

Economic reforms, State domestic product and economic growth in the state of Jammu & Kashmir

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ABSTRACT: *Economic reforms in India were undertaken in the year 1991. The reforms necessarily laid there impact on every state of the country and its every economic sector. The impact of India's economic reforms on economic performance has been the subject of much academic study and public debate in India, but the focus has been largely on the performance of the economy as a whole or of individual sectors. The performance of individual states in the post-reform period has not received comparable attention so there are very good reasons why such an analysis should be of special interest. Further balanced regional development has always remained on top of the agenda in the national policy of India and it is relevant to ask whether economic reforms have promoted this objective or not. Jammu & Kashmir economy has not experienced the same rate of economic development as was experienced by the whole Indian economy and other neighbouring states. Therefore a legitimate question arises why J&K economy could not develop at a rate that has experienced by the Indian economy in the post-reform period. This study is an attempt in this regard where researcher wants to evaluate the impact of economic reforms on the state domestic product of the state of Jammu & Kashmir in comparison to the national economy to evaluate its performance and pattern. The study also brings to light the sectoral contribution of different sectors of economy in the post-reform period and the role played by each sector in the overall economic development of the state.*

KEYWORDS: *J&K Economy, Economic Development, State Domestic Product, Economic Reforms, Sectoral contribution*

Research methodology:

The State Domestic Product (SDP) commonly known as State Income is one of the important indicators to measure the economic development of the State. It also serve as an indicator to assess the status of the economy among the States in the Country as well as overall impact of various developmental programmes carried out by the government and gives insight of the strength and weakness in the operation of the economy over a period of time. In this research paper SDP is used to judge the economic performance of the state of Jammu & Kashmir. The whole study is based on secondary data collected by various state and national agencies, and logical conclusions are derived by applying Mean, Standard Deviation, coefficient of Variation and Paired T-test is used to test the validity of hypothesis.

Hypothesis: The following hypothesis is laid down for verification and conformation:

H₀: There is no significant impact of the economic reforms on the economic development of the state

I. INTRODUCTION

Economic reform means “revision” or “Alteration” of the economic policies of a community, nation or country. Reform in the words Re-Form means a change for the better as a result of correcting abuses, when the same is used in economic sense, then economic reforms mean to bring the change in the economy.

“Reform means a new approach to do things in a new and better way. Reform means that the government gives up its powers in areas where it does not need to be a policeman so that businessmen can spend more time strategising and running the business instead of worrying about taking approvals from the government and complying with regulations” Mr.Pranab Mukherjee .

Change is the only permanent thing in the world, so every individual, every society, every civilization, and every country changes with the changing times. India understood this reality better late than never ,In India major economic reforms has been undertaken since July, 1991 with the objective to free the Indian industrial sector from various controls and regulations. These significant economic reforms in India aimed at opening up of the economy, greater marketization and globalization in the country. The economic reforms programme in India was initiated to tackle the severe economic crises, With the advent of economic reforms much has been debated on their success or failure but the fact is that India’s recent progress toward economic growth stems

from reforms undertaken after the 1991 fiscal crisis, which lifted India from decades of slow growth under socialist rule and offered an opportunity to improve living conditions in the immense, poor country. And the recent growth has been impressive – among the highest growth rates in the world ⁽¹⁾. The reforms necessarily laid their impact on every state of the country and its every economic sector. But the impact seems negligible so far as state of Jammu & Kashmir is concerned. The impact of India's economic reforms on economic performance has been the subject of much academic study and public debate in India, but the focus has been largely on the performance of the economy as a whole or of individual sectors. The performance of individual states in the post-reform period has not received comparable attention so there are very good reasons why such an analysis should be of special interest. Here an attempt has been made in this paper to highlight the impact of economic reforms on the economic development of the J & K state. The rest of the paper is presented in to four sections. Section first contains a brief introduction of J&K state vis-à-vis its economy. Section two contains the empirical evidence on the economic growth pattern in the post-reform period. Contribution of different sectors in economic development is dealt in section Three and the concluding remarks are presented in the last section.

Section 1

II. JAMMU AND KASHMIR (STATE PROFILE)

Jammu and Kashmir, also known as the paradise on the earth the Asian Switzerland strategically located on the northern extremity of India. The state of Jammu and Kashmir is situated in extreme north of India between 32°-15' to 37°-5' latitude north and 72°-35' to 80°-20' longitude east ⁽²⁾. It is bordered by China in the north and east, by Afghanistan in north-west and by, Pakistan in west. Jammu and Kashmir is one of the ten special category states ⁽³⁾ of the country. It is the 11th largest state of India and accounting for 3.20% ⁽⁴⁾ of the total geographical area and ranks 19th most populous state of India and constitutes about 1% ⁽⁵⁾ of the total population of the country. Its contribution to the National income is just about 0.7%. What is more disturbing and alarming is that the contribution is on decline and has declined from 0.85% in 1999-2000 to around 0.7% at present. While as the National Income has grown at a robust rate of 8.2% during the last few years the State Income has grown at a much lower rate of about 6% ⁽⁶⁾. Jammu and Kashmir economy possesses almost all characteristics of an underdeveloped economy and continues to be predominantly agrarian and industrially backward state although the contribution of agriculture and its allied sectors towards GSDP (Gross State Domestic Product) has decreased from 51.05% in 1980-81 to 31% in 1999-00 and then 27% in 2005-06 and 20.59% in 2010-11 (Estimated). Individual share of agriculture in GSDP is estimated to be 8 to 9%. The state of Jammu & Kashmir is ranked at the 21st position in terms of per capita income among all the Indian states and 11th in agriculture ⁽⁷⁾. The Jammu and Kashmir economy depends mostly on traditional forms of occupation. The state is continuously affected by violence and insurgency and the economy of Jammu and Kashmir is an undeveloped one.

Unaffected and unaltered by modern day industrial developments and changing times, the indigenous traditional occupations of farming, animal husbandry and horticulture forms the backbone of the economy. The state economy due to various odds resulted in low economic activity, low employment and low-income generation. Jammu and Kashmir has always been characterised as a relatively backward economic region. The chief characteristics of the state are the predominance of the agricultural sector, low degree of urbanisation, inadequately developed infrastructure and low levels of investment although the state is vested with the substantial water resources, Mineral base, and is famous world over for its extraordinary handicrafts, handloom products, tourism, horticulture produce and cottage industry. While the state has enormous potential for the flourishing of various industries, still it is lagging behind in the field of industrialisation.

Section 11

III. POST-REFORM ECONOMIC GROWTH IN JAMMU & KASHMIR: EMPIRICAL EVIDENCE

The State Domestic Product (SDP) commonly known as State Income is one of the important indicators to measure the economic development of the State. In the context of planned economic development of the State, State Income and Per Capita Income (PCI) plays a vital role in formulation of policies by policy makers, planners and administrators. These estimates also serve as an indicator to assess the status of the economy among the States in the Country as well as overall impact of various developmental programmes carried out by the government and gives insight of the strength and weakness in the operation of the economy over a period of time. The State Domestic Product (SDP) is defined as the aggregate of the economic value of all goods and services produced within the geographical boundaries of the State counted without duplication during a specified period of time usually a year.

The estimates of State Domestic Product are prepared both at “current” and “constant” prices. The estimates of SDP at current prices are obtained by evaluating the goods and services at prices prevailing during the year. These estimates however, do not reveal the real economic growth; the estimates of SDP are also prepared by evaluating the goods and services at the prices that have been prevailing in the base year. These estimates are known as estimates of SDP at constant prices and are as such regarded as a real measure of the level of development of the economy in different time periods.

The GSDP (at current price) was Rs 15659.81 crores in the year 1999-2000 and the same has increased to Rs 54731.00 crores in the year 2010-2011 there by showing an increase from 6.64percent to 13.55 percent (Refer to Table1). But GSDP (at constant price) which is the real indicator of economic performance was Rs15659.81in the year 1999-2000 the same touched a mark of Rs38738.97 crores in the year 2010-2011.The growth rate has increased from 3.53percent to 6.63percent. If a careful analysis is made the annual average growth rate of GSDP at constant price (1999-2000) is 5.04 percent which is too low in comparison to the average national growth which stands at an average annual growth rate of about 7.31 %.(Table 2). The data presented in table 1 and table 2 respectively bring clearly this reality to light that state economy is lagging behind on the development front in comparison to the national economy. The trend in the development of Jammu & Kashmir is not encouraging it has lagging behind most of the states in regard to growth of NSDP at current prices. The average annual growth of NSDP at current price during 1980-81 to 1999-2000 was 12.45%for Jammu & Kashmir against 15.01% for Andhra Pradesh, 14.28%for Gujarat, 13.83% for West Bengal, and 14.30% for Kerala⁽⁸⁾

To judge the impact of economic reforms of 1991 a comparison of NSDP (J&K) at constant prices is made in the pre and post economic reform period. Table 3 brings the following results:

	NSDP Pre-reform period 1980-81 to 1991-92	NSDP post Reform period 1992-93 to 2002-03
MEAN	4406	9004
STANDARD DEV	356.20	3918.48
Coefficient Of Variation	8.08	43.52

Through this comparison it is absolutely clear that the economic performance of the state economy is more variable and less consistent in the post reform period. The coefficient of variation in for the pre-Reform period is 8.08% and the same for post-Reform period is 43.52% hence, it means that the economic reforms have not much affected the economy.

By applying “T- Test” to the data presented in Table 3 the calculated value of T = 0.24 and the table value for the same at 10d.f and 5% significance level is 1.812. By comparing the Table value of “T” with its calculated value we conclude:

- ❖ Calculated value is less than table value. i.e. $0.24 < 1.812$
- ❖ Therefore, H_0 (Hypothesis) already set is accepted that is “Economic reforms has no significant impact on the economic development of the state economy”.

The value of “T” is determined by applying following formula

$$T = \frac{r}{\sqrt{1 - r^2} \div \sqrt{n - 1}}$$

- Karl Parsons coefficient of Correlation (r) = 0.08⁽⁹⁾
- Degree of freedom (d. f) = (n-1) = (11-1) = 10

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IV. CONTRIBUTION OF KEY SECTORS IN THE ECONOMIC DEVELOPMENT OF STATE

Like any other economy Jammu & Kashmir also comprises the three main sectors: Primary sector, Secondary sector and tertiary sector. In 1947, at the time of the birth of India and Pakistan, the state of Jammu and Kashmir with a population of four million people, most of it concentrated in the fertile valley of the Jhelum River of the Indus River system, was one of the least developed regions in the Indian sub-continent. The economy of the state was overwhelmingly rural and agricultural in character. Nearly 90% of people lived in villages and derived their livelihood from agricultural and related pursuits using traditional and low productivity techniques⁽¹⁰⁾.

Since 1947 the state economy has gone tremendous structural shifts in terms of its sectoral share in NSDP and certain sectors are identified as key economic sectors underlying the present state of economic growth. The share of agriculture sector in NSDP in 1960-61 at current price was 76.17% while as that of industry was 9.97% and service sector 11.65%. which today constitutes the core sector of the economy. The relative shares of the sectors under reference have considerably changed over the period as is depicted in (TABLE 4). 47.4% in case of agriculture, 12.90% for industry, and 39.70% for services in 1980-81. The tendencies in structural shifts further accentuate to the extent that service sector is identified as the core sector of the economy While, agriculture sector share is declining sharply in line and tune with national level. In case of agriculture and its allied sectors the relative share in NSDP declined to 19.84%, industry increased to 25.93% and services to 54.23% in 2011-12. Table 4 clearly shows that the share of agriculture sector has declined from 76.17% to 19.84% hence a decline of 56.33% from 1960-61 to 2011-12. On the other hand industrial sector and service sector has shown increase in growth rate of 15.96% and 47.31% respectively in the same period.

Table 5 points towards the fact that the contribution of agriculture sector at national sector towards GDP is also declining but not a rate at which it is declining in case of the state economy. National economy has only shown a decline of 33.83% in comparison to state economy. State industrial sector is showing encouraging trend from 1960-61 To 2011-12 national economy has shown an increase of 7.08% but in the same period state industrial sector has shown an increase of 15.96% similarly service sector is showing much better performance in said period as there is only increase of 26.75% at national level but state has shown an increase of 47.31% in the same sector. Table 4 also brings this reality that the service growth in service sector is much consistent as compared to agriculture sector and industrial sector. The coefficient of variation calculated for economic sectors under consideration are: 43.75%, 37.27% and 32.54% for agriculture sector, industrial sector, and service sector respectively. The steep decline in the contribution of agriculture sector to the NSDP has become a matter of concern for stakeholders in the state.

Section IV

V. SUMMARY AND CONCLUSION

The economic reforms of 1991 laid their impact on every state and every sector of the economy but talking about the state of Jammu & Kashmir there seems not much impact of such reforms as is evident from the discussion in section 2nd that is the annual average growth rate of GSDP at constant price (1999-2000) is 5.04 percent which is too low in comparison to the average national growth which stands at an average annual growth rate of about 7.31%. Its contribution to the National income is just about 0.7%. What is more disturbing and alarming is that the contribution is on decline and has declined from 0.85% in 1999-2000 to around 0.7% at present. The growth rate of NSDP in the post-reform period is also less consistent, unstable and more vulnerable as compared to pre-reform period.

When students T test is applied on NSDP in the pre and post-reform period the outcome is:

Calculated value of $T = 0.24$ and the table value for the same at 10d.f and 5% significance level is 1.812. By comparing the Table value of "T" with its calculated value we conclude:

- ❖ Calculated value is less than table value. i.e. $0.24 < 1.812$
- ❖ Therefore, H_0 (Hypothesis) already set is accepted that is "Economic reforms has no significant impact on the economic development of the state economy".

The structural transformation that has taken place over a period of time has also affected the state economy. Agriculture sector once regarded as the backbone of state economy is losing grip because its share towards NSDP is continuously declining. It has declined from 76.17% in (1960-61) to 19.84% in (2011-2012). Although the contribution of agriculture towards SDP has fallen over the plan period, the dependence on agriculture has not declined substantially as majority of population still directly and indirectly depends on agriculture. Therefore, proper planning needs to be done to accelerate the performance of agriculture sector. The industrial sector which is closely related to Primary sector has shown an encouraging performance in the post-reform period. Although state of Jammu & Kashmir has poor industrial base due to various factors still over a period of time it shows momentum in growth as is evident that the contribution of industrial sector toward NSDP has increased from 9.97% to 25.93% between (1960-61) to (2011-12).

The service sector once treated as third grade sector in terms of its role in the economic development in the state but the reality is this in the post-reform period it has shown tremendous growth and is getting leading role in the state economic development. The service sector is going much ahead of agriculture sector and

industrial sector in terms of contribution towards NSDP. This sector has shown an increase from 13.86% to 54.23% from (1960-61) to (2011-12). There is no doubt in saying that service sector has now become the key sector of J&K state.

Economic reforms was undertaken to accelerate the growth of economic development in this country not only this but to achieve the objective of sustained and equal regional growth but the state of Jammu and Kashmir did not kept pace on development front with the nation and other neighbouring states due to certain reasons:

- ✓ The state has its varied and diversified geographic, agro-climatic and topographic features.
- ✓ Closed corner location.
- ✓ Remoteness and isolation from major markets.
- ✓ Scattered population.
- ✓ Small size of domestic market.
- ✓ Lack of economic infrastructure.
- ✓ Lack of political will and,
- ✓ Dislocation of normal civic life during the last two and a half decades.

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TABLE 1 Gross State Domestic Product of J&K state in post reform period

Years	GSDP in crores at current price	%age growth over previous year	GSDP in crores at constant price	%age growth over previous year
1999-2000	15659.81	****	15659.81	****
2000-2001	16699.53	6.64	16213.01	3.53
2001-2002	18039.35	8.02	16530.81	1.96
2002-2003	20325.91	12.68	17379.31	5.13
2003-2004	22194.43	9.19	18277.57	5.17
2004-2005	27304.63	23.02	27304.62	49.38
2005-2006	29919.85	9.58	28882.83	5.78
2006-2007	33230.11	11.06	30601.58	5.95
2007-2008	37098.63	11.64	32560.98	6.40
2008-2009	42314.84	14.06	34663.89	6.46
2009-2010	48197.15	13.90	36328.84	4.80
2010-2011	54731.00	13.55	38738.97	6.63

Source: Digest of statistics 2010-2011, Directorate of Economics and Statistics Govt. of Jammu & Kashmir

Note: Percentages are calculated by the scholar

TABLE 2 Comparative Growth of GDP and GSDP (percents) at constant price (1999-2000)

Year	GSDP(J&K)	GDP(India)
2000-2001	3.53	4.35
2001-2002	1.96	5.81
2002-2003	5.13	3.84
2003-2004	5.17	8.52
2004-2005	5.23	7.45
2005-2006	5.78	9.40
2006-2007	5.95	9.62
2007-2008	6.40	9.03
2008-2009	6.46	6.70
2009-2010	4.80	8.39
Average	5.04	7.31

Source: Economic Survey (2009-2010) Directorate of Economics and statistics Govt of Jammu & Kashmir.

Note: Mean calculated by the scholar

Table 3 A comparative analysis of Net state domestic product of Jammu and Kashmir State in the post and pre- reform periods at constant price

Serial no.	NSDP Before reforms of 1991(X)*	NSDP After Reforms of 1991(Y)**	Difference (X-Y)= D	(Difference) ² D ²
1	3883.56	5249.38	-1365.82	1865464.27
2	4007.11	5500.20	-1493.09	2229317.75
3	4137.99	5744.99	-1607	2582449.00
4	4345.66	6031.48	-1685.82	2841989.07
5	4445.38	6320.65	-1875.27	3516637.57
6	4503.15	6652.24	-2149.09	4618587.83
7	4010.87	7005.33	-2994.46	8966790.69
8	4545.25	13532.97	-8987.72	80779110.80
9	4646.03	13917.48	-9271.45	85959785.10
10	4915.46	14184.90	-9269.44	85922517.91
11	5026.03	14907.16	-9881.13	97636730.08
Total	48466.48	99046.78	$\Sigma D = (50580.29)$	$\Sigma D^2 = 376919380.07$

Source: Data taken from Digest of Statistics (2010-2011) and Report on NSDP (2009) by Directorate of Economics and Statistics Govt. of J&K.

*NSDP before reforms is taken from 1981-82 to 1991-92 with 1993-94 prices as base.

**NSDP After reforms are taken for the period between 1992-93 To 2002-03 with 1999-2000 prices as base.

Note: Calculations are made by the scholar.

Table 4 Percentage distribution of Net State domestic product by sectoral break up at current price Jammu & Kashmir

Year	Agriculture sector	Industrial sector	Service sector
1960-61	76.17	9.97	13.86
1970-71	56.63	14.57	28.80
1980-81	47.40	12.90	39.70
1990-91	43.29	13.22	43.49
2000-01	33.01	21.68	45.33
2010-11	21.10	28.94	49.95
2011-12	19.84	25.93	54.23
Percentage increase/Decrease	(56.33)%	+15.96	+40.37
Mean	42.49	18.17	39.34
Standard deviation	18.59	6.77	12.80
C.V	43.75%	37.27%	32.54%

Source: Taken from PhD thesis of Afshan Mudasir submitted to Kashmir university (2012) P₂₅

Figure in brackets represents negative.

Statistical values calculated by the scholar(Mean, S.D, C.V)

Table. 5 Percentage share of principle sectors in GDP at factor cost by industry origin at current price in Indian economy.

Year	Agriculture	Industry	Service
1960-61	49.80	17.92	32.28
1970-71	43.85	21.42	34.73
1980-81	38.31	23.04	38.65
1990-91	33.00	24.15	42.85
2000-01	25.27	24.35	50.38
2011-12	15.97	25.00	59.03
Percentage increase/Decrease	-33.83%	+ 7.08%	+26.75%

Source: Prepared by scholar