



INSTITUTE FOR SOCIAL AND ECONOMIC CHANGE

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KARNATAKA

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ISEC SMS

STATE MACRO SCAN - SMS

After publication of the first State Macro Scan (SMS) from ISEC, the State has undergone many significant events. Initially, we had a severe drought followed by flash floods in the northern areas of the State. The floods were quite unexpected in these areas and, therefore, the devastation that followed was also acute. The State has also undergone lots of economic upheavals exerting significant stress on the natural and financial resources. However, all these criticalities were squarely addressed through effective policy interventions and timely administrative help. The agricultural sector, despite the floods and drought, cannot now be termed as depressing, thanks to the economic recovery and the results could be seen in the performance as reflected in the Economic Survey of the State and the budget. Once again Karnataka proved the resilience.

The sectoral composition of GDP has remained more or less the same with the present situation indicating some strong forces of demand emerging out of the non-agricultural sector, which may, in future, influence the sectoral composition. But in this process of change, industries (SME) may require significant support in view of the new development paradigm. The recession has had its own toll on Bangalore as a large proportion of manpower as well as the ancillary economic structure depend on the trade out of Bangalore but this has been felt only in the areas that depend on the trade sector. Due to an enormous stress on the purchasing power, the lower and lower middle class people have suffered significantly; inflationary forces have also added to these woes. Across cities in the country, Bangalore ranks as one of the costliest cities in terms of price indices movements. This is certainly a matter of concern for the coming years. Besides, the city has been bursting at seams with ever expanding population and thus putting pressure on services, commodity distribution and infrastructure.

Now in Karnataka, we need to focus on four important issues, viz., infrastructure in Northern Karnataka, stagnation of agricultural sector, increasing contribution of manufacturing sector towards growth through a strong investment boost and reaching amenities to rural areas. The service sector has been contributing well to keep the growth rates moving upwards and that need to be sustained. Therefore, investment increment in the service sector is a key factor. Global investors meet will pave way for further growth in income and employment.

I am sure that this SMS from ISEC will initiate the required policy debate.

R S Deshpande
Director

Income and Growth

During 2007-08, the State Directorate of Economics and Statistics estimates put the anticipated real growth rate (percentage increment in GSDP) at 7% as against the all India growth of 8.7%. Most recent revised estimate for this period, however, displays a significant upward revision of increment in GSDP at 12.9%. Thus it is seen that the growth of Karnataka economy was much higher than the All India level during 2007-08. However, as per the advanced estimates for the year 2008-09, one observes a considerable decline in GSDP growth (percent increment) at 5.1%. This is in tune with the scenario observed at the national level and further, Karnataka economy today is much more globally integrated and hence impacts of global developments are visible. Low growth is also due to poor performance by the Agriculture sector being faced with multiple problems.

Sectoral performance in the state is also noteworthy. As per the revised estimates for the State of Karnataka for the year 2007-08, the real growth (percentage increment) in GSDP for the primary sector which stood at 15.6 % dipped to a negative increment of '- 5.3%' for the year 2008-09. Correspondingly the growth of secondary sector came down from 13.1 % to 5% and the tertiary sector from 11.9% to 8.7%. Thus for the said period, a decline in income has been found most striking in the case of agriculture. Although global recession possibly has impacted the service sector most, it continues to show resilience. Sectoral composition of GDP for 2008-09 remained more or less the same with the primary sector contributing 16.7% , secondary 28.9% and the tertiary 54.4%.

Income Inequality: A Problem to be Tackled

At this stage it is necessary to highlight a few concerns in the context of state income which may be of some relevance to the policy makers. Last few years have shown an increasing trend in income inequality in Karnataka. This increase in inequality measures, however, has been arrested and we observe a marginal decline for 2006-07. Income inequality further declines if we exclude Bangalore Urban district from our sample (Table 1).

Table 1: Gini Coefficients of Real Per capita Income Inequality Across

Year	'00-'01	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06	'06-'07
Per Capita Income inequality: All Districts	0.140	0.158	0.176	0.190	0.194	0.221	0.199
Per capita income inequality excluding Bangalore (U)	0.130	0.139	0.151	0.164	0.157	0.187	0.161

Source: Computed by authors

To overcome regional inequalities, Government's endeavour in diversifying of economic activities across different parts of Karnataka needs to be further strengthened, and also the trend of concentration of economic activities in a few urban areas needs to be reversed. Development of non farm activities in rural areas is of critical importance in this context.

Sectoral Performances: A District Level Analysis

Primary Sector: Needs Special Attention

An analysis of the district level data collected for the most recent year (2006-07) by the authors reveals that though the share of the state in the primary sector is 18.81%, about 9 out of 27 districts account for more than 30%. For the previous year, 16 districts are found to have recorded more than 30% of primary sector share in the district income. Three districts show a strong dependence on the primary sector, viz., Kodagu (44%), Chickmagalur (39%), and Hassan (33.63%). Income inequality arising out of (total) primary sector (income) across districts does not show any systematic increase or decrease. For the year 1998, Gini coefficient was at 0.22 and was found to increase to 0.24 for 2003-04 but decreased to 0.23 for 2005-06 and further down to remain at the 1998 level of 0.22 for 2006-07.

It has been a practice for long to use the 'percentage increase in production' synonymous to growth rates. However, strictly speaking growth has to be estimated as compound growth rate using a growth curve for a given span of time. Such an attempt was made at ISEC by Deshpande (2009) and exponential curves were fitted using data on production of various components of the state domestic product originating from primary sector. The moving growth rates obtained by fitting the exponential growth curves are unbiased estimates of growth and hence should be preferred over the year to year change to represent growth rate in agriculture sector. For example, the fitted curve turns out to be $\ln y_t = 14.64 - 0.1558 t$ for agriculture (for the year 1999-00 to 2003-04) with $R^2 = 0.75$ and $R^2 = 0.82$. Similarly for other components of the primary sector growth rates are estimated and the estimated growth rates are shown in table 2. This shows that Karnataka state actually recorded positive growth of 1.55 percent for agriculture over the period 2004 to 2009.

Table 2: Moving Compound Growth Rates of Gross Value of Output from Agriculture and allied activities at Constant (1999-00 base Series) Prices

Sector	1999-00 to 2003-04	2000-01 to 2004-05	2001-02 to 2005-06	2002-03 to 2006-07	2003-04 to 2007-08	2004-05 to 2008-09
1. Agriculture	-14.43	-2.82	10.67	9.98	8.61	1.55
2. Horticulture	-0.82	-5.77	-12.13	-1.12	14.24	10.01
3. Livestock	-4.57	-8.91	-9.35	-4.05	2.32	4.99
Total (1+2+3)	-10.29	-4.76	1.63	4.83	8.67	3.64
4. Forestry & Logging	-0.75	-0.84	-0.82	1.10	0.99	0.47
5. Fishing	-2.85	-3.02	2.64	2.98	4.32	3.47
Total	-9.92	-4.61	1.56	4.68	8.36	3.54
Total GSDP	3.17	4.91	7.18	8.39	9.58	8.64

Secondary Sector

The income share of the secondary sector in the total income of the state is 26.27 % for 2006-07 which is a marginal increase over the previous year. Among the

districts, the share of secondary sector is found high in the case of D. Kannada (37.08%) and Bangalore-U (33.12%). A few other districts (viz., Kodagu (8%), Chickmagalur (11%) and Hassan (14.12%) accounting for less than 15% of secondary sector share indicate lack of industrial development and less scope for diversification in case of crop failure. Special attention needs to be given to these districts for developing industry based activities which can generate certain amount of non farm income.

Undoubtedly the districts with a high dependence on agriculture remain vulnerable to climatic changes , fluctuating agricultural prices and other such sectoral risks. Thus development of secondary sector activities through focused policy measures in the above mentioned districts is necessary for supplementing the income of a large population dependent on agriculture.

The per capita income inequality across districts arising out of the secondary sector is found highest in the state. For 2006-07, income inequality in terms of per capita secondary sector income is 0.3214 for the sample including Bangalore urban and is 0.267 for the sample excluding Bangalore Urban. Both these figures are higher than the similar inequality measures computed for the primary or tertiary sector. Thus development of the secondary sector is more uneven across districts.

Small and Medium Industries Sector

Within the secondary sector, small and medium enterprises sector has shown resilience even in the face of a decline in the State GDP growth. The number of units registered in this sector shows an increase from 14984 in 2007-08 to 15705 in 2008-09. There is, however, a marginal decline in the volume of investment and employment creation. The total investment flow coming to this sector in 2008-09 is to the tune of Rs 1016.17 crores as against Rs 1127.35 crores in 2007-08.

Across the districts, Bangalore occupies the first place through registration of 2373 new small and medium firms, followed by Belgaum (1300) and Dakshin Kanada (953). If we compare these figures with the data from the last year, it becomes clear that Dakshin Kanada surpasses Gulbarga as the latter is now in the 5th place with 801 new firms registered. The number for Bellary district stands at 871 during 2008-09.

An analysis of most recent data shows noteworthy trends for the period April to November, 2009, in this sector. In spite of an economic down turn across the globe along with low investment activities in respect of large industries sector in India and in the state, we observe an air of optimism prevailing among small entrepreneurs as the number of new enterprises registered in Bangalore is as high as 1641, followed by Belgaum with 708. Other districts also show appreciable performance with regard to attracting SSI units.

Given the resilience shown by the small and medium industries sector in the state of Karnataka even in the face of global downturn and low investment activities, it is necessary to develop this sector through well directed policy interventions, in order to supplement farm income. This can also help reduce farmers, distress as well as income inequality.

Large Industries

An analysis of recent data on large industries reveals a decline in the number of approved projects in the face of global recession and dampening investment climate. However, the state has still been able to attract new investments even in 2009 and as the situation improves we expect more investment proposals to pour in. This is clear from the result of recent global investors' meet. Table 3 shows that amongst the projects with investment costs between Rs 3 crores and Rs 50 crores, there has been a sharp decline in the number of new investment proposals that have got approved in the recent years.

Table 3: Projects Approved by State Level Single Window Clearance Committee (SLWCC) (Project cost above Rs. 3 crores and below Rs. 50 Crores)

Year	No. of Projects Approved	Investment in Crores Rupees	Employment in Numbers
2006-07	881	11923.65	731750
2007-08	728	10309.92	349665
2008-09	310	5181.63	135623
2009-10 (up to Oct 2009)	181	4298.17	63072

Source: Authors' analysis of data from Udyog Mitra

In the case of mega projects (with investment above Rs 50 crores) the impact of global economic recession is clearly visible during the crisis period (Table 4) with a sharp decline both in terms of investment and the number of projects approved. Proposed Investment for 2009 is about 22% of the investment for 2008. With a clear sign of recovery of the Indian economy, we expect, this investment to pick up in 2010.

Table 4: Details of approved projects (with investment above Rs 50 crores) over the years

Year of approval (financial year)	Number of projects approved	Employment (in number)	Investment (in Rs Crores)
2005-06	55	588259	43830
2006-07	65	772966	90255
2007-08	108	1996504	160522
2008-09	50	410842	105266
2009-10 (up to August 2009)	38	92354	51914

Source: Authors' analysis of data from Udyog Mitra

Implementation of Projects: Strategic Interventions Necessary

We have analysed the most recent data collected from Udyog Mitra with regard to sanctions of projects and their implementation process.

It is important to note that many of the sanctioned projects finally do not get implemented mainly due to the problem of acquisition of land. We have given the percentages of projects which show some signs of progress in the implementation process such as land acquisition or electricity connection. It could be observed from Table 5 that out of the total sanctioned projects in 2006, only about 18% show some progress in the implementation process. This percentage is expectedly lower as we consider the more recent years. In terms of employment therefore, a large percentage of potential employment generation remains non materialized.

Table 5: Percentages of projects in progress (with investment between Rs 3 crores and Rs 50 crores)

Year of Sanction (calendar Year)	Percentage of projects	Investment percentage	Employment Percentage
2005	44	45.5	32.3
2006	18	29.9	27
2007	8.7	12.5	5.7
2008	4.7	6.4	1.5

Source: Authors' analysis of data from Udyog Mitra

Infrastructure Projects

If we analyse sector-wise data, one can observe that the largest number of projects have been approved in the iron and steel sector followed by energy sector. Thus the development of infrastructure assumes greater importance in the context of large scale projects (above Rs 50 crores)

Tertiary Sector

The share of tertiary sector in total GSDP has marginally fallen from 55% to 54% and this has been compensated by the increased share of the secondary sector. Bangalore urban has a share of 61% during 2006-07. Most districts show above 45% share of the tertiary sector income in the total district income and most districts have a high share of traditional service sector such as trade, banking etc. Income inequality, measured using tertiary sector income, shows a marginal decline between 2005-06 and 2006-07 (Table 6). Interestingly and expectedly, income inequality declines significantly when we exclude Bangalore Urban district from our sample. Thus to reduce regional disparities, service sector projects should not be concentrated mainly in Bangalore Urban. However, as mentioned above, our analysis of data on approved projects shows that Bangalore continues to remain the most attractive hub for investors. Thus development of smaller regions through infrastructure projects and other incentives assumes importance.

Table 6: Per capital income inequality arising out of tertiary sector

Year	'00-'01	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06	'06-'07
Tertiary sector Income inequality for all districts	0.195	0.217	0.220	0.231	0.221	0.253	0.215
Tertiary sector Income inequality for all districts excluding Bangalore Urban	0.167	0.179	0.182	0.195	0.162	0.194	0.156

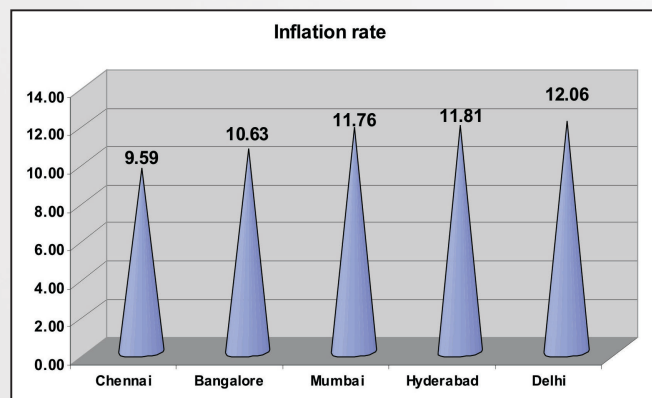
Source: Computed by authors

Amongst the new projects approved by single window clearance committee there are a number of projects that concentrate on hotel and tourism sectors and also software development parks. Thus, large projects relating to service sector are coming up in the state. As far as implementation of projects are concerned, hotels and tourism related projects have a good record of implementation, next only to the power plant projects. However, many of the software park development projects are yet to be implemented.

Price Situations

Of late in India we are observing high food prices resulting in a divergence between consumer price indices (CPI) and wholesale price indices (WPI). Many, therefore, argue in favour of using CPI as a measure of inflation. By computing CPI based inflation rates (for industrial workers) for major metros, we observe that the inflation rate prevailing in Bangalore for Jan 2010 surpasses Chennai but is lower than Hyderabad (see fig 1).

Fig. 1: A Comparison of CPI based inflation rates across selected Metros: Jan 2010



Source: Based on recent data from Labour Bureau, Gol.

Computation of district wise CPI based inflation rates for August, 2009, shows that a few districts account for higher inflation rate than Bangalore, they include Raichur, Belagum, Madikeri and Hassan.

While food prices driven inflation remains a concern for the entire nation, within the Indian states, Karnataka needs special mention on the food prices linked inflation. An analysis of the most recent data on prices reveals that WPI based inflation rates remain high for Karnataka vis-à-vis what has been observed at the national level for many commodities notably cereals, pulses and sugar.

For example, in the case of cereals, the inflation rate in Karnataka was 22% while at the all India level it was

13% in August 2009. Similar differences are seen in the case of rice, pulses sugar, onions etc. If in addition to high prices, there is a high inflation rate, then the economic situation gets adverse for the poor. Thus with a combination of high prices and high rates of inflation, even the people above the poverty line become highly vulnerable and may move towards poverty. A recent unpublished CSO study shows that, due to the presence of a large chain of middlemen, there is a considerable price hike in food articles in Karnataka. Thus, reforming agriculture marketing facilities should become a major focus of the policy makers.

Measures of Inflation: Wholesale Price Index (WPI) vs Consumer Price Index (CPI)

In India, percentage increment in WPI in a particular week in a year as compared to the corresponding week in the previous year is used as a measure of inflation. In addition to WPI, another important potential price index that could be used is CPI. Of late there has been a debate as to whether WPI based inflation rate really reflects the inflation effects faced by the masses. Given the divergence between the inflation rates computed using these two measures in recent times, a few points of difference between these two need to be noted.

- Usually there are 3 types of wholesale markets (mainly for agricultural commodities) viz., primary, secondary and terminal. Price movements in terminal markets may tend to converge to retail prices. However, in practice, prices of agricultural commodities in primary markets are considered for computing WPI. Whereas for CPI, retail prices, as faced by the consumers, are considered.
- For computing WPI, all important items produced in the economy with large transactions are taken into account. These include, amongst others, intermediate goods that range from railway slippers to terephthalic acid and so on. CPI considers major final products consumed by households. These include food items, clothing, basic services etc.
- Weights on items used in WPI, are given on the basis of volume of production and sales; whereas, weights on items included in CPI, are based on the households average monthly expenditure on each item assessed through a family budget survey.
- WPI generally does not factor in services. Whereas CPI takes into account services used by households such as education, health care, transport etc.

Therefore it sounds logically correct that, to understand the impact of price rise on the masses, CPI could be considered as the ideal price index.

Special Features: Farmers' Indebtedness in Karnataka

Vagaries of weather recently have played havoc in the state leaving the farmers in a state of misery. Amongst many problems faced by the farmers, credit assumes prominence.

National Sample Survey Organisation (NSSO), as part of 59th round, conducted a Situation Analysis Survey of farmers (SAS) to understand the debt status of the farming class. An in-depth analysis of NSSO household level data carried out reveals certain interesting features about the state of Karnataka.

We have reclassified the farm households as per their monthly per capita expenditure (MPCE) into three groups: (a) per capita expenditure class of Rs. 300 to Rs. 420 (this class includes farmers in and around the poverty line), (b) less than Rs. 300 (farmers in abject poverty) and (c) above Rs. 420 (comparatively better off farmers). An analysis of the data shows that the farmers whose MPCE is below Rs. 300) hardly have any access to formal financial institutions. In fact 71% of their borrowings comes from informal sources (see Table 7) and hence, end up paying a high interest rate of around 36%. Even though a little more than 50% of the farmers have access to formal lending agencies, still modal interest rate for this category is high, i.e. to the tune of 36%.

Table 7: Debt structure across expenditure classes: Karnataka

Per capita expenditure (in Rs.)	Share of household	Incidence of Indebtedness	Amount outstanding per loan (in Rs.)	Source of credit		Loan used for	
				Formal	Informal	IGA	NIGA
Less than 300	5.90	40.1	11683.06	29.38	70.62	57.10	42.90
300 to 420	35.00	62.4	16081.28	54.24	45.76	65.20	34.80
420 and above	59.10	63.3	30056.37	73.95	26.05	72.30	27.70
Total	100.00	61.6	24706.94	68.89	31.11	69.40	30.60

IGA: Income generating activity; N IGA non IGA

Source: Analysis of NSSO unit record data

An important question arising at this juncture is, who are these poor, either in terms of social class or deprived class? A cross-classification across disadvantaged groups shows that majority of these farmers are from SC/ST category or women headed households. It is important to note that 88% of SC category and 83% of ST category farmers belong to the small and marginal farmers category. Further, 83% of the women headed households belong to small & marginal farmers category. On the other hand 59% of the households in 'others' category fall under small and marginal farmers. Thus we can observe that farmers in the state are still in need of credit support from the Government or formal sector institutions and this aspect assumes greater significance in the context of adverse effects on the farming community caused by droughts and floods.

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Climate Change: Copenhagen to Karnataka

Observational evidences indicate that high carbon emissions and climate change effects in the 20th century already have affected a diverse set of physical and biological systems. Carbon dioxide in our atmosphere has increased by about 30% from a pre-industrial level of about 270 ppm to a current level of 380 ppm and is expected to reach the 600-700 ppm range by 2100 (IPCC, 2001; 2007). Developed nations representing 20% of the world population, are held responsible for 76% of total carbon emissions. For example USA, with just 5% of the world population, alone is responsible for 30% of total global carbon emissions (IPCC 2007).

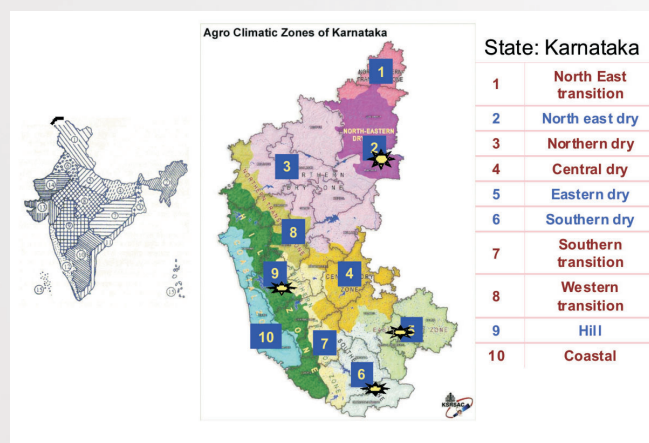
To cope with climate change and adapt to its associated hazards and mitigation in action, **United Nations Climate Change Conference**, was held at the Bella Center in Copenhagen, Denmark, between 7 December and 18 December 2009, commonly known as the **Copenhagen Summit**. The outcome of the conference is that 192 nations have commonly agreed that the climate change is one of the greatest challenges facing the world today and is no different from what was discussed earlier during 2007 UNFCCC conference in Bali and twelve years ago in Kyoto. Although the Copenhagen Summit failed to come out with comprehensive legally binding emission reduction norms acceptable to all the players involved, the general consensus has been that if we want to avoid serious climate change effects, proper measures need to be devised to keep temperature increases to below 2°C; however, nobody is clear about the approach as yet.

India with a huge diversity in land, topography, climate and socioeconomic conditions, is divided into 15 agro-ecological zones. Further to help develop location specific research and development strategies at the micro level, a total of 127 sub-zones (agro-climatic sub regions) are identified in India (NARP). Therefore, research on climate change and it's impacts only at the national level is not going to facilitate in devising sound strategies for adaptation and mitigation at the micro level. Thus micro-level case studies at the local/regional level need to be undertaken that could help us in understanding climate change impacts on the landscape i.e. biodiversity, health, natural resource management, land use and land cover development and concurrently the development of various socio-ecological systems.

National-level projections on impacts of climate change have shown that Karnataka is highly vulnerable which might affect millions in rural and urban areas, in addition to adversely impacting food production, water resources, fisheries, biodiversity and livelihoods of the communities dependent on the natural resources. Hence, there is a need for a detailed identification and analysis of the ecosystems, dependent communities and production systems that are vulnerable to climate change. Karnataka

is divided into 10 agro-climatic zones viz., (1) North East Transition (2) North East Dry (3) Northern Dry (4) Central Dry (5) Eastern Dry (6) Southern Dry (7) Southern Transition (8) Western Transition (9) Hill (10) Coastal Karnataka (Figure 2). Therefore, a micro-level comparative study for different agro-climatic zones of Karnataka needs to be initiated which would help in drawing some major conclusions concerning climate change impact for devising better strategies for sustainable rural, urban and peri-urban landscape development and conservation of biodiversity. Rural farmers who emit almost a negligible amount of carbon are the first victims of climate change. Thus, the projected impacts of climate change will be on both - the natural and socio-economic systems in Karnataka that include: *Food production systems, Water resources; Fisheries, Forest ecosystems, Biodiversity, Coastal zones, Health, and Energy sector*. As mentioned above globally many reports are available, but the impact of climate change at the micro level along with adaptation strategies and mitigation process, is yet to be studied in detail. Hence, the issues concerning landscape management (land use and cover), human health, human and ecosystem interactions, livelihood development of the people, natural resource management and biodiversity conservation in various parts of Karnataka must be prioritized from the perspective of climate change research. The approach needs to be strengthened for generating better understanding of all the stakeholders involved besides providing information for advanced research and training in socioecological sciences so as to improve the quality of life of the people whose livelihoods are based on climate sensitive resources such as agriculture, fisheries, animal husbandry, forests products.

Figure 2. Agroclimatic Zones of Karnataka



In view of the suggestion made by the Prime Minister for State governments to prepare state level climate policy plans, Karnataka has a huge opportunity for mitigating climate change effects through the spread of energy efficiency and renewable energy technologies along with large-scale afforestation activities in order to facilitate/ensure sustainable use of biodiversity and environmental flows.

- Sunil Nautiyal

Food Security in Karnataka

Due to prevailing drought conditions in the country as well as in the state, the prices of essential food and vegetable items have gone up during the recent months making the common man especially those who are closer to the poverty line food insecure. For proper understanding on this issue, it is essential to analyze the recent trends in production and consumption in the state. The area under foodgrain cultivation has either remained constant or decreased for selected crops in the state during the recent period. The area under rice cultivation in Karnataka was 1.48 million hectares and the production was 3.85 million tonnes in the year 2000-01. It came down to 1.47 million hectares in 2008-09 and the production to 3.6 million tonnes. Similarly, the area under cultivation of pulses was 2.05 million hectares in 2000-01 and the production was 0.96 million tonnes. In 2008-09, the total area increased marginally stood at 2.07 million hectares but production at 0.95 million tonnes. Total cereal production in 2008-09 stood at 9.93 million tonnes as against 10 million tonnes in the year 2000-01. Production peaked in 2007-08 at 12.2 million tonnes. Working out food balances at the state level is a difficult task given the open borders for the producers as well as consumers. There is also a great paucity of data on import and export of food items within the state boundaries. In the given situation, it is difficult to say exactly where does the state lie in food security. However, one can find out whether the state is food surplus or deficit by working out the aggregate demand and supply of foodgrains within the state assuming trade happening only within the state boundaries. The demand for foodgrains needs to be estimated by multiplying per capita consumption of food items by the population of the state. The time series data on per capita consumption for rural and urban for Karnataka state during the recent period is available from the thick and thin surveys of the National Sample Survey Organisation for the years 2001 to 2005 (57th to 62nd Round). The rural and urban population data

for the Karnataka state is available with the Census 2001 and extrapolated for the time series. The production data for the state comes from the Agriculture Statistics at a Glance and Karnataka State Government.

Using these data the balances of foodgrains and oilseeds for Karnataka state are worked out for the period 2001 to 2006. It is evident from the analysis that the state has remained deficit in rice during all the years from 2001 to 2006 except in 2004 when there was some surplus observed during that year. The implication of the above is applicable for the more recent years as well. Rice is the main staple food both in rural as well as urban areas. Although the state has large amount of production of rice, but because of high consumption, the state remains deficit. Though the deficit has been only marginal it is likely to increase in future due to rising population. Wheat is neither consumed nor is produced in high quantity in the state. On the overall, the state is deficit in wheat as well. In the coarse grains, however, there is huge surplus, and the state possibly is the net exporter to other states. Similarly, the state is self sufficient in pulses as well, although net surplus is small, which needs to be sustained and enhanced. In the case of oilseeds (edible oils) state is almost on the verge of self sufficiency. Out of the six years (for which data is available), state was deficit for four years and surplus during two years. This commodity balance sheet, however, ignores the amount of foodgrains used for seed and feed purposes. Accounting for the Official figure of 12.5 percent of total production as seed & feed, the net balances of foodgrains in the state turn out surplus for four years and deficit during two years in the period of 2001 to 2006. Thus, at the overall, Karnataka state appears to be self sufficient in foodgrains although might turn vulnerable to sudden fluctuations in production due to changes in weather and other unknown risk factors. To sustain food security of the vulnerable and to maintain the positive balances it is necessary that the state prepares a long run food policy.

- Parmod Kumar

Global Investors Meet: The Big Push for Karnataka

In an era of tough competition among states to attract investments, the recent attempt by the state to invite potential investors and showcase the comparative advantages as an investment destination is a commendable effort. Initial outcome has been encouraging with about 350 MoUs entailing an investment of Rs 4 lakh crore being signed. Acquisition of over 1 lakh acres of land for the projects was set in process. The expectation is that these investments would result in the creation of 8.65 lakh jobs across various sectors. The investment climate of the state has been able to attract large volumes of investments in the services sector in the past. However, this time core infrastructure, aerospace and automobiles, agro and food processing and tourism have been the thrust areas, with mining and infrastructure attracting the bulk of the investments. Four biggest MoUs have been in the steel sector totaling an investment of over 1.18 lakh crore, which includes the entry of the global giant ArcelorMittal.

However, the trend has to be watched carefully. There seems to be some sectoral and regional concentration of the proposals. Departing from the earlier trend this time one

district alone accounts for 42 per cent of the total investments. Considering the sluggish nature of investment flows into the state, the actual quantum of investments could be considerably smaller. For example, with regard to FDI approvals in the state during the 10-year period since 2000 the total approvals have been to the tune of Rs 30,000 crore but the actual was much less. Hence the expectations about the large investment flow needs to be realized. More importantly the employment generation expected out of these investments seems to be not very large. The manufacturing sector, which has the potential of generating more employment, does not seem to attract much of investments. An analysis of investment flows using the Annual Survey of Industries (ASI) data show that manufacturing sector of the state accounts for only 7.5 per cent of the total investments in India since 1991. To accomplish the mission of the New Industrial Policy of enhancing the contribution of the manufacturing sector in the SDP to 20 per cent, there is thus a necessity to be more aggressive in attracting manufacturing industry to the state.

- M Suresh Babu



INSTITUTE FOR SOCIAL AND ECONOMIC CHANGE

Institute for Social and Economic Change (ISEC) is the third among the research institutions started by Professor VKRV Rao with the help of other eminent academics and the Government of Karnataka as a centre of excellence for research in social sciences. ISEC began functioning from January 1972 from a small rented bungalow in Bangalore as an autonomous research organisation. Over the years, ISEC has grown to be one of the largest institutions established under ICSSR and is now a premier research institution undertaking inter-disciplinary research and training in social sciences through both macro and micro-level studies.

ISEC is located in a scenic, salubrious, self-contained 16-hectare campus at Nagarabhavi, abutting Bangalore University's 'Jnanabharathi' campus on the south-western part of the city. The Institute has two well-equipped seminar halls, a Board room, guest house, two committee rooms, a modern 300-seat auditorium, cafeteria, faculty lounge and class rooms.

Objectives of the Institute

The Institute aims :

To nurture pure and applied research in several areas of social and economic development by understanding these changes in an inter-disciplinary framework. This includes studies on economic, ecological, sociological, demographic, educational and administrative problems and political issues of the country;

To provide regular training facilities to doctoral students, universities & colleges teachers and administrators on diverse areas of social sciences;

To collaborate with universities, research institutions and non-governmental organisations (NGOs) in the region to improve the quality of research and training.

The Institute also has prestigious chairs such as VKRV Rao Visiting Professor Chair, and Ramakrishna Hegde Chair in Decentralisation and Development.

The Institute faculty use a wide range of avenues to disseminate their research outputs, like books, research articles in reputed national and international journals, Monographs, Working Papers and policy briefs and Macro Scan (SMS) addressing various policy issues.

Centres of Excellence

The research and academic activities of the Institute are conducted at eight Centres: Agricultural Development and Rural Transformation Centre (ADRTC), Centre for Political Institutions, Governance and Development (CPIGD), Centre for Decentralisation and Development (CDD), Centre for Economic Studies and Policy (CESP), Centre for Ecological Economics and Natural Resources (CEENR), Centre for Human Resource Development (CHRD), Population Research Centre (PRC), and Centre for the Study of Social Change and Development (CSSCD).

PhD and other Training Programmes

The Institute has a rigorous and well-established PhD teaching programme. It also allows part-time and external PhD students. Over the years, nearly 150 students have secured doctoral degrees from ISEC in various social science disciplines.

The institute has been regularly organising a number of training programmes, workshops and seminars. Courses are organized for officers of the Central and State Governments and for functionaries of different Non-Governmental Organizations on various subjects.

Linkages

ISEC maintains close functional linkages with the Ministries of the Central and State governments. It actively collaborates with multi-lateral agencies such as the World Bank, UN (ESCAP), and ADB, aid agencies like Swiss Agency for Development and Co-operation (SDC), Department of International Development (DFID), the Ford Foundation, GTZ, IDRC, ILO, FAO, IFPRI and UNDP.

**"I DO NOT WANT MY HOUSE
TO BE WALLED IN ON ALL
SIDES AND MY WINDOWS TO
BE STUFFED. I WANT THE
CULTURE OF ALL LANDS TO BE
BLOWN ABOUT MY HOUSE AS
FREELY AS POSSIBLE. BUT I
REFUSE TO BE BLOWN OFF
MY FEET BY ANY OF THEM.**

- MAHATMA GANDHI

