

Resource Flows between Agriculture and Non-agriculture: The Indian Experience

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Development theory suggests that a transfer of resources from agriculture to industry constitutes a necessary condition for the development of developing economies. There are notable exceptions to this proposition which argues that in the contemporary Asian context many economies would actually require a reverse transfer of resources into agriculture. Only through a detailed study of long run Inter-Sectoral resource flows can one establish either point of view. Utilising a more appropriate and comprehensive time series data and methodology, this paper attempts to establish as firmly as possible the precise empirical position regarding net resource flow between agriculture and non-agriculture in India during the period, 1950-51 to 1987-88. Our estimates indicate that there has been a net resource inflow into the agricultural sector in India. The quantum of this inflow showed a fluctuating trend in real terms (increasing mildly in nominal terms) up to the mid-sixties, but has tended to increase quite sharply, both in nominal and real terms, since the mid-sixties. Our analysis suggests that the observed resource inflow takes place through public institutions and the government exchequer.

I Introduction

The objective of this paper is to estimate and analyze the resource flows between agriculture and non-agriculture in India for the period 1950-51 to 1987-88. The direction and magnitude of these resource flows have been recognized as important determinants of the pattern of development. Development theory, both in the Preobrazhensky (1965) version of the 'primitive accumulation' and in the Fei-Ranis version (1961, 1964) of the dualism theory, suggests that a net outflow of resources from agriculture to industry should be generated to promote rapid expansion of the non-agricultural sector. There are notable exceptions to this point of view. For instance, Ishikawa (1967) argues that in the contemporary Asian context many economies would actually require a reverse transfer of resources into agriculture.

It is obvious that only through a detailed study of inter-sectoral resource flows can one establish either point of view. In this context, the lack of any long-run estimates of inter-sectoral resource flow for post independence India has been somewhat surprising since Indian's experience has been cited both as a case for resource outflows and inflows (Fei and Ranis, 1964; Ishikawa, 1967; Lipton, 1978; Mundle, 1981; Mody, 1981). The persisting uncertainty about the actual resource flow experience of contemporary India is unavoidable given the non-availability of necessary data for constructing reasonably

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