Impacts on Resource Requirements to Achieve Planned Targets in India Using a Study Based on Leontief & Ghosh model

Topic: Input-output analysis for policy making 2
Author: Priyam Sengupta

The Indian growth story has been fabulous in many respects. Starting from Independence, Indian growth dynamics has largely been spearheaded by government policies. The broad policy framework of Government of India has been quite effective in bringing about a phenomenal rise in growth rates. Since second plan, India realized the need for heavy industries and accordingly started allocating resources in these sectors. Infrastructure building was another priority area where Indian policy makers subsequently concentrated. It has been observed that both for heavy industries and infrastructure, some key sectors play crucial role as most important raw materials. The economic reform in 1990s brought a significant shift in structural pattern of Indian economy, but that too relied heavily on performance of the key sectors. Most recently, world wide economic recession has even intensified the importance of these key resources for economic development. Incidentally, resource rich countries like China and India has been least affected by the perils of global recession. This paper examines the importance of “key sectors” of India in an explicit manner to achieve few targeted benchmarks by 2020. More particularly, our study wants to find the desired production level of “key sectors” to take “Electricity” and “Transport” sector on to the targeted growth trajectory fixed by Government of India under various flagship schemes (like “Bharat Nirman”, “Vision 2020”, “JNURM” etc).

The paper develops a modified input-output (I-O) framework based on Leontief and Ghosh approach for analysing resource mobilization issues to sustain long-term development in an economy like India. We have tried to set a kind of one-to-one correspondence between mobilization / utilization of “key resources” with growth of two most important infrastructure sectors, i.e. Electricity and Transport. By “Key Resources” we mean some very fundamental raw materials like Coal and Iron Ore which are required to establish heavy industries and which in turn catalyse the process of industrialization. We have taken 2003-04 Input-Output Transaction Table (IOTT) of India for our analysis. Focus of our study would remain on measuring impacts on some suitably aggregated “Key Resources” as well as on “Other Sectors” of the economy so that the nationally set yardsticks in “Transport” & “Electricity” sectors could be achieved. Our findings throw a glimpse of light on to the picture of what the country needs to produce in terms of “key resources” to complement Government’s ambitious plans. This study is now of importance since the “Approach Papers” for Twelfth Five Year Plan (2012 -17) are now being finalized by the Planning Commission of India. In this situation, planners must carefully introspect on the underlying input requirements to support planned targets.