Regional Disparities in Southern States

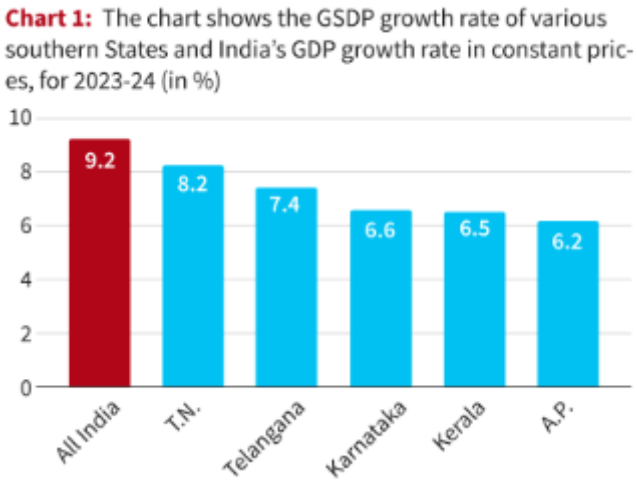
Mains Syllabus : GS III – Indian Economy and issues related to development, Inclusive Growth

Why in news?

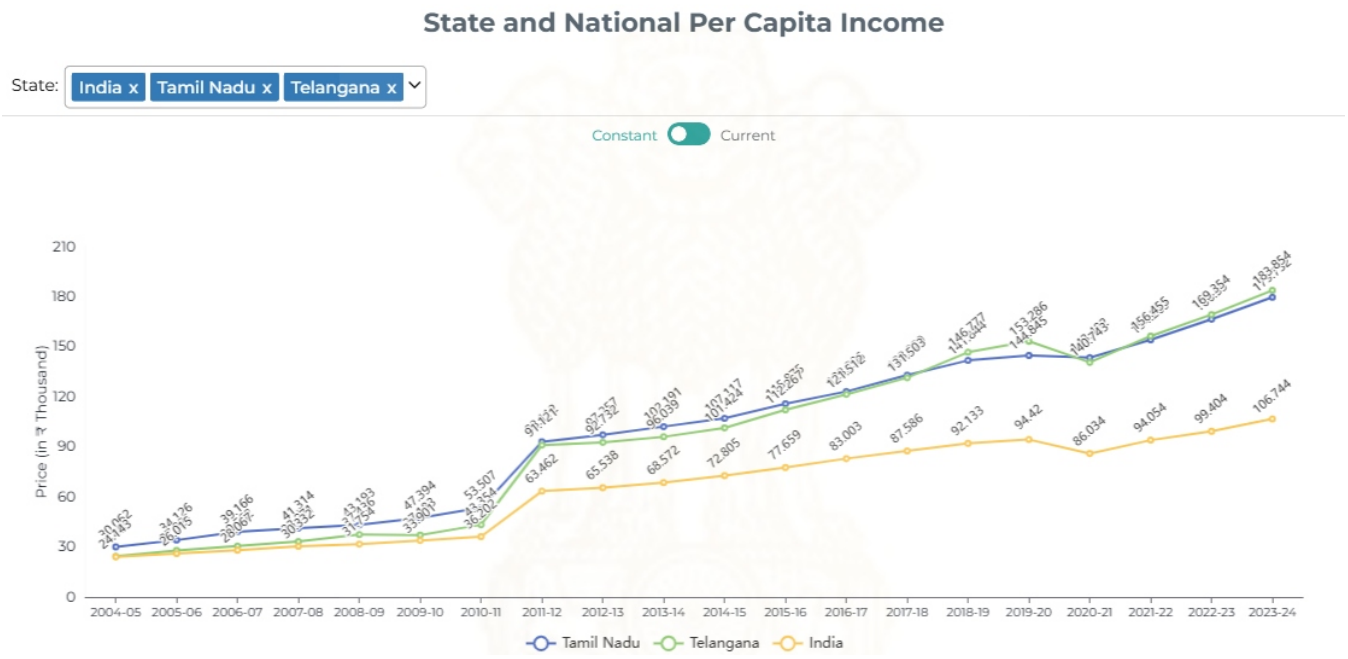
Economic surveys released by several southern states reveals concentration of economic prosperity in a few districts.

What is the recent status of growth in southern states?

- **Weaker economic growth than national average** - India's GDP in 2023-24 grew by 9.2%, while the southern states recorded slower growth.
- For example: Tamil Nadu – 8.2%; Telangana – 7.4%; Karnataka, Kerala, and Andhra Pradesh – 6% to 6.5%.



- **Higher per capita income** – The per capita income of southern states is higher than national average.



- **Unequal distribution of economic prosperity** – Despite these States having higher per capita incomes than the Indian average, the economic advantages are highly concentrated in a handful of districts within the States.

Table 2: Shows the average per capita incomes of the five southern States (in ₹) and the number of districts with higher incomes than the State average. Data for 2022-23

State name	Average per capita income (in ₹)	Total districts	Districts above State's avg. per capita income level
A.P.	2,19,881	26	9
Karnataka	3,04,474	31	4
Kerala	2,86,595	14	7
T.N.	2,77,802	38	8
Telangana	3,11,649	33	3

- **Declining labour force participation** - The average labour force participation rate (LFPR) in India in 2023-24 was 60.1%.
- The LFPR of Tamil Nadu, Karnataka, and Kerala was 58.8%, 56.8%, and 56.2% respectively.
- **High unemployment rates** - Though the unemployment rates of most of the southern States declined compared to 2017-18, they all had an unemployment rate higher than the Indian average in 2023-24.

Unemployment Rates of Southern States

• As per the PLFS (Periodic Labour Force Survey) report, the Unemployment Rate (UR) in 2022-2023 stood at 3.2%.
- Kerala: 7.6%
- Telangana: 4.8%
- Andhra Pradesh: 4.5%
- Tamil Nadu: 3.4%

- **Employment pattern shift** - There is a reduction in casual labour and an increase in self-employment, primarily because individuals are increasingly taking up employment as helpers in household enterprises instead of salaried employment.
- **Tamil Nadu**: Casual labor declined from 33.5% (2017-18) to 31% (2023-24), while self-employment increased from 32.8% to 34.2%.
- **Telangana**: Self-employment rose by 8 percentage points to 55.9%, and casual labor declined by 5.7 percentage points to 18.7%.
- **Dominance of services sector** – This sector dominates the economies of these states, contributing more than 50% to their GDP, except in Andhra Pradesh.
- Andhra Pradesh stands out as an exception where the contribution of agriculture rose from 30% to 34% during the last decade, while that of services fell.
- **Limited manufacturing contribution** - Manufacturing is still weak and contributes less than 20% of GDP in all southern states, including Tamil Nadu.

Table 5: The table shows the sectoral contribution in the State-wise gross state value added (in %) for the years FY15 and FY24

State	Agriculture		Manufacturing		Services	
	FY15	FY24	FY15	FY24	FY15	FY24
A.P.	30.4	34.1	11.2	12.2	44.1	40.2
Karnataka	13.1	13.0	14.4	12.5	62.3	66.7
Kerala	12.9	9.6	9.1	7.9	60.7	66.5
T.N.	13.1	12.7	18.5	18.6	54.2	53.6
Telangana	16.3	15.4	11.7	8.9	61.3	66.8

What are the causes for the disparities?

- **Economic stagnation** – Lower growth rate than the national rate indicates economic stagnation.
- **Inequal opportunities** – Uneven growth indicates economic opportunities are concentrated in specific urban & industrial centers.
- **Inadequate growth in formal employment** - Increased shift towards self-employment indicates a lack of opportunities for formal jobs.
- **Concentration of service industries in Tier 1 cities** – The economies of all the southern states are mostly supported by service sectors like Information Technology.
- These sectors concentrated in Tier 1 cities like Chennai, Bengalore, Hydrabad.
- **Higher education** – Gross Enrollment Ratio of Southern states are above 40% which is higher than the national average of 28%.
- This leads to frictional employment where graduates are looking better opportunities and workers in between jobs.
- **Skill development deficiencies** - While the southern region has a strong workforce, it lags in high-value manufacturing and advanced professional skills.

What needs to be done?

- While still economically powerful, southern states need to correct imbalances of growth, unemployment, and job creation in order to maintain long-term advancement.

- **Balancing regional development** - Development of socio economic infrastructures like higher education institutions, health centers and banking centers in tier III towns, municipalities, town panchayats and rural could help in reducing the divide and distribute the development.
- **Strengthening manufacturing** - Incentivizing investments in manufacturing in backward regions could generate more formal employment opportunities.
- **Improving employment -** Increasing skill development programs and promoting entrepreneurship could minimize unemployment.
- **Targeted social policies** - Reducing regional income inequalities through improved infrastructure and business incentives in less-developed areas.

Reference

The Hindu | Growth in most southern States is concentrated in a few districts

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