

STATE OF KARNATAKA'S ECONOMY

AN OVERVIEW

1.1 Introduction

Karnataka is home to 6.11 crore inhabitants (2011 Census) which accounts for 5.05% of India's Population. Karnataka has 5.83% of India's geographical area. The state's population has grown by 15.7% during the last decade, while its population density has risen from 276 in 2001 to 319 in 2011, indicating an increase of about 15.6%.

Birth rate in the State has declined to 19.2 in 2011 (from 22.2 in the year 2000), indicating a decline of about 9 %, the death rate has declined at a lower rate of 6.5 % from 7.6 in 2000 to 7.1 in 2011. The consequent demographic changes are expected to open up new opportunities as well as challenges for the State. 50.80 % of the population is male with a child sex ratio of 943 female to 1000 males in 2011 (as against 946 female to 1000 males in 2001), and the adult sex ratio at 968 female to 1000 males (against 965 female to 1000 males in 2001). It is a matter of concern that there is a perceptible decline in the child sex ratio from 2001 to 2011, especially in some of the districts such as Chamarajanagar (decline of 22 as compared to 2001), Davangere (decline of 15), Chitradurga (decline of 13) and Hassan (decline of 12). There is a significant decline of 2.30 % in the state's child population of 0-6 years, but the decline is uneven across the state. In Yadgir district, 0-6 year old children constituted 15.83 % of the population whereas in Udupi, it was just 8.54 %, indicating differential developmental needs of districts within the State.

Karnataka State has 1,33,57,027 households as per 2011 census as against 1,04,01,918 households in 2001 census. The number of households has registered a decadal growth rate of 28.41%. Karnataka has 14.91% (19.65 lakh) female headed households where as the national average is 10.9%. In Karnataka 2,78,72,597 persons constituting 45.62% of the total population have enumerated themselves as workers. 59% of the total male population and 31.87% of the total female population are workers. Of the total workers in the State, 83.94% are main workers and 16.06% are marginal workers.

1.2 Economic Survey

The economic survey 2014-15 gives the glimpse of the State's developmental achievements and concerns in various key economic and social sectors. Over the years, the key objective of Economic Survey had been to provide basic information and data on economic policies and programmes of the state government and overall performance of the State. Till date, the Survey is the single most authentic source of official information on the entire State of Karnataka economy for budget and other key economic purposes. The highlights of Economic Survey are presented below.

1.2.1 State Income and Prices

- Karnataka's Gross State Domestic Product (GSDP) at constant (2004-05) prices is expected to grow at 7.0% and reach Rs. 344106 crore in 2014-15 from Rs. 321455 crore in 2013-14. The contribution to the growth rate is mainly due to the services sector doing well, growing at 8.9%.

- The GSDP growth rate of agriculture and allied activities is expected to decrease by 4.5 % in the State during 2014- 15 as against a growth of 9.4% during 2013-14. The fall in the growth rate of agriculture and allied activities during 2014-15 is due to decline in the production of food grains by 3%.
- Industry sector is expected to grow at 4.4% during 2014-15, which is higher than the growth rate of 4.2% that was observed in 2013-14.
- Service Sector is expected to grow at 8.9% during 2014-15, which is higher than the growth rate of 8.0% that was observed in 2013-14.
- A marginal increase in the composition of GSDP of agriculture & allied activities and service sector is evident from 17.1% and 58.2% in 2013-14 to 17.5% and 59.1% in 2014-15 respectively. At the same time, the marginal decrease in the composition of industry sector from 23.7% in 2013-14 to 23.4% in 2014-15.
- Per Capita State Income (i.e. per capita NSDP) of Karnataka at current prices is estimated at Rs. 100594 during 2014-15 as against Rs. 89545 in 2013-14, an increase by 13.5%. The per capita income at constant (2004-05) prices for the year 2014-15 is estimated to increase Rs. 48907 as compared to Rs. 46012 achieved in 2013-14.
- At the all India level, the WPI, which was 179.6 in December 2013 rose to 179.8 in December 2014, showing an annual inflation rate of 0.11% .
- At the all India level, CPI(IW) moved to 253 points in December 2014 from 239 points in December 2013. The point-to-point rate of inflation for the month of December 2014 was 5.86%, whereas it was 9.13% in the corresponding month of the previous year. The average all India CPI-IW (up to December 2014) during 2014-15 is 250 as against the corresponding period average of 235 during 2013-14, which shows an increase by about 6.38%.
- The Consumer Price Index for Agricultural Labourers recorded an increase of 5.70% in December 2014 over April 2014 as against 4.67% at all India level, whereas the food index in Karnataka showed an increase of 3.99% as against 4.13% at all India level.
- In 2014-15, the Rural Retail Price Index shows a continuous increase from 3934 in April 2014 to 4264 in December 2014, thus showing an overall increase of 8.39% and the Urban Retail Price Index which was 2716 in April 2014 rose to 3093 in December 2014 showing an increase of 377 points i.e. by 13.88%.

1.2.2 Fiscal Development and State Finances

- The State's revenue resources are showing signs of recovery from 16.07% in 2011-12 and further expected to increase to 16.21% in 2014-15 (BE).
- The State's own tax revenues increased from Rs. 27646 crore in 2008-09 to Rs.69870 crore during 2014-15 (BE) at a CAGR of 16.71 %
- The share of development expenditure has significantly increased from 10.07% in 2008-09 to 13.74 % in 2014-15 (BE), while the share of interest payments for the same period have declined from 1.69% to 1.42 %.
- The per capita development expenditure in Karnataka during 2011-12, 2012-13 (RE) and 2013-14 (BE) was Rs.9972, Rs.11853 and Rs.13246 respectively as compared to all State's average of Rs.7044, Rs.8778 and Rs.9535. Karnataka has the highest level of per capita development expenditure during 2013-14 (BE) compared to major states.
- There has been a significant increase in the State plan outlay by Rs.17150 crore from Rs.48450 crore in 2013-14 (RE) to Rs.65600 crore in 2014-15 (BE)
- There has been an increase in plan expenditure as percentage of GSDP

from 7.42% in 2008-09 to 9.79% in 2014-15 (BE). As regards non plan expenditure as percentage of GSDP, there has been a decline from 12.74% in 2008-09 to 11.73% in 2014-15 (BE).

- Karnataka's plan achievement is impressive and Plan expenditure has revealed an impressive growth over the years and the State has one of the highest per capita plan expenditure among major states in the country at Rs.7472 in 2013-14 (BE).
- The total liabilities of the State Government increased from Rs.75286 crore in 2008-09 to Rs.157681 crore in 2014-15 (BE) at a CAGR of 13.11%. The total liabilities are however, within the limit of 25% prescribed by the 13th Finance Commission.
- The District sector plan size (including Central share) which was Rs.4870 crore in 2010-11 increased to 10480 crore in 2014-15(BE).
- The credit-deposit ratio (C-D ratio) of the state as on March 2014 is 75.24%, which is marginally higher compared to last year at 74.15%.

1.2.3 Investment and Exports

- Karnataka attracted FDI of US \$14174 million during the period of April 2000 to November 2014, constituting 5.99% of the all-India FDI.
- Karnataka stands 4th in Merchandise exports and also a leading State in exports of products and service sectors. In 2013-14, Karnataka's exports amounted to about Rs. 290418 crore which constituted about 12.37% of the Country's exports.
- Karnataka's exports as a percentage of GSDP has a fairly large share and has also increased significantly over time. The share of exports in GSDP which was 7.36% in 1993-94, has grown to 47.3% in 2013-14.
- Exports of electronics and computer software constitute the largest share in

the State's exports. Its share was of the order of 61% in 2013-14.

- Karnataka's degree of openness to export trade has increased from about 40% in 2010-11 to about 47% in 2013-14. This is remarkably higher than that of all India at about 24%.

1.2.4 Rural Development

- About 6137 (10.2%) of habitations receive above 55 lpcd of water, 51243 (85.8%) habitations receive less than 55 lpcd and 2393 (4%) habitations are water quality affected.
- Toilet ownership in rural Karnataka increased around 50 per cent up to February 2015.
- Under MGNREGA, 288.61 lakh person days of employment have been generated in the State as of December 2014.
- About 29.67 lakh houses have been constructed under various housing schemes during 2000-01 to 2014-15 (up to December 2014).
- About 2.62 lakh house sites have been distributed during 2000-01 to 2014-15 (up to December 2014), of which 1.49 lakh in rural and 1.13 lakh in urban areas. Besides, 31,806 sites have been distributed in flood affected areas
- Unit cost of the houses under various schemes has been increased to Rs. 1.20 lakh.

1.2.5 Urban Development

- At present Karnataka has 10 City Corporations, 41 City Municipal Councils, 68 Town Municipal Councils and 94 Town Panchayats in the state.
- According to 2011 census 32.91 lakh population lives in the urban slums. The slum population has drastically risen by 18.89 Lakh during 2001 to 2011. Bangalore district has 21.5% of the total slum population.

- Basic amenities in urban areas like Water Supply & Sanitary Facilities are provided to 200 Urban Local Bodies by investing Rs.183.00 crore, Rs. 2440 crore for Storm Water Drains, Rs.1372 crore for Roads and Road Related infrastructure, Rs. 762 crore for Under Ground Drainage and Rs. 3803 crore for Solid Waste Management
 - Under BSUP programme, out of 24508 targeted number of houses, 21554 houses are completed and 2761 houses are at various stages of construction. 39785 house sites have been distributed in the last three years.
 - Rainwater harvesting is taken up in 33.5 km out of 42.3 km viaduct with 33 stations. Rain water falling on viaducts is brought to the ground level by down take pipes installed in each pier.
- 1.2.6 Agriculture and Allied Activities**
- Primary estimates based on the progress in area coverage under various kharif and rabi crops shows a likely loss in yield on account of long dry spell / excess rainfall in some parts indicate production of 114.77 lakh tones against the target of 119.13 lakh tones of Cereals and 15.24 lakh tones against the target of 15.87 lakh tones of Pulses.
 - Oilseeds production is anticipated to be 11.67 lakh tonnes against the target of 14.80 lakh tonnes. Production of cotton is likely to be 20.55 lakh bales against the target of 13.15 lakh bales on account of higher area coverage.
 - “Krishi Bhagya” programme has been launched for conserving every drop of rain water and has innovative interventions for judicious use of harvested rain water.
 - The State has set up Agriculture Price Commission during 2014-15 to advise the State Government on the price policy of all agricultural and horticultural commodities.
 - Custom Hire Service Centres are being established one each at every hobli level to cater the services of major agricultural machineries/equipments.
 - New Centrally Sponsored Scheme “National Mission for Sustainable Agriculture” (NMSA) has been formulated for enhancing agricultural productivity especially in rainfed areas focusing on integrated farming, water use efficiency, soil health management and synergizing resource conservation.
 - The share of Animal Husbandry in Gross State Domestic Product of Agriculture and Allied activities was 20.51% during 2013-14.
 - The density of live stock in the state was estimated at 151.21 per sq.km and 47468 per lakh human population.
 - India ranks Second in the world (FAOSTAT-Website year 2012) and Karnataka State ranks eleventh among Indian States in milk production
 - The production of milk in the State was 5.99 million MT during the year 2013-14.
 - Horticulture crops cover an area of 18.35 lakh hectares with annual production of 149.59 MT which are valued at Rs. 29741 crore.
 - During the year 2013-14 the total fish production of the state is 5.55 lakh tones which, contributes to 5.8% of national fish production.
 - Karnataka ranks 6th in the marine fish production and 9th position in inland fish production when compared to fish production of the country.
 - Out of the total 129.70 lakh hectares available for watershed activities an area of 63.27 lakh hectares have been treated up to March 2014.
 - Online trading system has been implemented from Feb-2014 onwards.

1.2.7 Natural Resources and Environment

- Karnataka has 43356.47 sq.km of forest cover, which is 22.61% of the states geographical area, as per the States Forest Department Annual report of 2013-14. Of this, the reserve forest constitutes 15.48%, protected forest constitutes 1.84%, village forest constitutes 1.03%, unclassified forest constitutes 5.23% and private forest constitutes 0.03 %.
- The dense forest cover was estimated at about 26156 sq. km (70%) in 2001 and declined to 21956 sq. km (60%) in 2013, which is a 10% decline over 12 years. However, the open forest cover increased from 10835 sq. km. to 14176 sq. km. during this period.
- The cumulative irrigation potential under major, medium and minor irrigation projects is expected to reach 40.52 lakh hectares in 2014-15 from 39.40 lakh hectares in 2013-14.

1.2.8 Industry

- The general index of industrial production (IIP) of Karnataka covering mining, manufacturing and electricity sectors for 2013-14 stood at 175.59. The overall organised industrial sector of Karnataka has registered 3.66% growth in 2013-14 as compared to 2012-13.
- The Annual Survey of Industries (ASI) statistics indicates that Karnataka accounted for 5.27% of the total number of registered factories in 2011-12 in the country. The contribution of registered factories of Karnataka stood at 6.77% of total fixed capital, 6.84% of total output and 11.51% of Gross Value Added(GVA) in the same year.
- In terms of Gross Value Added per worker, at a value added of Rs. 49801, Karnataka performed better than the all – India average of Rs. 44347.
- In 2013-14, 25966 MSME Units have been registered in the State with an

investment of Rs.285056 lakh and providing employment to 167347 persons. As compared to 2012-13, there is 7.27% increase in the number of units registered, 31.45% increase in investment and 7.58% increase in number of persons employed during 2013-14.

- The area under mulberry cultivation in the State was about 88.88 thousand hectares at the end of December 2014, which is higher than the area under mulberry cultivation during the same period in 2013-14 at 80.57 thousand hectares. During the same period (April to December), production of cocoons (50.79), raw silk production (7.11), employment in sericulture (11.55) was high in 2014 as compared to 2013.
- During 2013-14, Department of Mines and Geology has realised revenues of Rs. 1282.06 crore as royalty collection from major and minor minerals, against a target of Rs.1750 crores for the year 2014-15.
- The tourist flow in to the State has continuously been increasing steadily from 8.41 crores in 2011 to 9.81 crores in 2013, which indicates comprehensive increase of 16.64 %.

1.2.9 Employment and Labour Welfare

- Employment generation has been estimated based on three factors viz. income, employment elasticity over a period of years and anticipated estimates of gross domestic product for 2013-14. During 2013-14, it is 297.84 lakh person-days compared to 292.57 lakh person-days in the previous year.
- Worker Population Ratio in 2011 has increased in general irrespective of gender and more significantly in urban areas (4%) compared to 2001. At the same time female WPR has marginally declined in rural Karnataka.
- Proportion of main workers has marginally increased between 2001 to

- 2011 [1.66%] and decreased in case of marginal workers [1.66%]
- Even though there is an increase in number of agriculture labour in the State by 14.92% during 2001-11, its proportion to total workers has been marginally declined to 0.73%
 - Other works category accounts for the higher number of workers i.e., 1,32,22,758 or 47.44% of total workers at the State level. Proportion of other workers has increased by 7.23% in 2011 census.
 - Males LFPR is higher in Karnataka Compared to select States except Andhra Pradesh and all India. Unemployment rate is also lower than rest of southern states.
 - The employment challenge that Karnataka faces consists both of creating of new jobs and improving the quality of existing jobs. A faster economic growth is the key to meet this challenge.
 - With a view to making employment growth faster, sectors and activities with relatively higher employment elasticity could be targeted to particularly high economic growth.

1.2.10 Economic Infrastructure

- The peak demand recorded during 2013-14 was 9223 MW, which is an increase of about 7.31% from 8549 MW in 2011-12. The anticipated peak demand during 2014-15 is likely to be around 9503MW. Peak power shortage remains at 15 % for 2014-15 which was same as last year.
- The total installed generation capacity both in the public sector and private sector including the State's share in the central generation stations (CGS) as on 31.12.2014 was 14803 MW. The installed capacity in the public sector was 8535 MW (including CGS allocation) and the private sector's share was 6268 MW.

- Karnataka's power sector has reduced its T&D losses from 27.5% in 2004-05 to 19.07% in 2013-14. It is expected to bring down T&D losses to about 18.44% by March 2015.
- Namma Metro Reach 3 and 3a (Sampige Road to Peenya 10.3 Kms with 10 stations) was commissioned on 1st March 2014 for public. The cumulative ridership (including Reach 1) since inception to end of October 2014 is 250 lakhs.
- Metro Phase-II consists of Four Extensions to the existing lines and Two New Lines (R.V. Road to Bommasandra and Gottigere-IIMB-Nagawara) with a total length of 72.095 km and 61 stations (49 Elevated and 12 Underground). The State Government commissioned DMRC for preparing a Detailed Project Report. The network will be capable of carrying 14.80 Lakh passengers per day in the year 2016-17.

1.2.11 Human Development

- The State has achieved significant progress in literacy. The literacy rate in the State during 2001 was 66.64% and it is increased to 75.60% (82.85% for males and 68.13% for females) in 2011. It may be noted that urban male literacy rate in the State has crossed 90%. In contrast, rural female literacy rate in the State is yet to cross 60%.
- Enrolments during 2013-14 in primary (Class I to V) and in upper primary (Class VI to VIII) stage and in High School (Class IX to X) is estimated to be 53.51 lakh, 29.70 lakh and 16.85 respectively Enrolments in the State from Class I to X have marginally declined from 100.97 lakh in 2011-12 to 100.07 lakh in 2013-14.
- The Gross Enrolment Ration (GER) and Net Enrolment Ration (NER) in lower primary are 102.36 and 93.56 respectively in 2013-14. At higher primary stage the GER and NER is 90.47

and 81.78 in 2013-14. At the secondary level the GER and NER are 75.99 and 55.33 respectively in 2013-14.

- The dropout rate has increased in LPS from 2.56% in 2012-13 to 2.96% in 2013-14. In HPS the dropout rate has decreased from 5.40% to 5.05% in the same period. In November 2013 the state conducted the survey and identified 168621 out of school children.
- Teacher-pupil ratio is satisfactory in Government schools, the average PTR being 1:23:39 at the elementary stage.
- The infant mortality has declined faster during the last few years to the tune of around 10 per 1000 live births from about 41 in 2009 to 31 in 2013.
- MMR has been reduced from 178 to 144 per lakh live births between 2007-09 and 2010-13
- Institutional delivery for 2013-14 is 98.58%. Fully Immunized children increased from 80% to 100% between 2009-10 to 2013-14

1.2.12 Gender and Social Equity

- Women constituted 49.14% of the population in Karnataka (Census 2011). The main women empowerment initiatives by the State were addition of almost 10000 new Stree Shakti groups (SHGs). At present there are 1.40 lakh self help groups, comprising a membership of 20 lakhs women that are functioning in the State. Since its inception up to December, 2014 the groups had saved Rs. 1578.54 crore.
- Children constitute 11.21% of the population in Karnataka (Census 2011). The nutrition pattern in the state showed that about 72.84% of children were normal, 26.30% were moderately malnourished and 0.86%

were severely malnourished. But there is a slight improvement in the proportion of normal children and now stands at 73.84%, and marginal decrease in moderately malnourished children and severely malnourished children which stands at 25.33% at 0.81% respectively.

- Annabhagya Yojana programme covers a total of 98.35 lakh families (87 lakh BPL cardholders and 11.35 lakh 'Antyodaya Anna Yojana' beneficiaries) across the state.

1.2.13 Balanced Regional Development

- The total allocation under Special Development Plan (SDP) since its inception in 2007-08 is Rs.20138.59 crore and the total expenditure is Rs.14639.04 crore as on December 2014. The share of most backward taluks in total allocations has increased from 23.93% in 2007-08 to 51.80% in 2014-15.
- The Article 371J has granted special status to six backward districts of Hyderabad-Karnataka region namely, Bidar, Yadgir, Raichur, Koppalla, Bellary and Kalaburagi. The HKRDB finalized the action plan of 2014-15 for Rs. 600 crore. The action plan is approved by Hon. the Governor of Karnataka during September-2014.

1.2.14 Evaluation of Government Programmes / Schemes

- Five Manuals relating to the functioning of the Karnataka Evaluation Authority and conducting Evaluation studies have been approved and published in 2014-15.
- Terms of Reference were approved for 42 evaluation studies and 30 evaluations were completed. Empanelment of 39 Consultant Evaluation Organizations and 6 Independent Assessors has been done.

