

CHAPTER - 1

ECONOMY

INTRODUCTION

1.1 Rajasthan is the largest state of India with 10.4 % of the geographical area. Spread over 3.42 lakh sq. kms., the State is administratively divided into 7 divisions and 33 districts, 188 sub-divisions, 241 tehsils and 237 development blocks. Pratapgarh, a new district was created in 2008.

1.2 Rajasthan has a long international border of 1040 Kms. with Pakistan. The most conspicuous geographical feature of Rajasthan is the Aravallis hill range running through north-east to south-west across the State. The region to the west and north-west of this range, comprising of 11 districts and about 61.11 percent of the total area of the State is predominantly arid and semi arid, and includes the vast Great Indian Desert - the Thar. The area to the south and south east of the Aravalis is relatively fertile and densely populated. Predominantly an agrarian State, and due to its vast area, and scattered population, the cost of delivery of basic minimum services to its people is very high.

1.3 More than 40 years of the last six decades have been drought years for Rajasthan. This has harshly affected the State's economy. Water, employment and safeguard measures for survival of the livestock population have become the main worries of the Government in these drought years. Without any doubt, these efforts have huge financial implications. The situation is more alarming in the drought years because agriculture sector continues to be the main source of livelihood for about 70 % of people. Most of the State is dependent on groundwater, both for irrigation as well as for drinking water. Due to sharp increase in human and livestock population there has been tremendous increase in the biotic pressure on the fragile resources of this desert State and rapid decline in the groundwater level.

1.4 Rajasthan has only 1.04 per cent water resources of the country. With short and erratic monsoon, Rajasthan is the most water deficient State in the country. The severity of this can be best appreciated by the following table:

Table No. 1.1

1.	Geographical land mass	10.41 percent
2.	Population (2001 census)	5.49 percent
3.	Availability of water resources	1.04 percent

1.5 Agriculture in Rajasthan is mostly dependent on monsoon and its duration is also very short. The average rainfall of the State is 580 mm. The average rainfall is ranging from less than 100 mm

in Jaisalmer to 1000 mm in Chittorgarh, Jhalawar, Baran and Kota. The average rainfall in western and eastern parts of Rajasthan is 310 mm and 700 mm respectively. Nearly 90 per cent of rains are received in Kharif (June/July to September). While the development of water resources has always been the top priority in Rajasthan, water harvesting and conservation efforts have nevertheless been hampered due to inadequacy of resources.

1.6 According to Census 2001, population of Rajasthan is 5.65 crores which is 5.49 per cent of the country's total population. During 1991-2001, the decadal growth rate was 28.41 per cent. The population density increased to 165 persons per sq. km. (129 in 1991). Decadal growth in population is higher than the national average. The SC population in the State is 17.2 per cent and ST population is 12.6 per cent of the total population.

1.7 The salient features of the State vis-a-vis India are given in the table below:

Table No. 1.2
Socio-Economic Indicators

S. No.	Indicators	Year	Unit	Rajasthan	India
1.	Geographical Area	2001	Lakh Sq. Km.	3.42	32.87
2.	Population	2001	In lakhs	565	10287
3.	Decadal Growth	2001	Percentage	28.41	21.54
4.	Density of Population	2001	Per Sq. Km.	165	325
5.	Urban Population to total Population	2001	Percentage	23.39	27.78
6.	Sex Ratio	2001	Per 000 of Male	921	933
7.	SC Population to total Population	2001	Percentage	17.2	16.2
8.	ST Population to total Population	2001	Percentage	12.6	8.2
9.	Human Dev. Index	2001	Value	0.424	0.472
10.	Literacy				
	Total	2001	Percentage	60.4	64.8
	Female	2001	Percentage	43.9	53.7
	Male	2001	Percentage	75.7	75.3
11.	Birth Rate	2007	Per '000	27.9	23.1
12.	Death Rate	2007	Per '000	6.8	7.4
13.	Infant Mortality Rate	2007	Per '000	65	55

S. No.	Indicators	Year	Unit	Rajasthan	India
14.	Life expectancy at Birth				
	Male	2001-06	Years	62.2	63.9
	Female	2001-06	Years	62.8	66.9
15.	BPL Population based on Uniform Recall Period (URP)				
	Total	2004-05	Percentage	22.1	27.5
	Rural	2004-05	Percentage	18.7	28.3
	Urban	2004-05	Percentage	32.9	25.7
16.	Gross Domestic Product at constant prices (base year 1999-2000)	2007-08	'000 crores Rs.	126.00	3129.72
17.	Per-capita income at constant prices (base year 1999-2000)	2007-08	Rs.	17334	24295
18.	Per-capita Bank Deposit	March, 08	Rs.	11315	28206
19.	Per-capita Bank Credit	March, 08	Rs.	9283	20918
20.	Credit-Deposit Ratio	March, 08	Percentage	96.61	73.91
21.	Road Length per 1000 sq. km. of Area	March, 03	Km.	447.06	768.42
22.	Railway Route Length per 1000 sq. km. of Area	As on 31.3.07	Km.	17.27	19.26
23.	Per-capita Availability of Foodgrains	2007-08	Gms. per Day	682	552
24.	Percentage of Forest Area to Geo. Area	2005	Percentage	9.49	23.41
25.	Per-Capita Consumption of Power (Utilized & Non-Utilized)	2006-07	Kwh	591	672

Structure of Rajasthan's Economy

1.8 Rajasthan's economy is predominantly agrarian and rural in nature and there are wide fluctuations in the growth rate of the Net State Domestic Product owing to uncertainties in agricultural production, which is almost entirely dependent on rainfall. Agriculture provides livelihood to almost two thirds of the population and contributes about 30 per cent to the NSDP. However, more than 60 per cent of the cropped area in Rajasthan is rainfed.

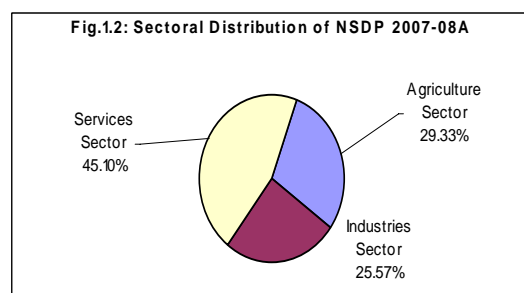
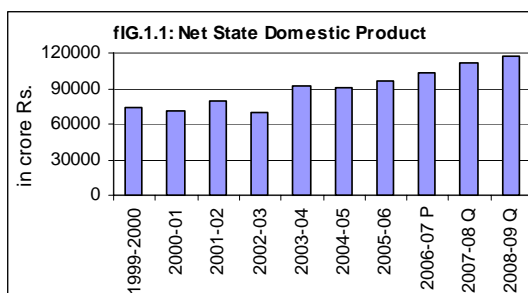
Table No. 1.3
Net State Domestic Product by Sectors at Constant (1999-2000) Prices

(Rs. in lakhs)

Year	Agriculture Sector	Industries Sector	Services Sector	Net State Domestic Product
1999-2000	2352954	1857112	3207319	7417385

Year	Agriculture Sector	Industries Sector	Services Sector	Net State Domestic Product
% distribution	31.72	25.04	43.24	100.00
2000-01	2196453	1736273	3243681	7176407
% distribution	30.61	24.19	45.20	100.00
2001-02	2794063	1769164	3430377	7993604
% distribution	34.95	22.13	42.92	100.00
2002-03	1810404	1883453	3339461	7033318
% distribution	25.74	26.78	47.48	100.00
2003-04	3374630	2110663	3785926	9271219
% distribution	36.40	22.77	40.83	100.00
2004-05	2889633	2277553	3877273	9044459
% distribution	31.95	25.18	42.87	100.00
2005-06	2853855	2554820	4198226	9606901
% distribution	29.71	26.59	43.70	100.00
2006-07 P	3033695	2748634	4579292	10361621
% distribution	29.28	26.53	44.19	100.00
2007-08 Q	3236253	2909938	4960785	11106976
% distribution	29.14	26.20	44.66	100.00
2008-09 A	3444230	3002428	5295633	11742291
% distribution	29.33	25.57	45.10	100.00

(P) Provisional estimates, (Q) Quick Estimates, (A) Advance Estimates.



1.9 The contribution of the agriculture sector including agriculture, animal husbandry, forestry and fishing towards NSDP was 31.72 per cent in 1999-2000, rose to 36.40 per cent in 2003-04 and again declined to 29.33 per cent in 2008-09. Its contribution was lowest at 25.74 per cent in 2002-03. Share of agriculture sector in NSDP has declined during the last six decades yet it continues to be a very important sector as it

employs around two third of the workforce. The performance in agriculture sector continues to be essentially monsoon driven.

1.10 The Industries sector includes mining, manufacturing (registered & un-registered), construction, electricity, gas & water supply. During the last 10 years, contribution of this sector was around 25 per cent. This was highest at 26.78 per cent in 2002-03 and lowest at 22.13 per cent in 2001-02.

1.11 The Services sector consists of railways & other transport, storage, communication, trade, hotel & restaurant, banking & insurance, ownership of dwellings, legal services, business services, public administration and other services. Contribution of this sector in NSDP was lowest at 40.83 per cent in 2003-04 and highest at 47.48 per cent in 2002-03. The contribution of the services sector in the economy of Rajasthan is restricted due to inadequate availability of skilled manpower.

1.12 If composition of NSDP during last 10 years is analyzed, contribution of Industries sector remained almost around 25 per cent but Agriculture & Services sectors show the autocorrelation with vice-versa decreasing and increasing trends.

1.13 The composition of Gross State Domestic Product by broad sectors of economy from the year 1999-2000 onwards at constant prices (1999-2000), is depicted in the following table:

Table No. 1.4
Gross State Domestic Product by Sectors at Constant (1999-2000) Prices

(Rs. in lakhs)				
Year	Agriculture Sector	Industries Sector	Services Sector	Gross State Domestic Product
1999-2000	2454366	2330558	3487047	8271971
% distribution	29.67	28.18	42.15	100.00
2000-01	2303891	2252311	3549757	8105959
% distribution	28.42	27.79	43.79	100.00
2001-02	2909013	2308121	3769745	8986879
% distribution	32.37	25.68	41.95	100.00
2002-03	1934149	2445834	3717380	8097363
% distribution	23.89	30.20	45.91	100.00
2003-04	3507892	2714997	4196002	10418891
% distribution	33.67	26.06	40.27	100.00
2004-05	3029145	2893127	4303544	10225816
% distribution	29.62	28.29	42.09	100.00
2005-06	3002351	3242967	4665429	10910747
% distribution	27.52	29.72	42.76	100.00

Year	Agriculture Sector	Industries Sector	Services Sector	Gross State Domestic Product
2006-07 P	3191685	3498218	5073130	11763033
% distribution	27.13	29.74	43.13	100.00
2007-08 Q	3405652	3708459	5485613	12599724
% distribution	27.03	29.43	43.54	100.00
2008-09 A	3614131	3827363	5848897	13290391
% distribution	27.19	28.80	44.01	100.00

(P) Provisional estimates, (Q) Quick Estimates, (A) Advance Estimates.

1.14 The per capita income of the State vis-a-vis All India Average both at current prices and constant prices (1999-2000) from 1999-2000 to 2008-09 are given in the following table:

Table No. 1.5
Per Capita Income

(In Rs.)

Year	At Current Prices		At Constant Prices (1999-2000) Prices	
	All India	Rajasthan	All India	Rajasthan
1999-2000	15881	13619	15881	13619
2000-01	16688	13020	16173	12840
2001-02	17782	14098	16769	13933
2002-03	18885	13128	17109	12054
2003-04	20871	16507	18301	15579
2004-05	23198	16874	19331	14908
2005-06	26003	17997	20868	15541
2006-07(P)	29524	20507	22580	16460
2007-08(Q)	33283	23053	24295	17334
2008-09(A)	38084	25654	25661	18010

(P) Provisional estimates, (Q) Quick estimates, (A) Advance estimates

1.15 The gap between the per capita income at National and State levels is due to faster growth of population in the State which curb the overall growth and repeated droughts, affecting production in agriculture and allied sectors.

1.16 The position of Plan-wise growth rate in NSDP, and Per Capita Income at 1999-2000 prices is as under:

Table No. 1.6
Plan Period-wise Average Growth Rates in NSDP and Per Capita Income
at Constant (1999-2000) Prices

Period	Agriculture	Industry	Services	NSDP	PCI
III Plan Period 1961-66	1.51	3.39	2.16	1.86	-0.50

Period	Agriculture	Industry	Services	NSDP	PCI
Annual Plans 1966-69	-1.60	-0.56	4.49	0.10	-2.17
IV Plan Period 1969-74	12.35	4.58	3.58	7.71	4.34
V Plan Period 1974-79	4.76	5.93	6.32	5.34	2.38
Annual Plan 1979-80	-24.07	-4.97	-2.40	-14.21	-16.61
VI Plan Period 1980-85	8.99	2.91	4.52	6.20	3.26
VII Plan Period 1985-90	9.74	7.84	11.36	8.29	5.69
Annual Plans 1990-92	8.07	21.72	10.45	11.16	8.79
VIII Plan Period 1992-97	9.04	8.32	7.76	8.08	5.44
IX Plan Period 1997-02	2.05	7.72	6.13	4.59	1.95
X Plan Period 2002-07	8.38	9.24	6.10	6.29	4.32
XI Plan 2007-12 (only 2007-09)	6.55	4.52	7.54	6.46	4.60
Long Term 1961-2009	5.93	6.16	5.97	5.48	2.88

1.17 Monsoon is the main determining factor in the estimation of State Domestic Product in the State which could be seen in the year to year fluctuations. This makes analysis of the pattern difficult, as it is possible to generate any growth pattern, merely by changing the base and the terminal years. Therefore, the plan period wise growth rates shown above need to be interpreted with great caution as they often indicate merely whether the first year of the plan was with good or bad monsoon. NSDP shown a good growth track but it has been curbed by population growth which could be seen by growth in per capita income.

1.18 Table 1.6 shows that during last five decades, agriculture growth has remained lower than the growth rates witnessed in the industrial and services sectors. These inter-sectoral differences in the growth performance raises the issue of differential growth in per capita income of the people engaged in agriculture relative to those employed in other sectors.

Recent Developments and Initiatives to boost Economic Activity at the State Level

1.19 The global financial crises and the recessionary trends have impacted the national economy. By December, 2008 Rajasthan had spent around 70% of targeted plan expenditure of Rs. 14,020 crores. The pace stands accelerated however, there is a risk of Plan expenditure getting decelerated on account of the overall tax collections witnessing a decline during the third quarter of the current fiscal. In Rajasthan, the collections from Value Added Tax have risen by just 9.78 per cent in November 2008 as compared to cumulative growth of 24.65 per cent between April-October, 2008. Registration and Stamps as well as

Transportation are showing negative growth even in gross terms. Along with lower tax receipts by the State, the lower collections in Central Taxes would also hurt state finances.

1.20 The effects of the recession is being felt most harshly amongst the weaker sections of society, including the castes and the tribes, the minorities, the handicapped and so on. In Rajasthan also reports of job losses and lost opportunities are coming in.

1.21 The tourism sector has been also severely affected due to recessionary trends and other reasons beyond the control of the State Government. In such circumstances, it is necessary to give due attention to the social sector including crafts, handicrafts, gem & jewellery and garments and textile sector. Exports have declined in the last quarter.

1.22 While protection has to be given through individual beneficiary and area development programmes that help the vulnerable sections of our society, economic and financial difficulties should not be allowed to impinge upon such programmes.

1.23 Rajasthan has on its part taken steps to minimise this impact by taking a number of steps to deal with the emerging challenge. Acutely aware of the need to supplement efforts being made by the Government of India, the State is making all efforts to provide a contra-cyclical stimulus via enhanced Plan expenditure in the current year as well as in the next year. The initiative taken by the Government of India to stimulate the economy through a number of monetary and fiscal steps, including acceleration in plan expenditure of major schemes and programmes, would undoubtedly help the economy to weather the storm of global crisis.

1.24 Rajasthan has taken all possible steps to speed up expenditure, both under State Plan as well as Central Sector Programmes and Centrally Sponsored Schemes. By December, 2008 Rajasthan had spent around 70% of targeted plan expenditure of Rs. 14,020 crores and the Revised Estimates for 2008-09 has been taken at Rs. 14,915 crores. Similarly, expenditure under Central Sector Programmes and CSS is also taking place at a brisk pace.

1.25 The State has prepared an Action Plan for January-March, 2009 with well defined goals and targets. The Action Plan Reviews are done every fortnight to ensure effective and smooth implementation of schemes and projects.

1.26 Inline with the several measures to stimulate the economy announced by the Government of India and facility of additional market borrowings, Rajasthan has made provisions to absorb additional funds under PMGSY, JNNURM, NREGA, Indira Aavas Yojana, ARWSP and many other programmes.

1.27 Under NREGA, as against anticipated and budgeted expenditure of Rs. 4600 Cr. in the current year, Rajasthan had spent Rs. 4100 Cr. by December, 2008 and expect to reach the level of Rs. 5700 Cr. by March, 2009. Rajasthan accounts for around 20% of the total expenditure in the country under this programme.

1.28 Rajasthan would be achieving the target of road connectivity under PMGSY and Bharat Nirman in 2008-09 by covering all the habitations of 500 and above in general areas and 250 and above in Tribal/Desert areas except a limited number of habitations where work is held up due to litigation or otherwise.

1.29 In the year 07-08, Rajasthan accounted for 24% of the road length constructed and 27% of habitations connected in the country.

1.30 Expenditure level has also gone up significantly in National Rural Health Mission, JNNURM, Indira Avas Yojana and other programmes. The pace of implementation stands sufficiently accelerated in the State.

1.31 Since Rajasthan would be achieving the target of connecting habitations under PMGSY and Bharat Nirman in the current year itself. The State intends to take up habitations in the lower population range of 250-499 in the general areas and 150-249 in the tribal and desert areas.

1.32 In NREGA works, considering the requirement of providing job within 5 Kms. of the residence of a job seeker, there is limitation of having productive and useful works in many Panchayat areas-particularly in desert region from within the list of permissible works. Flexibility to take up other works as per need and requirement is of great importance for Rajasthan considering that expenditure under NREGA is extremely high, being more than 1/3rd of the State's plan spending. The Planning Commission and Government of India were requested to provide specific relaxations to Rajasthan in the meeting on economic stimulus.

1.33 The steps being taken by the State Government to support the initiatives of the Government of India, in bringing back the economy to earlier high growth path through enhanced plan expenditure in 2009-10 would provide fillip to the economy at this critical juncture.