

# **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?

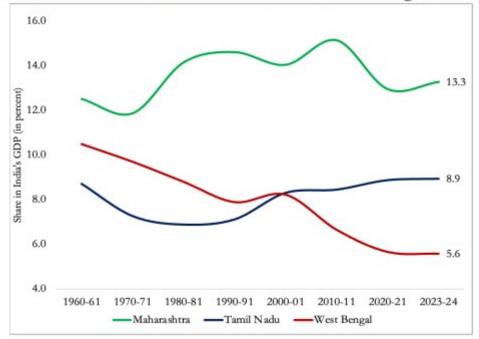
• In the 1960s, five states, Uttar Pradesh, Maharashtra, West Bengal, Tamil Nadu and Bihar, accounted for about 54 per cent of India's GDP.

Top b states in terms of share in findia 5 GDT in 1966 (		
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

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

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

#### 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

