-76 is an year
by when 16 districts were affected/scarcity condition. Even
then the output has recovered to Rs.491 crores from Rs.271
crores. One explanation is offered here:

Declaration of scarcity itself is not by itself
a necessarily non-discerning outcome. Since the revenue
department is concerned with the declaration on the basis,
mainly, of eye estimates by village Talati and the Circle
inspector it is likely that their estimates become sub-
jectively oriented. Such estimates refer to condition of
standing crops and not to the actual rainfall recorded on
the rain gauge stations. Thus a year in which rainfall is
near to normal, a possibility of arriving at an eye-
estimate of drought cannot be ruled out.

Considering this possibility a regression was run
between number of villages declared affected and shortfall
in output. In this estimate actual number of villages
declared affected is taken to depend upon percentage shortfall of rainfall to long run normal rainfall. The observation points are districts. Results are given in Table 4.2 below.

**TABLE 4.2**

Rainfall and Declaration of Scarcity

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Year</th>
<th>Constant</th>
<th>Rainfall coefficient</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1968-69</td>
<td>1556.9</td>
<td>-14.0 **</td>
<td>0.24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(-2.13)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1969-70</td>
<td>1090.1</td>
<td>-11.0+</td>
<td>0.41</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(-2.5)</td>
<td></td>
</tr>
</tbody>
</table>

This experiment was carried out for two drought years. In both cases $R^2$ is found to be rather low. The parameters are significant and have proper negative sign. Thus, the percentage of rainfall is inversely affecting declaration of scarcity.

Such low $R^2$ signifies that there are variables other than rainfall alone which affect declaration of scarcity. Such variables could mainly be in the form of exerted demand for rural employment. The phenomenon of general poverty calls for continuation of some scheme of rural employment. Such might be the reasons for 1975-76

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* Significant at 5% (figures in brackets are t-values)

** Significant at 5/10%

3/ There is an outside possibility of corrupt forces clamouring for relief works. Since this issue is not investigated it is difficult to categories. However, impressions gathered during 1974-75 drought does not rule this out. See Rohit Shukla, op.cit

...contd...59
showing high agricultural output even when scarcity was extensively declared.

The feature of unsteadiness in agricultural output is expressed in total SDP and in per capita SDP. At both these points the effect is serious. The total output falls as agricultural output falls but per capita SDP falls rather steeply due to constant increase in population.

Such serious drought, in particular, amount to riskiness in agriculture. They also underline the extent of loss of purchasing power that the households in these regions face.

Comparison of trough in output in agriculture with other three sectors show that in absolute terms output of mining and manufacturing sector is not directly influenced. Only thrice is this output recorded to fall, though slightly, below the trend line. In 1967-68, 1974-75 and 1975-76 was it lower than the output of earlier year. This output is thus, almost independent of shocks generated in agriculture. Only when the shock would be a continued and sustained can one visualise a fall in demand for such products.

Transport seems to be more sensitive to shocks in agriculture. For example, in the recent year of intense drought, i.e. 1974-75, transport sector's contribution in

\[ \text{(1979). It is also possible that the local leaders may 'take-up the issue' with revenue officials and pressurise them into desired eye-estimates. The rural poor get work and may also vote for their leaders. This is only a hunch.} \]
absolute terms has declined from ₹.202 crores to ₹.182 crores.

No such sensitivity is observed in case of Banking sector where absolute contribution to SDP is seen to behave independently of fluctuation in agriculture.