## A COMPARATIVE STUDY OF STATE DOMESTIC PRODUCT (S.D.P.) OF HARYANA AND PUNJAB

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#### ABSTRACT

The theory of economic growth supports the structural change in the composition of S.D.P. The distribution of domestic product in developed countries indicates a much higher share of the secondary and tertiary sector and a lower share for primary sector. Haryana became a state of India on November 1, 1966. It was here that 2nd battle of Panipat was fought and Krishna preached Bhagvad-Gita at the start of the battle of Mahabharat. It was this soil that saint Ved Vyas wrote Mahabharat in Sanskrit. The word Hariana, occurs in a 1328 AD Sanskrit inscription kept in the Delhi Museums which refers to the Haryana region as the heaven on earth. The Word Punjab is a compound of two Persion words, "Panj" (five) and 'ab' (Water), signifying historically the land of five waters, or rivers namely – the Ravi, Beas, Sutlej, Chenab and Jhelum. On Nov. 1, 1966, Punjab was divided on the basis of language into Haryana (with most of the Hindi-Speaking areas) and a new smaller state of Punjab, and the northern most districts were transferred to Himachal Pradesh. The city of Chandigarh was retained as the joint administrative headquarters or capital of Haryana and Punjab.

The paper has been classified in four sections. Section-I introduce the profile of Haryana and Punjab. Section-II deals with Research Methodology in which we define the State Domestic Product, Methods and Procedures of Estimation of State Domestic Product (SDP). In this section we also discuss the various objectives of the present study. Section III is devoted to the study of growth of state income as an indicator of Economic Development. Section-IV shows the limitations and recommendations of the study. The present paper conclude that the structural changes in the composition of state income is in the line with the theory of economic growth which states that with development, the share of primary sector declines while the share of secondary and tertiary sector is bound to increase. The study of inter-state disparity in respect of per capita income in the country reveals that while the disparity between rich and poor states has widened, Haryana has maintained its position. Haryana's per capita net state domestic product has always been higher in comparison to national average. It indicates that Haryana's economy is moving forward and maintaining pace with all developed states.

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#### I. PROFILE OF DISTRICTS OF HARYANA

Haryana is located on the north – western side of the Indian union adjoining Delhi. The state extends from 2703' to 3109' north latitude, and 7406' east longitude. On the north it is bounded by the states of Punjab and Himachal Pradesh; on the east by Delhi and Uttar Pradesh and on the south and the west by Rajasthan. Haryana has a total surface area of 44,212 square kilometers and is one of the smallest states of the Indian union. Haryana comprises of 19 Districts, 67 Tahsils, 45 Sub-tahsils, 116 Blocks, 106 Towns and 6995 Villages. The profile of various districts in Haryana is shown in Table: 1

District	Area (in sq. km.)	Total Population (2001)	Headquarter
Ambala	1574	1013660	Ambala
Panchkula	898	469210	Panchkula
Yamuna Nagar	1768	982369	Yamuna Nagar
Kurukshetra	1530	828120	Kurukshetra
Kaithal	2317	945631	Kaithal
Karnal	2538	1274843	Karnal
Panipat	1268	967338	Panipat
Sonipat	2122	1278830	Sonipat
Rohtak	1745	940036	Rohtak
Jhajjar	1834	887392	Jhajjar
Faridabad	2151	2193276	Faridabad
Gurgaon	2766	1657669	Gurgaon
Rewari	1,582	764727	Rewari
Mahendragarh	1859	812022	Narnaul
Bhiwani	4778	1424554	Bhiwani
Jind	2702	1189725	Jind
Hisar	3983	1536417	Hisar
Fatehabad	2520	806158	Fatehabad
Sirsa	4277	1111012	Sirsa
Mewat			
Total	44,212	2,10,82,989	Chandigarh
Se	ource – Statistical A	Abstract of Harvana 2002-03	p 41

\*Lecturer, Dept of Business Management, Ganpati Institute of Technology and Management, Bilaspur, Distt. Yamunanagar The total area of Haryana state is 44,212 sq. km and total population is 2,10,82,989 in 2001. The capital of Haryana state is Chandigarh.

#### PROFILE OF DISTRICTS OF PUNJAB

Punjab has a Geographic area of 5,036 thousand hectares and situated in north western part of the country. It lies between lat. 29<sup>3</sup> 33' and 32° 32'N and longitude 73° 53' and 76° 56'E. It is broadly divided into three physiographic regions viz, the mountanous Himalaya, the sub mountainous Himalaya and the eastern and western alluvial plains. The important rivers draining the state are the Sutlej and the Beas. Punjab Comprises of 17 Districts, 72 Tehsils, 81 Sub Tehsils and 140 Brocks. The profile of various districts in Punjab is shown in Table:2

District	Area (in Sq.Km.)	Total Population (2001)
Gurdaspur	3564	20,96,889
Amritsar	5096	30,74,207
Kapurthala	1632	7,52,287
Jalandhar	2632	19,53,508
Nawanshehar	1267	5,86,637
Hoshiarpur	3365	14,78,045
Rupnagar	2055	11,10,000
Ludhiana	3767	30,30,352
Firozpur	5303	17,44,753
Faridkot	1469	5,52,466
Muktsar	2615	7,76,702
Moga	2216	8,86,313
Bathinda	3385	11,81,236
Mansa	2171	6,88,630
Sangrur	5020	19,98,464
Patiala	3625	18,39,056
hgarh Sahib	1180	5,39,751
TOTAL	50362	2,42,89,296

Table: 2 District Profile of Punjab

Source: Statistical Abstract of Punjab. 2002, p. 60

#### **II RESEARCH METHODOLOGY**

Estimates of State Domestic Product are regarded as the most important single economic indicators to measure the economic development of a State. The Per Capita Income is used to

determine both the absolute and relative performance of the economy of the State. It is regarded as an important tool to measure regional disparities.

#### STATE DOMESTIC PRODUCT (SDP)

The State Domestic Product is defined as a measure in monetary terms of the volume of all goods and services produced within the boundaries of the State during a given period of time, accounted without duplication. Thus the goods cover all possible items produced, for example, agricultural crops, livestock and livestock products, fish, forest products, mineral products, manufacturing of various consumer items for consumption, machinery, transport equipment, defence equipment and construction of buildings, roads, dams, bridges etc. Similarly the services cover a wide spectrum including medical and educational services, trading services, sanitary services, Government services etc. All goods and services produced during the period have to be included whether they are marketed i.e. exchanged for money or bartered or produced for own use. State Domestic Product as such is Gross State Domestic Product (GSDP). Fixed Capital Assets i.e. Plants & Machinery and Equipments are employed to produce goods. A part of these Fixed Capital Assets is used in the process of production which is known as Consumption of Fixed Capital (CFC) or Depreciation. This CFC is deducted from GSDP to obtain Net State Domestic Product (NSDP).

#### STATE DOMESTIC PRODUCT AT CURRENT AND CONSTANT PRICES

The estimates of SDP at current prices are obtained by evaluating the product at prices prevailing during the accounting year. The estimates of SDP at current prices do not reveal actual economic growth as they contain the combined effect of (i) changes in the volume of goods and services and (ii) changes in the prices. The effect of changes in the prices is eliminated by evaluating the goods and services at the prices prevailing at certain fixed period known as base year. The estimates, thus obtained are known as SDP at constant prices.

#### METHODS OF ESTIMATION OF STATE DOMESTIC PRODUCT

Basically State Income can be computed by anyone of the three methods i.e.

- a) Income method;
- b) Product method; and
- c) Expenditure method.

a) **Income Method :** In the Income method the state income is arrived at by adding all remuneration distributed to the factors of production as wages, interest, rent and profits, as well as undistributed profits or surplus.

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**b) Production Method :** The production method, sometimes called the output method, consists of three stages;

- i) Estimating the gross value of domestic output in the various branches of production.
- Determining the cost of materials used and of services rendered in these branches by other branches as well as annual depreciation of the physical plants.
- Deducting these costs and depreciation from gross value to obtain net value of domestic output. This figure is then adjusted with net income from abroad. The net output or the net value thus arrived at is the sum total of 'Income Produced' originating in different economic divisions, branches or sectors of the economy.

c) Expenditure Method : The expenditure method concerns the estimation of the disposal of income on final goods and services. The various expenditures are classified into three types.

- i) Personal consumption expenditure of house holds.
- ii) Government spending for goods and services.
- iii) Business spending for capital goods.

The estimate of the State Income of a state made under the three methods should produce the same figure. This is because it is the same thing-final goods and services that are being looked at from three angles. In the first method it is the income accruing from production and sale of goods and services that is accounted fro. In the second method, it is straight wars the output that is evaluated and in the third method, it is the purchase of these goods and services which is estimated. It should, however, be noted that in practice there is possibility of discrepancy occurring among the three estimates. This may be because statistics of certain items are not available or certain items may escape the estimator's notice.

#### **PROCEDURE OF ESTIMATION:**

We will now describe the procedure adopted in estimating state income of Haryana and Punjab. The principal aspect of estimation relate to the selection of the methods in the various sectors; collection of information and sectoring of the economy.

a) Methods : As stated above, since both the output and income methods have been used, the output method has been employed largely in the commodity producing sectors like agriculture and manufacturing and the income method in the tertiary or service sector like government, banking etc. The later method has also been applied to commodity sectors where there is absence of output data.

In using the output method, the 'value-added' approach has been adopted. The value-added is equal to the value of goods minus the cost of production. In other words this concept measures the net contribution to state income of a producing unit. The sum total of value added by all the producing units in the commodity sector gives the value of this sectors contribution to state income. The estimation is done by evaluating the value of goods at exfactory prices and deducting from it the value of such elements of costs as cost of inputs and intermediate goods and services supplied by other enterprises and the estimated value of capital consumption i.e. depreciation. In the income method, the procedure is to find out the number of people working or the work force in the profession, and per head average earnings. The two are then multiplied to get the value of income contributed by the profession.

**b**) **Data:** The time series data from 1993 - 2007 were compiled from the Statistical Abstract of Haryana and Statistical Abstract of Punjab. The estimates of State Income are both at current and constant prices.

c) Sectors: In the present study the state economy has been divided into three sectors:

- 1) Primary Sector
- 2) Secondary Sector
- 3) Tertiary Sector
- 1. **Primary Sector:** Primary sector includes:
- i) Agriculture and Animal Husbandry.
- ii) Forestry
- iii) Fishery
- iv) Mining and Quarrying
- 2. Secondary Sector: It includes:
- a) Manufacturing both registered and unregistered.
- b) Construction
- c) Electricity, Gas and water supply.
- **3) Tertiary Sector:** Tertiary sector includes:
- 1) Transport and communications. It includes Railways, transport by other means and storage and communication.
- 2) Trades, Hotels and Restaurants.
- 3) Banking and Insurance.

- 4) Real Estate Ownership of dwellings and Business Services.
- 5) Public Administration.
- 6) Other services.

#### **OBJECTIVES OF THE PRESENT STUDY**

In the present study an attempt has been made to examine the growth of the state income after

the Creation of Haryana and Punjab as separate states. Specifically the main objectives of the study are:

- a) To examine the movement and growth rates of Sectoral Income State Income and per capita Income at current and constant Prices.
- b) To find the relative shares of the different sectors in state income.
- c) To compare the State Income of Haryana and Punjab with that of other states of the Indian Union and to find out its relatives position in the Indian Union.

### III GROWTH OF STATE INCOME AS AN INDICATOR OF ECONOMIC DEVELOPMENT

In the section an attempt has been made to examine the trends in state income of Haryana and Punjab specifically with reference to the following objectives: -

- (a) To examine the movement and growth rates of state income and per capita income at current and constant prices.
- (b) To find out the relative shares of different sectors in the state income.
- (c) To examine the inter-state variations in the State income of various states of Indian union.

#### 1. TRENDS IN STATE DOMESTIC PRODUCT OF HARYANA AND PUNJAB

In order to understand the process of economic development and structural changes occurring in the Economy of Haryana and Punjab, it is necessary to analyze the trends in State domestic product of Haryana and Punjab. The study of trends can be divided into the following three parts:

- (a) Trends in Net State Domestic Product at current prices.
- (b) Trends in Net State Domestic Product at constant prices.
- (c) Trends in distribution of Net State Domestic Product by industry of origin.
- (a) Trends in Net State Domestic Product at Current Prices

Year	Primary S	Sector	Secondar	y Sector	Tertiary S	Sector	Total		
1 ear	Haryana	Punjab	Haryana	Punjab	Haryana	Punjab	Haryana	Punjab	
1993- 94	8,315.72	13055.06	4,931.31	5,365.10	6,174.52	8,647.40	19,421.55	27067.56	
1997- 98	11,867.40	18968.44	10,177.35	9,108.11	11,865.53	15,022.44	33,910.28	43098.99	
1998- 99	13,408.12	20803.70	11,074.55	11,496.78	13,805.81	17,311.54	38,288.40	49612.02	
1999- 00	14,243.80	24409.99	12,925.55	12,407.41	17,503.90	24,283.69	44,673.25	61101.09	
2000- 01	15,438.80	25941.98	14,305.13	13,769.21	20,606.47	28,022.99	50,350.40	67734.18	
2001- 02	15,565.91	26853.56	16,684.34	13,905.40	23,729.79	30,515.79	55,980.04	71274.75	
2002- 03	15,919.51	25998.80	19,544.88	14,613.62	26,245.26	33,219.77	61,709.65	73832.19	
2003- 04	17,942.81	28339.65	22,605.92	16,039.15	29,632.05	35,286.15	70,180.78	79664.95	
2004- 05	18,944.32	29738.90	25,932.18	17,068.33	34,698.84	38,889.14	79,575.34	85696.37	
2005- 06	19,512.34	31831.37	30,185.90	18,592.03	40,158.87	42,114.12	89,857.11	92537.51	

Table: 3 Sector–Wise Net Domestic Product in Haryana and Punjab at factor cost(Current Prices)(₹Crores)

#### Statistical Abstract of Punjab 2005-06 pp 122-123

The value increased to ₹11,867.40 crores in Haryana and ₹18,968.44 crores in Punjab in 1997-98 and went on increasing till it touched the highest level of ₹19,512.34 crores in Haryana and ₹31,831.37 crores in Punjab in 2005-06. The secondary sector accounted for ₹4,931.31 crores in Haryana and ₹5,365.10 crores in Punjab in 1993-94 which increased to ₹10,177.35 crores in Haryana and ₹9,108.11 crores in Punjab in 1997-98 before touching an all the time high mark of ₹30,185.90 crores in Haryana and ₹18,592.03 crores in Punjab in 2005-06. The Tertiary sector, which comprised of Transport, Storage, Communication,

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Trade, Banking, Insurance and other services accounted only for ₹6,174.52 crores in Haryana and ₹8,647.40 crores in Punjab in 1993-94. The value increased to ₹11,865.53 crores in Haryana and ₹15,022.44 crores in Punjab in 1997-98 and to ₹40,158.87 crores in Haryana and ₹42,114.12 crores in Punjab in 2005-06.

Table:	4	Percentage	Distribution	of	NSDP	at	factor	cost	in	Haryana	and	Punjab	at
(Curre	nt	Prices)											

Veen	Primary S	lector	Secondary	y Sector	Tertiary Sector			
rear	Haryana	Punjab	Haryana	Punjab	Haryana	Punjab		
1993-94	42.79	48.23	24.22	19.82	32.94	31.95		
1997-98	35.00	44.01	30.00	21.13	35.00	34.86		
1998-99	35.02	41.93	28.92	23.18	36.02	34.89		
1999-00	31.89	39.95	28.93	20.31	39.18	39.74		
2000-01	30.66	38.30	28.41	20.33	40.93	41.37		
2001-02	27.81	37.68	29.80	19.51	42.39	42.81		
2002-03	25.80	35.22	31.67	19.79	42.55	44.99		
2003-04	25.57	35.58	32.21	20.13	42.22	44.29		
2004-05	23.81	34.70	32.59	19.92	43.60	45.38		
2005-06	21.71	34.40	33.60	20.09	44.69	45.51		

Source: Statistical Abstract of Haryana Various Issues

Statistical Abstract of Punjab pp. 124-125.

Although the absolute share of all sectors in S.D.P. has been increasing steadily, the relative shares of these sectors have been changing slightly over the years as is clear from the table 4. Table 4 reveals that the relative share of primary sector to S.D.P. was 42.79 percent in Haryana and 48.23 percent in Punjab in 1993-94 which fell down to 21.71 percent in Haryana and 34.40 percent in Punjab in 2005-06. On the other hand relative share of secondary sector and tertiary sector to S.D.P. in 1993-94 was 24.22 percent in Haryana and 19.82 percent in Punjab and 32.94 percent in Haryana and 31.95 percent in Punjab respectively, which have increased to 33.60 percent in Haryana and 20.09 percent in Punjab in case of secondary sector in the year 2005-06.

FIG.-1 PERCENTAGE DISTRIBUTION OF NSDP AT FACTOR COST IN HARYANA AND PUNJAB AT (CURRENT PRICES)



These all changes are quite natural as a result of Economic development because the role of industry sector and services sector goes on increasing with the advancement of the economy. The trends in per capita income of Haryana and Punjab is shown in Table 5

Vear	Per Capita Income	(in ₹)
1 cui	Haryana	Punjab
1993-94	11,090	12,710
1994-95	12,900	14,066
1995-96	14,213	15,471
1996-97	16,707	17,353
1997-98	17,749	18,764
1998-99	19,716	21,195
1999-00	21,966	25,615
2000-01	24,138	27,863
2001-02	26,077	28,949
2002-03	28,259	29,443
2003-04	31,509	31,112
2004-05	35,044	32,945
Source : Statistical Abst	ract of Punjab, 2005-06,	p. 123

#### Table:5 Per Capita Income in Haryana & Punjab (Current Prices)

Statistical Abstract of Haryana, 2005-06, p. 193.

The table:5 reveals that per capita income of Haryana and Punjab has been increasing steadily over the years. The per capita income of Haryana in 1994-95 was  $\gtrless$ 12,900 and in Punjab was  $\gtrless$ 14,066 only but it rose to  $\gtrless$ 35,044 in Haryana and  $\gtrless$ 32,945 in Punjab in 2004-05. Though some part of the increase reflects the impact of price inflation, it is a good sign indicating upliftment of society, and higher growth rate economy in comparison to growth of Population.



#### FIG.- 2 PER CAPITA INCOME IN HARYANA & PUNJAB (CURRENT PRICES)

(b) **Trends in Net State Domestic Product at Constant Prices** The figures of state income at current prices do not give a correct picture about the growth of the economy, for the increase in state income at current prices reflects the combined influence of two factors, viz.;

- (i) Increase in the production of real goods and services, and
- (ii) Rise in prices.

If the increase in state income is due to the first factor, it is an indicator of real growth because it implies that more goods and services are becoming available to the society. However, if it is due to the second factor, it represents an undue increase of state income in money terms. Consequently, state income figures need to be deflated appropriately to eliminate the effect of any change of price level during the period. State Income figures at constant prices become comparable but still they conceal the population effect. To eliminate the effect of growth of population, real per capita income or real per capita state product is calculated. Table: 6 reveals the state domestic product of Haryana and Punjab at constant prices:

] Year	Primary S	Sector	Secondary	y Sector	Tertiary S	Sector	Total (₹In Crores )		
	Haryana	Punjab	Haryana	Punjab	Haryana	Punjab	Haryana	Punjab	
1993-94	8,315.72	13055.06	4,931.31	5365.10	6,174.52	8647.40	19,421.55	27067.56	
1997-98	8,615.71	13501.57	6,410.22	6848.12	8,940.35	11376.52	23,965.98	31726.21	
1998-99	8,953.45	13914.01	6,827.26	7694.80	9,470.52	11943.29	25,251.23	33552.10	
1999-00	14,243.80	24409.99	12,925.55	12407.41	17,503.90	24283.69	44,673.25	61101.09	
2000-01	14,708.27	24712.88	13,649.58	12893.08	19,607.08	25571.37	47,964.93	63177.33	
2001-02	14,643.73	24846.80	14,844.98	12452.21	21,621.86	26712.30	51,110.57	64011.31	
2002-03	14,348.46	24484.98	16,137.86	12970.11	23,398.17	28198.98	53,884.49	65654.07	
2003-04	15,604.19	25898.02	17,760.79	13630.20	25,331.12	29366.39	58,696.10	68894.61	
2004-05	16,095.99	26418.60	19,312.04	15032.90	28,440.90	31050.87	63,848.93	72502.37	
2005-06	15,836.39	26916.49	21,612.04	15924.79	31,710.14	32941.63	69,158.54	75782.91	

 Table:6 Sector wise Net State Domestic Product at factor cost (Constant Prices)

Statistical Abstract of Punjab, 2005-06 P-126-127

The study of data in Table: 6 reveals that the share of primary sector S.D.P. in absolute terms was ₹8,315.72 crores in Haryana and ₹13,055.06 crores in Punjab in 1993-94 and ₹15,836.39 crores in Haryana and ₹26,916.49 crores in Punjab in 2005-06. While the shares of secondary sector and tertiary sector in absolute terms were ₹4,931.31 crores in Haryana and ₹5,365.10 crores in Punjab in 1993-94 rose to ₹21,612.04 crores in Haryana and ₹15,924.79 crores in Punjab in case of secondary sector in the year 2005-06 and in case of tertiary sector ₹6,174.52 crores in Haryana and ₹8,647.40 crores in Punjab in 1993-94 and ₹31,710.14 crores in Haryana and ₹32,941.63 crores in Punjab respectively in 2005-06.

The trends in per capita income at constant prices are shown in table :7. The table :7 reveals that per capita income at constant prices was only  $\gtrless$ 11,617 in Haryana and  $\gtrless$ 12,784 in Punjab in 1994-95 but it rose to  $\gtrless$ 28,119 in Haryana and  $\gtrless$ 27,873 in Punjab in 2004-05.

Vear	Per Capita Income	(in Rupees)
i cai	Haryana	Punjab
1994-1995	11,617	12,784
1997-1998	12,544	13,812
1998-1999	13,003	14,333
1999-2000	21,966	25,615
2000-2001	22,995	25,988
2001-2002	23,809	25,999
2002-2003	24,676	26,182
2003-2004	26,353	26,975
2004-2005	28,119	27,873

 Table:7 Per capita Income in Haryana & Punjab at (Constant Prices)

Note: -

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The state's income up to 1998-99 is calculated at 1980-81 Base year while the

series from 1999-

1999-00 to 2004-05 is calculated at 1993-94 Base year.

Source: Statistical Abstract of Haryana, 2005-2006, p. 194

Statistical Abstract of Punjab, 2005-06, p. 127

FIG.-3 PER CAPITA INCOME IN HARYANA & PUNJAB AT (CONSTANT PRICES)



Thus, registering a rise of about 14.2 percent in Haryana and 11.8 percent in Punjab during the period of 10 years. It is clear cut indication of Economic Development and Social Upliftment of the State assuming proper distribution of increase in state income.

# (c) Trends in Distribution of Net State Domestic Product by Industry of Origin Table:8 Percentage Distribution of NSDP by Industry of Origin at (Constant Prices)

	1999-	00	2000-	01	2001-	02	2002-	03	2003-	04	2004-	05	2005-	06
Activities	Punj	Harya												
	ab	na												
1. Agri.& Animal	39.3 4	31.27	38.5 0	30.06	38.1 9	28.03	36.6 0	26.13	36.8 5	26.09	35.7 7	24.74	34.8 4	22.28
Husbandry														
<ol> <li>Forestry</li> <li>&amp; logging</li> </ol>	0.35	0.18	0.35	0.16	0.34	0.15	0.33	0.14	0.32	0.12	0.30	0.12	0.29	0.11
3. Fishing	0.25	0.13	0.27	0.14	0.29	0.13	0.33	0.13	0.38	0.13	0.33	0.13	0.35	0.13
4. Mining														
&	0.01	0.30	0.00	0.30	0.00	0.34	0.04	0.23	0.04	0.24	0.04	0.22	0.04	0.37
Quarrying														
Sub Total	39.9	31.88	39.1	30.66	38.8	28.65	37.3	26.63	37.5	26.58	36.4	25.21	35.5	22.90
(Primary)	5		2		2		0		9		4		2	
1. Manufactur	13.5 0	19.39	13.4 5	19.23	12.2 5	18.95	12.6 5	19.24	12.5 0	19.29	12.2 4	19.24	12.2 1	19.37
ing														
(a) Registered	8.11	13.83	8.01	13.80	7.02	13.52	7.16	13.76	6.88	13.98	6.65	14.01	6.52	14.14
(b)														
Unregistere d	5.39	5.55	5.44	5.43	5.23	5.43	5.49	5.48	5.62	5.31	5.59	5.23	5.69	5.23
2. Electricity, Gas, Water supply	2.12	0.77	1.77	0.83	1.62	0.57	1.69	0.64	1.72	0.67	1.95	0.68	1.91	0.72
3. Constructio n	4.69	8.77	5.19	8.40	5.58	9.52	5.41	10.07	5.56	10.30	6.55	0.33	6.89	11.16

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Sub Total (Secondary Sector)	20.3 1	28.93	20.4 1	28.46	19.9 5	29.04	19.7 5	29.95	19.7 8	30.26	20.7 4	30.25	21.0 1	31.25
1. Trade, Hotel & Restaurant	13.0 7	14.67	13.5 1	16.59	13.7 9	17.47	13.9 0	17.84	13.9 5	17.84	14.0 8	18.90	14.2 5	19.70
2. Transport, Storage, Comm.	4.07	6.25	4.57	6.70	5.37	7.36	5.89	8.09	6.42	8.62	6.71	9.08	7.35	9.50
3. Banking & Insurance	4.74	4.23	4.88	4.16	5.04	4.11	5.47	4.34	5.15	3.89	5.36	3.95	5.50	3.95
<ul> <li>4. Real</li> <li>Estate,</li> <li>ownership</li> <li>of</li> <li>dwellings</li> <li>legal and</li> <li>business</li> <li>services</li> </ul>	3.97	3.44	3.82	3.42	3.70	3.36	3.54	3.33	3.31	3.23	3.21	3.12	3.14	3.06
5. Public Administrat ion	4.52	3.27	4.41	2.98	4.39	2.84	4.62	2.78	4.56	2.78	4.41	2.99	4.34	2.93
6. Other Services	9.37	7.32	9.28	7.03	9.44	7.17	9.53	7.04	9.24	6.80	9.05	6.50	8.89	6.71
Sub Total (Tertiary Sector)	39.7 4	39.19	40.4 7	40.88	41.7 3	42.31	42.9 5	43.42	42.6 3	43.16	42.8 2	44.54	43.4 7	45.85

Source : -Statistical Abstract of Punjab 2005-06 P 128-129

Statistical Abstract of Haryana 2005-06

Table :8 provides a break-up of S.D.P. by industry of Origin. Table reveals following broad trends in changing composition of domestic product.

(i) The share of primary sector has grown down from 31.88 percent in Haryana and 39.95 percent in Punjab in 1999-2000 to 22.90 percent in Haryana and 35.52 percent in Punjab in 2005-06. As agriculture contribute the bulk share i.e. over 93 percent to primary sector. The contribution of agriculture and animal husbandry remained between 90 to 96 percent during the entire period while the share of forestry and mining, etc. in S.D.P. remained between 3 to 5 percent.

- (ii) The share of secondary sector has shown a steady increase from 28.93 percent in Haryana and 20.31 percent in Punjab in 1999-00 to 31.25 percent in Haryana and 21.01 percent in Punjab in 2005-06. The major components of secondary sector are manufacturing industries and construction. The share of manufacturing in S.D.P. decreased from 19.39 percent in Haryana and 13.50 percent in Punjab in 1999-00 to 19.37 percent in Haryana and 12.21 per cent in Punjab in 2005-06. The share of registered manufacturing units decreased from 8.11 percent in Punjab in 1999-2000 to 6.52 percent in 2005-06 but for Haryana it is increased from 13.83 percent in 1999-2000 to 14.14 percent in 2005-06. The share of unregistered manufacturing units are near about 5 to 6 percent in both states. However the share of construction rose from 8.77 percent in Haryana and 4.69 percent in Punjab in 1999-2000 to 11.16 percent in Haryana and 6.89 percent in Punjab in 2005-06. The share of Electricity, Gas and Water Supply has decreased from 2.12 percent in Punjab and 0.77 percent in Haryana in 1999-00 to 1.91 percent in Punjab and 0.72 percent in Haryana in 2005-06.
- (iii) The share of tertiary sector increased from 39.74 percent in Punjab and 39.19 percent in Haryana in 1999-00 to 43.47 percent in Punjab and 45.85 percent in Haryana in 2005-06. In Tertiary sector following changes were noted ;
- (a) The share of Transport, Storage and Communication in S.D.P. improved from 4.07 per cent in Punjab and 6.25 percent in Haryana in 1999-00 to 7.35 percent in Punjab and 9.50 percent in Haryana in 2005-06.
- (b) The share of Banking and Insurance improved from 4.74 percent in Punjab in 1999-00 to 5.50 percent in 2005-06 but in Haryana it decreased from 4.23 percent in 1999-00 to 3.95 percent in 2005-06.
- (c) The share of Real Estate, Ownership of dwellings and Business services decreased from 3.97 percent in Punjab and 3.44 percent in Haryana in 1999-00 to 3.14 percent in Punjab and 3.06 percent in Haryana in 2005-06.
- (d) The share of Trade, Hotels and Restaurants increased during the period. It was 13.07 percent in Punjab and 14.67 percent in Haryana in 1999-2000 and 14.25 percent in Punjab and 19.70 percent in Haryana is 2005-06.

(e) The share of other services was 9.37 percent and 7.32 percent in Punjab and Haryana respectively in 1999-00 but it decline to 8.89 percent and 6.71 percent in Punjab and Haryana respectively in 2005-06.

The economy of Punjab and Haryana passing through the process of transition from an agricultural economy to an industrialized one, in this process, the structural change in composition of S.D.P. is inevitable, although the structural change is taking place at a slow pace. The main reason for the slow rate of structural change in S.D.P. is slow rate of growth of secondary sector which is about 4 percent in Punjab and 6 percent in Haryana on an average during the period of seven years (1999-2000 to 2005-06).

As is expected during the process of growth Punjab and Haryana both also experienced an improvement in the share of tertiary sector. The rate of growth of tertiary sector is between 5 to 7 percent is Punjab on the average which is higher than the overall rate of growth of S.D.P. i.e. 4.65 percent. Similarly, the rate of growth of tertiary sector in Haryana is between 7 to 9 percent on an average which is higher than the overall rate of growth of S.D.P. i.e. 80 percent. This does not imply a neglect of Agriculture, but for accelerating the growth process in agriculture, industrialization of the economy with the emphasis on agro based industries and industries supplying inputs to agriculture is a necessity.

# FIG.:4 PERCENTAGE DISTRIBUTION OF NSDP BY INDUSTRY OF ORIGIN AT (CONSTANT PRICES)



#### 2. AVERAGE ANNUAL COMPOUND GROWTH RATES OF S.D.P.

Table :9 shows annual growth rates of S.D.P. in Haryana and Punjab at constant rates.

#### Table:9 Average Annual Compound Growth Rate of Gross State/National

#### Income (1999-00 Prices)

G . (		1997-	1009.00	1999-	2000.01	2001-	2002-	2003-	2004-	2005-
	Sector	98	1998-99	00	2000-01	02	03	04	05	06
Harya	ana State									
(i)	Primary Sector	-(7.8)	3.4	4.5	3.4	0.0	-(1.6)	7.9	3.3	-(1.6)
(ii)	Secondary	6.4	7.0	5.6	5.2	9.7	8.1	9.3	8.9	11.5
Sector	r	8.8	8.5	11.0	8.6	8.2	7.1	6.3	10.0	10.0
(iii)	Tertiary Sector									
Overa	all all State	1.4	5.6	7.7	7.0	6.8	5.2	8.4	8.6	8.1
Incon	ne									
Punja	ab State									
(i)	Primary Sector	-(4.5)	3.05	7.28	2.95	0.76	-(1.12)	5.77	2.17	1.86
(ii)	Secondary	10.55	10.65	-0.76	5.16	5.83	4.35	5.10	7.88	5.65
Sector	r	7.74	4.10	7.35	2.86	4.93	6.15	4.73	5.67	6.32
(iii)	Tertiary Sector									
Overa	all all State	3.00	5.6	5.29	3.44	6.8	3.12	5.17	4.95	4.65
Incon	ne									
India										
(i)	Primary Sector	-(1.5)	5.9	0.6	0.00	5.9	-(5.9)	9.3	0.6	5.8
(ii)	Secondary	3.8	3.8	4.9	6.8	2.8	6.9	7.8	10.0	10.1
Sector	r	9.8	8.3	9.5	5.4	6.8	7.4	8.5	9.5	9.8
(iii)	Tertiary Sector									
Overa	all all State	4.77	6.5	6.1	4.4	5.8	3.8	8.5	7.5	9.0
Incon	ne									

Source : Statistical Abstract of Haryana, 2005-06, p. 192

Statistical Abstract of Punjab, 2005-06, p. 131

Following inferences can be drawn from Table:9. The growth rate in primary sector is the lowest and unpredictable. It was 3.05 percent in Punjab and 3.4 percent in Haryana during 1998-99 while in 2005-06 it is 1.86 percent in Punjab and (-1.6) percent in Haryana, whereas for India as a whole the growth rate in primary sector in the year 2005-06 is 5.8 percent.

Since last few years the growth of secondary sector and tertiary sector for Punjab is less in comparison to India as a whole. The growth rate of secondary and tertiary sector in Punjab and Haryana in the year 2005-06 was 5.65 percent and 11.5 percent in case of secondary sector and 6.32 percent and 10.0 percent in case of Tertiary sector whereas for India as a whole it was 10.1 percent and 9.8 percent respectively.

The table indicates that growth of S.D.P. in Punjab and Haryana is on an average between 4 percent and 8 percent respectively. The growth rate of tertiary sector is highest followed by secondary and tertiary sector respectively. The growth rate in Punjab is less in comparison to India as a whole which is cause of worry for Planners.

#### 3. INDICES OF STATE DOMESTIC PRODUCT IN HARYANA AND PUNJAB

The indices of S.D.P. also reveal that the components of tertiary and secondary sector have registered a rapid growth than the components of primary sector. The table:10 shows the indices of S.D.P. at constant prices. The table shows that components of tertiary and secondary sectors are experiencing a faster growth than primary sector.

Table:10 Indices of Net State Domestic Product at Factor Cost by Major Sectors inPunjab and Haryana (1999-2000 Prices)

sector		1999-	2000-	2001-	2002-	2003-	2004-	2005-
		00	01	02	03	04	05	06
NSDP (Index)								
<u>Haryana</u>								
(i)	At current prices	100.00	112.7	125.3	138.1	157.1	178.1	201.1
(ii)	At constant Prices	100.00	107.4	114.4	120.6	131.4	142.9	154.8
<u>Punjab</u>								
(i)	At current prices	100.00	110.86	116.65	120.84	130.38	140.25	151.45
(ii)	At constant Prices	100.00	103.40	104.76	107.45	112.76	118.66	124.03
Primary Sector								
Haryana								
(i)	At current prices	100.00	108.4	109.3	111.8	126.0	133.0	137.0
(ii)	At constant Prices	100.00	103.3	102.8	100.7	109.6	113.0	111.2
<u>Punjab</u>								
(i)	At current prices	100.00	106.27	110.01	106.51	116.10	121.83	130.40
(ii)	At constant Prices	100.00	101.24	101.79	100.31	106.10	108.23	110.27

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Secon	dary Sector							
Secondary Sector								
	At ourrant prices	100.00	110.7	120.1	151.2	174.0	200.6	222.5
(1)	At current prices	100.00	105.6	129.1	101.2	1/4.9	200.0	255.5
(11)	At constant Prices	100.00	105.6	114. 8	124.9	137.4	149.4	167.2
<u>Punjab</u>								
(i)	At current prices	100.00	110.98	112.98	117.78	129.27	137.57	149.85
(ii)	At constant Prices	100.00	103.91	100.36	104.54	109.86	121.16	128.35
Tertiary Sector								
Haryana								
(i)	At current prices	100.00	114.9	130.9	144.2	1605	183.5	209.8
(ii)	At constant Prices	100.00	109.0	118.4	127.3	135.6	158.3	166.8
<u>Punjab</u>								
(i)	At current prices	100.00	115.40	125.66	136.80	145.31	160.15	173.43
(ii)	At constant Prices	100.00	103.30	110.00	116.12	120.93	127.87	135.65
Per Capita Net State Domestic								
<b><u>Product</u></b>								
<u>Haryana</u>								
(i)	At current prices	100.00	109.9	118.7	128.6	143.4	159.5	176.8
(ii)	At constant prices	100.00	104.7	108.4	112.3	120.0	128.0	136.1
<u>Punjab</u>								
(i)	At current prices	100.00	108.78	113.02	114.94	121.77	128.62	136.36
(ii)	At constant Prices	100.00	101.46	101.50	102.21	105.31	108.82	111.67

Source : Statistical Abstract of Punjab, p. 130,

Statistical Abstract of Haryana, p. 190-191.

The table reveals following results.

(a) The indices of primary sector at constant prices stood at 111.2 in Haryana in 2005-06 showing an increase of 11.2 percent over the base year 1999-2000. In Punjab the

indices of Primary sector at constant prices stood at 110-.27 in 2005-06 showing an increase of 10.27 percent over the base year 1999-2000.

- (b) The indices of secondary sector at constant prices in Haryana increased to 167.2 in 2005-06, showing an increase of 67.2 percent over the base year 1999-2000. In Punjab it increased to 128.35 showing 28.35 percent increase over the base year 1999-2000.
- (c) The indices of Tertiary sector at constant price stood at 166.1 in Haryana in 2005-06, thus registering an increase of 66.1 percent over the period of seven years. In Punjab it stood at 135.65 in 2005-06, showing an increase of 35.65 percent over the period of seven years.

#### **IV LIMITATIONS**

The estimate of Haryana and Punjab are not completing, comprehensive and very accurate because they suffer from certain limitations. Among these major ones are:

- While calculating state income, the assumption normally made is that the bulk of commodities and services produced are exchanged for money. However, in a state like Haryana and Punjab, agriculture is still, by and large, carried on subsistence basis. Therefore, a considerable portion of output does not come to the market for sale but is either consumed by producers themselves or is bartered away with other producers in exchange for other goods and services.
- The most serious handicap is the inadequacy, non-availability and the unreliability of statistics. As a result, the statistics collected are unreliable. In recent years, Haryana and Punjab Government established the statistical department for Haryana and Punjab which collects data through trained investigators.
- In Haryana and Punjab, like in India, it is customary to collect statistics of state income by industrial origin. Thus it is necessary that the producers be classified into various occupational categories.
- Another limitation in Haryana and Punjab is that a very large number of producers in both the states carry on production at a family level or run household enterprises on a very small scale. Most of these small producers or entrepreneurs are so illiterate that they have either no idea of maintaining accounts or do not feel the necessity of keeping regular accounts.

There is the universal academic difficulty of reducing the numerous economic activities of the millions of people to a common measurable denominator. For example, how to add together the services of a sweeper and a doctor.

#### **RE-COMMENDATIONS:**

The following steps may be taken for raising the S.D.P. and per capita income of the states :

- Agriculture forms the backbone of Haryana and Punjab economy. The share of agriculture to state income is also the highest; and it is also a source of supply of raw materials to the leading industries of the state. Hence, the prosperity of agriculture stands for prosperity of Haryana and Punjab. In order to raise state income and per capita income, it is essential that at least for some more, agriculture development may be given greater emphasis in Haryana and Punjab. In the first instance the capital output ratio is not very high in agriculture and hence a small input of capital will bring about a larger output of agricultural goods. To achieve a rapid increase in incomes at least in the initial period, a greater proportion of investment should be made in agriculture. Also the rate of saving and investment can be high in the states only if the rate of saving and investment is high in agriculture too.
- Besides agriculture, industrialization has a major role to play in the economic development of Haryana and Punjab. The industrial sector which possesses a relatively high marginal propensity to save and invest contributes significantly to the eventual achievement of self-sustaining economy with continued high levels of investment and rapid rate of increase in income and industrial employment. Beside the process of industrialization is associated with the development of technological knowledge and attitudes and skills of industrial workers, which in turn, is beneficial to the growth of productivity in agriculture, trade and other sectors of the economy.
- Though for the prosperity of the states, agriculture and industry are very important yet equally important is the infrastructure facilities such as roads, railways, water supply, electric power and other public services. If agriculture and industry are regarded as the body and bonus of the economy, infrastructural facilities constitute its nerves. A modern economy cannot exist without an efficient system of infrastructural facilities. Thus, proper emphasis should be placed on infrastructural facilities because these facilities are important not for the income they generate, but for the income generation and production in the rest of economy which they sustain. The rapidly growing

population is retarding the growth of the economy. During 1970-71 to 2000-01 the state population increased from 1,00,36,808 to 2,10,82,089 meaning thereby an increase of about 110 percent in three decades. Due to this rapid increase in population the state per capita income has shown very slow increase. Hence, it is essential that the growth of population must be checked properly in order to ensure a rapid increase in per capita.

#### CONCLUSION

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The structural change in the composition of state income by industrial origin is the consequence of the process of economic growth initiated during these years. Since the growth process involved a rapid expansion of manufacturing activities in the organized sector, the share of secondary sector was bound to indicate a relatively sharp increase. Similarly with the development of the economy the share of tertiary sector was bound to increase. This development was bound to reduce the relative share of primary sector.

The theory of economic growth supports the structural change in the composition of S.D.P. The distribution of domestic product in developed countries indicates a much higher share of the secondary and tertiary sector and a lower share for primary sector. It is because of the fact that as industrialization spreads; it brings about an improvement in the share of industry and services. The economy of Haryana & Punjab is passing through this process of transition from an agricultural economy to an industrialized one. In this process, the structural change in composition of S.D.P. is inevitable although the structural change is taking place at a slow pace. The main reason for the slow rate of structural change in S.D.P. is slow rate of growth of secondary sector which is about 6.96 percent on an average during the period of 31 years (1970-71 to 2000-01).

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