

## **Linkage and vertical integration of the indian economy with special reference to service industry**

Topic: Impact Analysis 1

Author: Probir Karar

The input-output model, sometimes called the Leontief Model for its originator W.W. Leontief (1951) provides a multi sectoral analysis with empirical orientation. In growth and planning exercises, knowledge of input-output relationship is of great use when growth is based on the expansion of domestic demand and when there is considerable interdependence between sectors. It is argued that typically in developing countries the backward and forward linkages between sectors are not very great (Thirlwall,1985). But, this paper shows, criticizing the traditional concept of backward and forward linkages, and using the concept of vertical integration (Sraffa, 1960 & Pasinetti, 1973) and thereby constructing an index based on this concept, how one can identify key industries in input-output analysis. It has been shown that it is possible to measure the dormant capability that any sector has on any other by estimating the value added of vertically integrated sector. By utilising the Input-Output Transaction (commodity × commodity) Table of 2003-04 of the Indian economy at factor cost, as published by Central Statistical Organisation (CSO), Ministry of Planning & Programme Implementation, Government of India, we have shown that Trade, Land Transports, Banking, Construction, Education & Research, Computer Related Services, Medical & Health and Communication sectors among the Services Sector, can play a crucial role in the economic development and also can outline the alternative routes of the development strategies to follow in future.