Economic Performance of Seventeen Major States during 2004-05 to 2008-09

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This paper is an attempt to analysis the issue of inter-state disparities in the growth of Gross State Domestic Product (GSDP) and Per Capita Net State Domestic Product (NSDP) of the seventeen major states beginning from the 2004-05 to 2008-09.[2]

Finding of this research shows that inter-regional disparities in the growth of Gross State Domestic Product (GSDP) and Per Capita Net State Domestic Product (NSDP) of seventeen major states have decreased from 49.8 to 27.2 and 71.2 to 33.5 respectively in the recent years i.e. from 2004-05 to 2008-09.

The paper has been divided into five sections. Section I presents introductory part of the paper and also focuses on objectives, literature review and methodology

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[2] My research paper entitled "Economic Reforms and Interregional Disparities", published in an International Journal, 'Journal of Global Economy', Vol. 4, No. 4, describes that inter-regional disparities in the growth of Gross State Domestic Product (GSDP) and in the growth of Per Capita Net State Domestic Product have decreased from 78.1 to 22.2 and 107 to 26.8 respectively in the recent years i.e. from 2000-01 to 2005-06. Almost supporting this fact, S Swaminathan, writes in his article entitled 'Fast growth trickles up from the states', in 'The Economics Times', dated 6th January 2010, that backward states have started doing well too.

of the paper. Section II analysis estimated growth of GSDP and Per Capita GSDP of the 14 major states in the pre-reform period 1980-81 to 1990-91 and in the post-reform period 1991-92 to 1998-99. This section also compares the performance of these states during these two decades. Section III presents the estimated growth of GSDP and Per Capita NSDP of the seventeen major states in the period of 2004-05 to 2008-09. This section also compares the performance of these states during these periods of time. Section IV finds causal factors of the high growth rate of backward or poor states. Section VI presents findings and concluding remarks.

Key words: Gross State Domestic Product, Per Capita GSDP, Economic Reforms, Miracle Growth.

OBJECTIVES:

1. To present the estimated growth of GSDP and Per Capita GSDP of the fourteen major states in the pre-reform period (1980-81 to 1990-91) and in the post-reform period (1991-92 to 1998-99) and also to compare the performance of these states during these two decades.
2. To present the estimated growth of GSDP and Per Capita NSDP of the seventeen major states in the period of 2004-05 to 2008-09 and also to compare the performance of these states during these periods of time.

LITERATURE REVIEW:

1. Rao, C.H. Hanumantha (2005), describes that inter-state disparities in growth of Gross State Domestic Product (GSDP) have increase in the post-economic reform period beginning from the early nineties when compared to the eighties.
2. S Swaminathan (2010), writes that poor states have done very well too in last five years starting 204-05 to 2008-09.
3. Shukla Rajesh (2010), writes that a multi-pronged approach is needed to ensure that the benefits of high GDP growth rates trickle down to the remotest households in urban and rural India.
4. Narendranath Kg & Prasad Gireesh (2010), writes in his article that boom in construction, communication, banking & insurance has created lakhs of low-skill jobs in backward states recently.

METHODOLOGY:

The present study is mainly based on secondary data. In order to measure inter-states disparities amongst the Indian states, GSDP and Per Capita NSDP of seventeen major states have taken into consideration, in the period of 2004-05 to 2008-09. The coefficient of variation (CV) of year – to – year growth rates for a state is used as a measure of inter-state disparities because it is a normalized measure of dispersion of a probability distribution.[3]

SECTION: II

Inequalities In Growth Rate Of Gross State Domestic Product

Table 1 presents the estimated growth rates of GSDP in the 14 major states in the pre-reform period 1980-81 to 1990-91 and in the post-reform period 1991-92 to 1998-99.

Table – 1 Growth Rate of Gross State Domestic Product

No.	State	1980-81 to 1990-91	1991-92 to 1998-99
1	Bihar	4.66	2.88
2	Rajasthan	6.6	5.85
3	U.P	4.95	3.58
4	Orissa	4.29	3.56
5	M.P.	4.56	5.89
6	A.P.	5.65	5.2

3 Formula: Co. Variation in terms of GSDP

Co. Variation =STDEV(GSDP of Seventeen Major States)/Combine GSDP*100

Formula: Co. Variation in terms of Per Capita Net State Domestic Product

Co. Variation =STDEV(Per Capita NSDP of Seventeen Major States)/Combine GSDP*100

7	Tamil Nadu	5.38	6.02
8	Kerala	3.57	5.61
9	Karnataka	5.29	5.87
10	W.B.	4.71	6.97
11	Gujarat	5.08	8.15
12	Haryana	6.43	5.13
13	Maharashtra	6.02	8.01
14	Punjab	5.32	4.77
	Combine GSDP of 14 States	5.24	5.90
	GDP	5.47	6.50
	Co. Var	16	28

Source: Ahluwalia, M.S.[4]

The following conclusions are worth noting.

1. The growth rate of the combined GSDP of all the 14 states taken together increased from 5.24% in the pre-reform period to 5.9% in the post-reform period. This acceleration in the combined GSDP is similar to the picture that emerges from the national accounts, except that the post-reforms acceleration of GDP in the national accounts is much sharper. GDP grew at 5.5% per year in the first period, which was only marginally faster than the 5.2% growth recorded by the combined GDP of the 14 states. However, GDP growth accelerated to 6.5% in the second period, which was much faster than the 5.9% growth in the combined GSDP. The faster growth recorded in the national accounts probably reflects the impact of the revision in the national accounts GDP series introduced from 1993-94 onwards. It is possible that if the GSDP data were revised similarly, the growth rates of GSDP of the different states in the second period would be correspondingly higher.

4 "State Level Performance Under Economic Reforms in India," Paper presented at the Centre for Research on Economic Development and Policy Reform Conference on India Economic Prospects: advancing Policy Reform, May 2000; Stanford University.

2. There is variation in growth performance across states in both periods, with some states growing faster than others, but the degree of dispersion in growth rates increased very significantly in the 1990s. The coefficient of variation of the growth rates increased from 16 in the first period to 28 in the second, which means that economic reforms, has increased disparities in terms of GSDP amongst states during 1990s. The range of variation in the first period was from a low of 3.6% per year for Kerala to a high of 6.6% in Rajasthan, which gives a ratio of 1.8 between the highest and the lowest. In the second period, the range increased from a low of 2.9% per year for Bihar to a high of 8.2% for Gujarat, increasing the ratio to 2.8.

3. Only four states achieved relatively strong growth with growth rates of GSDP in the 1990s above 6.0 per cent in the second period. These states are Gujarat (8.2%), Maharashtra (8.0%), West Bengal (7.0%) and Tamil Nadu (6.0%) In addition, Madhya Pradesh, Rajasthan and Karnataka all grew at 5.9%, which is almost at the 6% level.

4. An interesting feature of the performance in the 1990s is that the popular characterisation of the so called BIMARU states (Bihar, Madhya Pradesh, Rajasthan and UP) as a homogeneous group of poor performers, a grouping originally proposed in the context of observed commonalities in demographic behaviour, does not hold as far as economic performance in the post-reforms period is concerned. Bihar and UP performed very poorly, growing much more slowly than the average, but the other two members of this group, Rajasthan and Madhya Pradesh have performed reasonably well. Rajasthan shows a deceleration in growth of GSDP compared with the 1980s, but it remained a good performer in the 1990s growing at about the average for all states. Madhya Pradesh on the other hand, which had grown more slowly than the average in the 1980s, accelerated significantly in the 1990s.

INEQUALITIES IN GROWTH RATE OF PER CAPITA GROSS STATE DOMESTIC PRODUCT:

Table 2 presents the estimated growth rates of Per Capita GSDP of the 14 major states in the pre-reform period 1980-81 to 1990-91 and in the post-reform period 1991-92 to 1998-99.

Table - 2

Per Capita Gross State Domestic Product at Current Price (%)

No.	State	1980-81 to 1990-91	1991-92 to 1998-99

1	Bihar	2.45	1.27
2	Rajasthan	3.96	3.48
3	U.P	2.6	1.28
4	Orissa	2.38	2.08
5	M.P.	2.08	3.67
6	A.P.	3.34	3.67
7	Tamil Nadu	3.87	4.78
8	Kerala	2.19	4.35
9	Karnataka	3.28	4.08
10	W.B.	2.39	5.14
11	Gujarat	3.08	6.37
12	Haryana	3.86	2.85
13	Maharashtra	3.58	6.19
14	Punjab	3.33	2.93
	Combined GSDP 14 States	3.03	4.02
	Co. Var	22.01	42.70

Source: Ahluwalia, M. S.

The following conclusions are worth noting.

1. The growth rate of the combined Per Capita GSDP of all the 14 states taken together increased from 3.03% in the pre-reform period to 4.02% in the post-reform period.
2. There is variation in the growth of Per Capita GSDP across states in both periods. The degree of dispersion in growth rates increased very significantly in the 1990s. The coefficient of variation of the growth rate of Per Capita GSDP increased from 22 in the first period to 42 in the second, which means that economic reforms, has increased disparities in terms of Per Capita GSDP amongst states during 1990s.

SECTION: III
PERFORMANCE OF GSDP IN RECENT YEARS:

Table 3 presents the state-wise annual growth rate of GSDP for the period of 2004-05 to 2008-09.

Table 3
Growth Rate of Gross State Domestic Product at Current Price (1999-2000) (%)

Sr. No.	States	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	5-Years Average
1	Gujarat	8.88	13.44	9.09	12.79	NA	11.05
2	**Bihar**	12.17	1.49	22	8.04	11.44	11.03
3	Kerala	9.97	9.17	11.1	10.42	NA	10.17
4	Haryana	8.64	9.37	14.2	9.35	8.02	9.92
5	Karnataka	9.85	13.53	7.33	12.92	5.08	9.74
6	Maharashtra	8.71	9.67	9.82	9.18	NA	9.35
7	**Uttrakhand**	12.99	5.66	9.84	9.37	8.67	9.31
8	A.P.	8.15	10.24	11.16	10.62	5.53	9.14
9	**Orissa**	12.61	6.37	12.12	5.85	6.74	8.74
10	Tamil Nadu	11.45	11.89	11.29	4.41	4.55	8.72
11	**Jharkhand**	15.21	2.79	12.53	6.18	5.52	8.45
12	**Chhattisgarh**	5.49	6.94	7.99	8.63	7.69	7.35
13	W.B.	6.89	5.72	8.77	7.74	NA	7.28
14	**U.P**	5.4	5.25	7.18	7.16	6.46	6.29
15	**Rajasthan**	-1.85	6.89	11.81	7.33	7.12	6.26
16	Punjab	4.95	4.5	7.32	6.54	6.26	5.91
17	**M.P.**	3.08	6.48	4.75	5.25	NA	4.89
	Combine GSDP	8.39	7.61	10.49	8.34	6.92	8.35
	All-India GDP	7.47	9.52	9.75	9.01	6.7	**8.49**
	Co. variation	49.8	45.4	36.3	29.2	27.2	

Source: Economic Survey 2008-09.

The following conclusions are worth noting.

1. The average growth rate of the all India GDP was 8.49% during this period of time.
2. An interesting feature of the Economic performance in this period of time is that, five of India's eight ultra-poor states, the so called Orissa plus BIMARU states (Bihar, Madhya Pradesh, Rajasthan and UP of which three have been sub-divided, as a homogeneous group of poor performers), have become miracle economies, defined internationally as those with over 7% growth.

3. The best news comes from Bihar, historically the biggest failure. From 2004-05 to 2008-09, Average growth rate of Bihar remained 11.3%. It was virtually India's fastest growing state, on par with Gujarat (11.05%).
4. Other poor states have done very well too. Uttrakhand (9.31%), Orissa (8.74%) and Chhattisgarh (7.35%), have all grown faster than the standard miracle benchmark of 7%.
5. Rajasthan, which grew fast earlier, has slipped down a bit to 6.26%.
6. Uttar Pradesh, a huge, poor state of almost 200 million people grew 6.29% annually. This falls short of the miracle benchmark of 7%, but not by much.
7. The most disappointing performance came from Madhya Pradesh (4.49%), so, not all the poor states have joined India's growth bonanza.
8. The study shows that in recent years the coefficient of variation of the growth rates decreased from 49.8 in the 2004-05 to 27.2 in the 2008-09.

PERFORMANCE OF PER CAPITA NSDP IN RECENT YEARS:

Table 4 presents the state-wise annual growth rate of Per Capita NSDP for the period of 2004-05 to 2008-09.

Table 4
Per Capita Net State Domestic Product at Current Price (1999-2000) (%)

Sr. No.	States	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	5-Years Average
1	**Bihar**	10.71	-0.79	21.55	6.57	10.15	9.64
2	Kerala	8.47	8.37	10.37	9.71	NA	9.23
3	Gujarat	4.29	12.52	7.87	12.16	NA	9.21
4	Karnataka	8.8	12.51	5.69	11.97	3.66	8.53
5	Tamil Nadu	10.95	11.24	10.81	3.97	4.1	8.21
6	Haryana	6.8	6.98	13.16	6.65	6.21	7.96
7	**Jharkhand**	15.17	0.63	10.05	7.38	6.47	7.94
8	Maharashtra	7.02	7.82	8.01	7.49	NA	7.59
9	A.P.	6.08	8.84	9.99	9.61	3.01	7.51
10	**Uttrakhand**	11.3	3.56	7.9	7.61	6.97	7.47
11	**Orissa**	11.53	4.71	11.26	4	4.93	7.29
12	W.B.	5.4	4.36	7.62	6.78	NA	6.04
13	**Chhattisgarh**	2.99	4.43	6.57	6.9	5.64	5.31
14	**U.P**	2.98	3.24	5.35	5.34	4.54	4.29
15	**Rajasthan**	-4.31	4.49	10.05	5.55	5.44	4.24
16	Punjab	3.07	2.09	5.46	4.65	5.45	4.14

17	**M.P.**	1.36	4.45	2.5	3.25	NA	2.89
	Combine Per-capita GSDP	6.62	5.85	9.07	7.03	5.55	6.83
	All-India Per-capita NSDP	5.63	7.95	8.20	7.60	4.94	**6.86**
	Co. Variation	71.2	66.9	46.0	37.1	33.5	

Sources: Economic Survey 2008-09.

The following conclusions are worth noting.

1. The average growth rate of Per Capita NSDP was 6.86% during this period of time.
2. The best news comes from Bihar, from 2004-05 to 2008-09, average growth rate of Per-capita NSDP of Bihar remained highest 9.64%. It was virtually India's fastest growing state, in terms of Per capita NSDP.
3. Other poor states have done very well too. Jharkhand (7.94%), Uttrakhand (7.47%) and Orissa (7.29%) have all grown faster than the average growth rate of all India Per-capita NSDP (6.86%).
4. Rajasthan, Uttar Pradesh and Chhattisgarh achieved 4% plus growth rate in Per Capita Net State Domestic Product.
5. The most disappointing performance came from Madhya Pradesh (2.89%), achieved least growth rate of Per Capita Net State Domestic Product during this period of time.
6. Kerala stood second with 9.23% growth rate of Per-capita NSDP during this period of time.
7. The study shows that in recent years the coefficient of variation of the growth rates of the Per Capita NSDP decreased from 71.2 in the 2004-05 to 33.5 in the 2008-09.

SECTION: IV

REASONS BEHIND HIGH GROWTH IN POOR STATES:

- Service sectors are proving to be the principal growth drivers in India's conventionally backward states like Bihar, Madhya Pradesh, Orissa and Rajasthan. Construction, telecommunication, banking and insurance, tourism and real estate have led the growth in these sates in the five years up to 2008-09, helping them to come out of the morass.

- An analysis of the Central Statistical Organisation data shows that construction growth in Bihar between 2004-05 and 2008-09 was 38.1% while it was 14.2 % between 2000-01 and 2004-05. Contrast this with the real overall state domestic product (SDP) growth of 11% in the later period and 6% in the earlier. In Orissa too, there was a jump in construction growth from 1.6% to 13.8%, while the real state domestic product growth rates for the periods were 6.5% and 8.7%, respectively. Similarly, communication services in Jharkhand grew at a robust 24.2% in the later period as against the earlier 14.5%. The real state domestic product growth rates were 8.7% and 6.5%, respectively. Similar in Madhya Pradesh, there was a jump in construction growth from 5.44% to 10.69%, while the real state domestic product growth rates for the periods were 2.15% and 4.89%, respectively. Similar trends are apparent in case of other economically backward states as well5.

- Agricultural growth in 2004-09 averaged 4.4% per year, the highest in any five-year period, benefiting rural masses.

- In the last few years slow growing states develop local leadership and policies that converted potential into growth.

- If we talk about UP then it has benefited from overall buoyancy in the Indian economy. In NOIDA, it has created a major service production and export hub, and an auto hub, too. Sugar factories have expanded fast. Minimum wage rate is doubled to Rs. 100/- in UP and in most of the states. The major factor contributed to states' growth is rural employment and infrastructural development.Two major factors seem to be operating. Firstly, efforts towards high growth with emphasis on private decision makers have been lopsided. Rational private decision makers tend to concentrate around centres where facilities and ready markets are available. High inequality in infrastructural facilities and market conditions led to concentration of private players in few regions – both during the Green revolution in the agricultural sector and in the post-reform liberalised industrial sector. This has accentuated regional disparity in the respective sectors.

[5] **Narendranath K & Prasad Gireesh Chandra (2010), Services drive growth in poor states, The Financial Express 11th January.**

- In consonance with the commitment to ensure faster social development and achieving an inclusive patter of growth, the government continued its focus on several initiatives and programmes towards that end. Some of the major social sector initiatives for achieving inclusive growth and faster social sector development and to remove economic and social disparities in the Eleventh Five Year Plan, include the National Rural Employment Guarantee Programme, Bharat Nirman, Serva Shiksha Abhiyan, Jawaharlal Nehru National Urban Renewal Mission. Under NREGS, over four crore households were provided employment in 2008-09. This is a significant jump over the 3.39 crore households covered under the scheme during 2007-08. The agriculture debt waiver and relief scheme implemented during the year was able to restore institutional credit to farmers and helped to support demand and revive investment in the rural and agriculture sector.

SECTION: V

POLICY INITIATIVES FOR BALANCED REGIONAL GROWTH:

A few possible solutions in order to reduce inter-regional disparities may also be indicated. It is now accepted that henceforth the State will have a less active role to play. It should therefore turn its attention, resources and emphasis towards being a facilitator rather than a producer. Providing adequate infrastructural facilities in the hitherto lagging regions will work better rather than directing investors to those places. This in itself will be a major step towards equitable regional development.

Secondly, there must be a shift from Central Planning to Multilevel Planning. The District Development Authorities must be made fully functional with the responsibility and power to draw up local plans, arrange for finance and implement those projects. The potential of these local bodies for effective implementation of development programmes can be realized only when the local information base and decision-making capacities are substantially improved. The national development agencies must, therefore, accord priority to supporting 'citizen participatory processes'. Investment in training and motivating the people managing these institutions is as important as the creation of infrastructure and human capital. Well-focused, well-managed and pro-active local institutions would be best placed to eradicate inequality. Devolution of political, administrative and financial power to the grass-root level is the need of the hour.

Thirdly, the backward regions should be clearly identified, along with their capabilities and potentialities so that separate strategies may be adopted for each type of backward districts as drought-prone, industrial development in some areas of the districts cannot spread to the rest of the districts due to inbuilt constraints.

Naturally, incentives alone are not adequate to bring about dispersal of industries. Instead, agricultural development becomes significant in the growth process. There is, therefore, the necessity to co-ordinate the dispersal process and the development of agriculture through a chain of agro-based industries.

SECTION: VI

FINDINGS:

1. The paper finds that the inter-state disparities in the growth of Gross State Domestic Product (GSDP) have increased from 16 to 28 in the post-reform period beginning from the early nineties when compared to the eighties. In general, the richer states have grown faster than the poorer states. The inter-state disparities in the growth of Per Capita Gross State Domestic Product have also increased from 22.01 to 42.70 in the same period of time.

2. The paper also finds that Inter-regional disparities in the growth of Gross State Domestic Product (GSDP) and in the growth of Per Capita Net State Domestic Product of seventeen major states have decreased from 49.8 to 27.2 and 71.2 to 33.5 respectively in the recent years i.e., from 2004-05 to 2008-09.

CONCLUSION:

At the end, it is heartening to note that the Planning Commission would like to "see itself in a more proactive role in championing the cause of states with the Central ministries in key policy issues that have strong equity and regional balance dimensions. In a liberalized, market-driven policy environment, the responsibility of the Commission is greater in that it has to ensure a level playing field for less developed states and regions" (Government of India, 2005, p. 513).

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