

## **Input-Output Linkages in Key Sectors: Case Study of Karnataka**

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*This paper uses a hybrid method to construct a state level input-output (IO) table for Karnataka. It is constructed with the help of the national coefficient table, the output statistics of Karnataka, state level data and primary survey of key sectors. Two new sectors- Alcohol and IT sectors- have been added to standard All-India input-output sectors for the Karnataka IO table. The latter is then used to develop a 34 sector IO model and the multipliers which are used to carry out policy analysis with alternative scenarios.*

### **Introduction**

Identification of key sectors in an economy is useful for development policy. Much of this work is based on linkage analysis which originated with Rasmussen's (1957) and Hirschman's (1958) specification of linkage measures. Much of linkage analysis in developing countries is carried out at the national level with a few exceptions. (*see* for example, Hewings and Romanos 1981, Bell, Hazell, and Slade 1982, Round 1986).

The linkage analysis was introduced in the field of input-output in the pioneering work of Chenery & Watanabe (1958), Rasmussen (1956) and Hirschman (1958). Thereafter this analysis has been improved and expanded and many different methods have been proposed for the measurement of linkages coefficient. The linkage analysis is suitable for the formation of development strategies and for policy analysis. Backward and forward linkages can be used to identify key sectors in an economy. The key sectors utilize products of other sectors in the production process on the one hand and on the other, their output is used by other sectors as intermediate products in the production processes. Planning can be guided by this knowledge as investment in key sectors would

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