Relative Economic Performance of Indian States

Why in news?

Recently, Economic Advisory Council to the Prime Minister (EAC-PM) has released the paper 'Relative Economic Performance of Indian States: 1960-61 to 2023-24'.

How has the regional growth changed from 1960 to 2023?

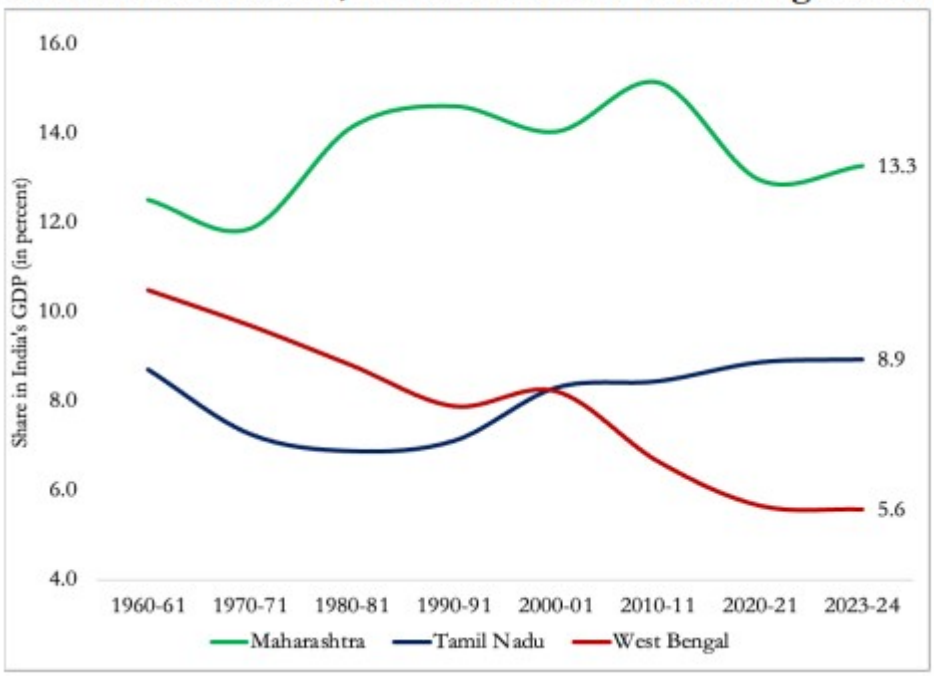
- In the 1960s, five states, Uttar Pradesh, Maharashtra, West Bengal, Tamil Nadu and Bihar, accounted for about 54 per cent of India's GDP.

Top 5 states in terms of share in India's GDP in 1960-61

Rank	State	Share in India's GDP
1	Uttar Pradesh	14.4
2	Maharashtra	12.5
3	West Bengal	10.5
4	Tamil Nadu	8.7
5	Bihar	7.8

- **Interregional Disparities** - Western and Southern regions of India have performed notably better than other parts of the country from 1960-61 to 2023-24.

Share of Maharashtra, Tamil Nadu and West Bengal in India's GDP



- **Intraregional Disparities** – Within each region, disparities have emerged amongst the States.
- Maharashtra, Gujarat, Delhi and Haryana have shown steady performance over the last six decades.

Regional Growth (1960-2023)	
Southern Region	• Southern States - Karnataka, Andhra Pradesh, Telangana, Kerala and Tamil Nadu. • Since the economic liberalization of 1991, southern States have emerged as the leading performers. • They now collectively account for approximately 30% of India's GDP in 2023-24. • **Kerala** - Only southern state which saw its share in the GDP dip. • It's share increased from 3.4 % in 1960-61 to a peak of 4.1 % in 2000-01, then dipped to 3.8 per cent in 2023-24.
Western Region	• **Maharashtra and Gujarat** – Their per capita incomes remained above the national average since the 1960s. • In 2023-24, They account for 160.7 % and 150.7 % of the national average. • **Goa** – Its relative per capita income has doubled over the period.
Eastern Region	• **West Bengal** – It was the third-largest in 1960-61 with 10.5% of National GDP. • It has now declined to only 5.6 % in 2023-24. • **Odisha** – Its relative per capita income increased from 55.8 % in 2000-01 to 88.5 % in 2023-24. • **Bihar** – Its relative position has stabilized in the last two decades; it remains significantly behind other states.
Northern Region	• **Delhi** - The Capital had the highest per capita income in 1960-61 at 218.3 per cent of the national average. • In 2023-24, Delhi's relative per capita income was 250.8 per cent. • **Punjab** – Its per capita income was 106.7 % of the national average in 2023-24, down from 119.6 % in 1960-61. • **Haryana** – Its relative per capita income stood at 176.8 % in 2023-24, up from 106.9 % in 1960-61.
Central Region	• **Uttar Predesh** - In the 1960s, It was largest economic powerhouse in the country with a share of 14.4 % in India's GDP. • **Madhya Pradesh** - Its relative per capita income has risen since 2010, following a five-decade period of decline since 1960s.

What are the causes of regional disparities?

- **Green Revolution** - Punjab and Haryana gained from rise in income levels after the green revolution in the 1960s.
- Punjab did not keep pace with the national average and its economic trajectory diverged completely from Haryana.
- **Economic Liberalization** - Before 1991, southern States did not show exceptional performance.
- However, since the economic liberalization of 1991, southern States have emerged as the leading performers

- **Historical Factor** - Three presidency towns—Bombay, Calcutta, and Madras—were home to the largest industrial clusters in the country.
- **State Reorganization** – Bifurcation of states had reduced the resources available to them and their collective share to the national growth.
- **Policies** – State-specific policies on socio economic spheres and Performance of individual States in response to changes in national policies.

What lies ahead?

- Create policies that are tailored to the needs of different regions and that promote equality of opportunity.
- Provide fiscal support to lagging regions and ease worker relocation.
- Improve the quality of education and training to help people adapt to changing job markets.
- Decentralize industries to encourage balanced regional development.
- Promote local economies so that all regions benefit from economic activity.
- Improve connectivity through transport links, access to finance, and cooperation with universities and research centers.

Quick Facts

- **State share in national GDP** - It is defined as ratio of state's Gross State Domestic Product (GSDP)1 to sum of GSDP of all states.
- This gives an idea of relative economic importance of states.
- **Relative per capita income** - It is defined as percentage of per capita Net State Domestic Product (NSDP) of the state to the all-India per capita Net National Product (NNP) or per capita Net National Income (NNI).

References

1. The Hindu | EAC-PM paper
2. The Indian Express | Steady growth in west, south states
3. EACPM | Relative Economic Performance of Indian States Report

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