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Changing Dimensions of India's Growth Process: A State Level Analysis

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Changing Dimensions of India's Growth Process: A State Level Analysis

Growth of the Indian economy has been quite impressive during 2004-07. This paper chronicles the performance of the states in India during this high growth phase. The growth performance during 2000-03 is taken as the benchmark to compare and contrast the changing growth patterns across sectors in different states. Apart from sectoral growth, sectoral contributions to state output, variability of sectoral output and contribution of different sectors to overall growth in the spatial dimension have been studied. The results broadly indicate a decline in the importance of the service sector during the high growth phase and increased variability in output in the states. While maintaining the high growth rates of the primary and secondary sectors remains a challenge, increased variability of output raises serious concerns on the continuity of the high growth momentum in the future.

Key Words: Sectoral Growth, variability of growth and contribution to growth
JEL Classification: 047, 018,R12

The growth record of the India economy has been much better in the post-reform period. In the initial years after economic reforms, the growth rate of the Indian economy averaged 6.5 per cent during 1993-94 and 1996-97. This growth rate was a stark contrast to the negative growth witnessed in the crisis year of 1991-92. However, the subsequent years were marked by a growth slowdown. It is widely believed that the Indian economy has entered a new growth trajectory beginning with the year 2003-04. The average growth rate during 2000-03 at 5.1 per cent has significantly increased to 8.8 per cent during 2004-07. The surge in investment rate from 25 per cent in 2002-03 to 33.8 percent in 2006-07 gives credence to the new growth trajectory (GoI, 2007). The high growth witnessed during 2004-07 has prompted the planning commission to target a 9 per cent per annum growth during the 11th five-year plan (2007-08 to 2011-12).

Higher growth, however, would be better accepted and sustained, if growth is broad based and favourably affects a larger section of people. The broad base

character of the growth process is more relevant in the democratic set up of a country like India where rising aspirations of people can only be met by growth that is evenly shared across regions. India has been forthright to articulate its development ambitions through the mechanism of five-year plans since 1951. Under the broad rubric of growth, balanced regional development has been one of the explicit planks of economic policy in India since the early days of planning. For instance, the 1956 Industrial Policy Resolution of the Government of India asserted that 'only by securing a balanced and coordinated development of the industrial and agricultural economy in each region, can the entire country attain higher standards of living'. In a similar vein, the National Integration Council in 1961 emphasized the importance of regional balance in economic development as a positive factor in promoting national integrationⁱ. The Third Plan explicitly mentioned that 'balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions and widespread diffusion of industry are among the major aims of planned development'. The subsequent plans have also reiterated the need for a more balanced regional development.

Ahluwalia (2000) was the first attempt to study Regional growth performance in India in the post reform period. Ahluwalia (2000) finds substantive interstate variation in the growth performance in the 14 major states in the in the post-reform period 1991-92 to 1997-98 when compared to the pre-reform period 1980-81 to 1990-91. While growth accelerated for the economy as a whole, it

actually decelerated sharply in Bihar, Uttar Pradesh and Orissa, all of which had relatively low rates of growth to begin with and were also the poorest states. The degree of dispersion in growth rates across states also increased very significantly in the 1990s. In the more recent times, Misra (2007) provides a detailed analysis of growth performance at the spatial level in the post-reform period. This study compares the growth performance across two time periods 1981-93 and the 1994-2004 corresponding to the pre-reform and post-reform period respectively and also the sectoral growth performance. This study also finds huge variation in the growth performance across states. There was deceleration in growth in the primary and secondary sectors and an acceleration of growth in the tertiary segment in the post-reform period. The variability of SDP had also declined in the post-reform period. While the contribution of the primary and secondary sector to the all India growth declined that for the tertiary sector increased significantly close to 70 per cent in the post reform period.

Scope of the study

Whether the high growth observed at the all India level during 2004-07 is shared evenly across regions is a matter worth pondering. In this paper we study the different dimensions of the growth process such as growth and variability of sectoral outputs, contribution of different sectors to the overall growth in the spatial dimension.

India has in all thirty-five regions comprising twenty-eight States, six Union Territories and the National Capital Territory, New Delhi. The mountainous

states of the north and north-eastern part of India are considered as ‘special category’ by the Planning Commission. Following this classification eleven out of the twenty-eight states are identified as Special category States (SCS) and the rest as general category states (GCS). The SCS are termed so, as they receive a special treatment in allocation of funds released for planned development from the Planning Commission. While for the GCS the proportion of loans is 70 percent and that of grants is 30 percent, for the SCS the same are 10 and 90 respectively.

Most of the studies on India’s regional economic performance [Ahluwalia (2002), Singh and Srinivasan (2005)] consider the performance of fourteen major States, mostly belonging to the GCS. Because of their special features, Ahluwalia has excluded the north eastern and other special category states from his study. While deliberating on growth at the state level, it is common to find discussions centring on the GCS and at times Assam and Himachal Pradesh also gets included. Like Ahluwalia, many other researchers on India’s regional growth performance have justified the exclusion of the special category states on the ground that the 14 states account for bulk of the population and output¹. The reason for concentrating on the fourteen major states is mainly two fold - lack of availability of consistent data and the difference in the structure of their economies in contrast to the special

¹ As Rao, Shand and Kalirajan (March 27, 1999-EPW) observe ‘Our analysis of convergence takes into account the 14 major states in the Indian Union. These 14 major states account for 93 per cent of population and 91.5 per cent of net domestic product in the country and are therefore representative’. They further assert that the ‘Special Category’ States and the small state of Goa have been excluded from the analysis because of the significant differences in the structure of their economies from the rest of the states and, therefore, their steady state values of income are likely to be different.

category states. A third reason that is cited in favour of concentrating on fourteen states only is that these fourteen states account for a major share in output and population, thus representative. While by the yardstick of the structure of economy, the special category states and the Union territories are placed on a different footing, it would be interesting to see how the SCS as a group have performed given the 'special' attention paid to them, in contrast to the GCS, on various growth parameters. It is true that the special category states (SCS) are not on a comparable footing with the general category states (GCS) as such, they should not be clubbed together. But then by the same principle that the SCS shares some commonality, they can be treated as a homogeneous group and it would be interesting to study how the SCS have performed *vis-à-vis* the GCS in the post-reform period.

As such, this paper traverses the different dimensions of the growth for individual states as well as for three broad categories, GCS, SCS and UTs over two time periods viz, 2000-03 and 2004-07 to appreciate the changing face of growth in India. The rest of the paper is organised as follows. Section-1 discusses the growth record at the macro level for the Indian economy and also for the states. The changes in the sectoral growth performance in the states across the two time periods are attempted in section-II. Section-III comments on the stability of growth at the aggregate and the sectoral level for the states. Contribution of different sectors to the growth in the spatial dimension is discussed in Section-IV. Section-V discusses the changes in relative importance of different states in their

contribution to all India growth in output and population. Section-VI provides concluding observations based on the discussions in the previous sections and also by analyzing the importance of different states in the all India output.

1. Growth Performance at All India Level

Before we embark upon an analysis of the growth performance at the state level, we begin with a brief review of the growth performance at the all India level. Between 1999-2000 and 2006-07, GDP has increased by 1.6 times, population increased by 1.1 fold and consequently, per capita GDP by 1.5 times. Segregating the post 2000 period further to the sub periods 2000-03 and 2004-07, one finds that GDP growth has gone up from 4.8 percent per annum in 2000-03 to 9.0 percent in 2004-07. This GDP growth rate is enviable compared to the Hindu rate of growth of 3.5 per cent per annum during the first thirty years after India began its planning process. Though growth rate had increased to 5.5 per cent in the 1980s and further to 6 per cent between 1994-2004, the growth has been by far the best in the 2004-07 period compared to all the other sub periods. A similar scenario holds when we investigate the growth performance in per capita terms (Table-1).

Table 2.2			
Growth of the Indian Economy			
(Percent)			
Period	GDP	Per capita GDP	Population
1950-51 -1979-80	3.5	1.3	2.2
1980-81 - 1992-93	5.3	3.2	2.1

1993-94 - 2003-04	6.0	4.1	1.9
2003-04- 2006-07	9.0	7.5	1.5
Note: GDP figures are at factor cost and at constant prices. Growth rates are compound annual growth rates, computed using a semi log specification of output over time.			

The per capita GDP growth mimics the growth pattern of absolute GDP across the various sub periods. As the 2003-04 to 2006-07 period is also characterized by the lowest population growth when compared to any other sub period, per capita GDP growth has also been the highest in this period. Given this overall picture, now we engage our attention to the situation in the States.

At the State level, the State Domestic Product (SDP) represents output. Table-2 depicts the SDP growth of the GCS, SCS and also some union territories for the periods 2000-03 and 2004-07. Specifically, we have considered the growth profile of 17 states in the GCS, 8 states in the SCS special category and three UTs. The GCS account for the bulk in all India population and output. Compared to the period of 2000-03, when their share was 84.4 percent in GDP and 93 in all India population, it declined to 82.2 and 92.9 respectively in the period 2004-07. The share of SCS in all India GDP while has declined marginally to 3.5 per cent from 3.6 per cent in 2004-07 period compared to that of 2000-03, their share in the country's population has remained the same at 4.1 per cent across the two sub periods. The three UTs accounted for another 3.6 per cent of All India GDP across the two-sub period. However, the share of UTs in the total population has increased marginally to 1.7 per cent in 2004-07 from 1.6 per cent in 2000-03. Their share in all India population was just 1.5 percent during 1994-2004,

increasing from 1.4 percent during 1981-93. Thus seen from a historical perspective, the population share has been rising only in case of UTs. Ideally, the GSDP and per capita GSDP figures over a particular time period should differ by the population growth in that period. Here, because of rounding off errors, the relationship between GSDP, per capita GSDP and population growth may not hold in some cases. Certain interesting features emerge from Table-2. First, the overall growth performance of the GCS as a group has been much better in the 2004-07 phase compared to the period preceding it. Second, compared to the GCS as a group, the SCS, which had a better growth record in the 2000-03 period, have fared poorly in the high growth period 2004-07. Thus the growth differential between the GCS and SCS, which was negative 1.4 per centage points during 2000-03, has turned to positive 1 per centage points in the 2004-07 periods. Third, the UTs as a group have performed better than the GCS and SCS in both the sub periods. The growth of UTs has also been at a higher pace compared to the all India growth figures in both the sub periods. Fourth, population growth across all the three categories have declined in the high growth phase of 2004-07 compared to that in 2000-03. The deceleration has been the maximum for the UTs followed by the GCS and SCS respectively. Fifth, growth recorded by the GCS and SCS states fell quite short of the all India growth in the post reform period. While the wedge between the growth of GCS and all India growth has narrowed, it has widened for the SCS during 2004-07 compared to 2000-03. A similar scenario

prevails when we compare the per capita growth figures of GCS and SCS to that of the all India figures.

Between GCS and SCS, the per capita population growth has been impressive at 6.3 per cent per annum in the 2004-07 for the GCS. This is because of a relatively low SDP growth in 2000-03 and a much faster growth in 2004-07 coupled with faster decline in population growth for the GCS relative to SCS over the 2000-03 period. The decline in population growth has been the maximum for the UTs in the two sub periods under study. However, the UTs had a very high population growth in the 2000-03 period. In spite of a decline of 0.5 percentage points, the growth rate of population at 2.8 per cent per annum for UTs, during 2004-07 is the highest amongst all the three categories of states under study. Notwithstanding the very high population growth, the per capita growth in SDP for UTs has been quite significant at 7 per cent per annum because of close to 10 per cent of spectacular growth in SDP recorded during 2004-07 period. The better growth record of the UTs as a group, however, needs to be viewed in the context that the four UTs account for a very small proportion of the all India population and the GDP.

Overall, there has been noticeable improvement in per capita GSDP for all the three categories of State in the post reform period because of the sobering effect of a slow down in population growth during this period. Table-2, also presents the growth rate of GSDP and per capita GSDP across the States. The state wise growth figures enable us to draw the following inferences. Seen in terms of

GSDP, all states belong to the GCS category experienced higher growth in the 2004-07 period compared to the 2000-03 period. Within GCS, except for Karnataka, Kerala, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh and West Bengal, all other states recorded a higher than the group growth rate during 2004-07. Thus if we judge the States' performance by the criterion that they have not only done better than their own past but by that could surpass the growth recorded by GCS as a group, 10 out of the 17 states pass this criterion.

Growth in Output and Population						
STATE	GSDP	GSDP	Per Capita	Per Capita	GPOP	GPOP
	2000-03	2004-07	GSDP	GSDP	2000-03	2004-07
Andhra Pradesh	5.0	8.2	4.1	7.1	1.0	1.1
Bihar	6.1	10.4	3.6	8.7	2.5	1.7
Chattisgarh	3.4	9.8	2.0	7.9	1.4	1.9
Gujarat	4.2	9.9	2.1	8.3	2.0	1.6
Haryana	7.5	9.8	5.2	8.1	2.3	1.7
Jharkhand	0.3	10.8	-1.7	9.2	2.0	1.6
Karnataka	4.3	7.3	2.9	6.0	1.4	1.2
Kerala	5.3	7.8	4.4	6.7	1.0	1.1
Madhya Pradesh	-0.6	4.0	-2.6	2.2	2.0	1.8
Maharashtra	3.1	9.1	1.3	7.5	1.7	1.6
Orissa	2.1	9.1	0.9	7.9	1.2	1.2
Punjab	2.8	5.7	1.2	3.8	1.6	1.8
Rajasthan	0.4	4.2	-2.0	2.3	2.4	1.9
Tamil Nadu	1.6	8.5	0.7	7.7	0.9	0.8
Utranchal	8.8	9.5	7.0	7.9	1.8	1.6
Uttar Pradesh	2.6	5.8	0.4	3.8	2.2	1.9
West Bengal	5.2	7.7	4.0	6.5	1.3	1.1
GCS	3.4	7.9	1.7	6.3	1.7	1.5
Arunachal Pradesh	6.8	6.4	5.2	5.1	1.6	1.2
Assam	3.9	6.2	2.3	4.8	1.6	1.4
Himachal Pradesh	5.5	8.4	3.8	6.7	1.6	1.8
Manipur	0.5	6.0	-1.6	4.0	2.1	2.0
Meghalaya	5.5	6.2	3.6	4.9	2.0	1.3

Mizoram	7.2	6.3	4.6	3.8	2.6	2.6
Sikkim	7.6	8.3	4.9	6.9	2.7	1.3
Tripura	9.2	8.6	8.5	7.4	0.8	1.2
SCS	4.8	6.9	3.2	5.5	1.6	1.5
Delhi	4.9	10.2	1.5	7.3	3.4	2.9
GOA	2.7	10.6	-0.2	7.7	2.9	2.9
Pondicherry	9.7	1.2	7.8	-0.7	1.9	1.9
UT	5.0	9.8	1.7	7.0	3.3	2.8
India	4.8	9.0	3.0	7.4	1.8	1.5

In the SCS category, except for Arunachal Pradesh, Mizoram and Tripura the rest five states have witnessed a higher growth of GSDP in the 2004-07 period. However, growth of five out of the eight states was below the GSDP growth for the SCS as group in the 2004-07. This is in sharp contrast to only two states who had a growth performance less than the CSC as group in the 2000-03 period.

Amongst the GCS, per capita growth has gained momentum in all the States *viz*, in the 2004-07 period. While only 9 states posted a higher than the group growth during 2000-03, as many as 13 states had a similar experience during 2004-07. Madhya Pradesh, Punjab, Rajasthan and Uttar Pradesh experienced growth that was below the threshold of combined GCS per capita GSDP growth in both the sub periods. The per capita growth of Jharkhand, Madhya Pradesh and Rajasthan, which was negative during 2000-03, turned positive in 2004-07. Within SCS, per capita GSDP growth accelerated in all states except Arunachal Pradesh, Mizoram and Tripura. Further, compared to as many as six states in 2000-3, only 3 states had a higher per capita growth than that of the SCS as a group. Within UTs deceleration in growth is found in 2004-07 only for

Pondicherry. In fact, Pondicherry had a negative per capita GSDP growth during 2004-07. However, unlike Delhi and Goa in 2000-03, only Pondicherry had a per capita growth that was less than that of UTs as a group in 2004-07. Slowdown in growth of population though is seen both for the GCS and SCS; it is slightly more for the GCS.

Amongst the GCS, Bihar, Gujarat, Haryana, Jharkhand, Madhya Pradesh, Rajasthan, Uttaranchal and Uttar Pradesh had a higher population growth in the 2004-07 compared to that for the combined GCS. Further, Andhra Pradesh, Chattisgarh, Kerala and Punjab experienced acceleration in population growth during 2004-07 compared to 2000-03. While the growth in population was marginally higher for three out of these four states, it was substantive for Chattisgarh. Bihar and Rajasthan could contain population growth substantially in the 2004-07 period; Gujarat, Haryana, Jharkhand and Uttar Pradesh also made good progress in this regard. Within SCS deceleration in population growth was witnessed in all states except Himachal Pradesh and Tripura. All the UTs under study either maintained the same population growth in 2004-07 as in 2000-03 except for Delhi which experienced a significant decline.

Having discussed the broad growth trajectory of the GCS, SCS and UTs, it becomes pertinent to enquire if any pattern emerges when sectoral growth rates are considered. This is what we would be discussing in the next section.

II. Sectoral Growth in the post reform period

All the three sectors witnessed robust growth in 2004-07 compared to that in 2000-03 period at the all India level.² Sectoral growth pattern across the states has been one of acceleration in growth in the primary and tertiary sector for the GCS and SCS in the 2004-07 period. GCS posted a sharp acceleration growth in the growth of their secondary sector, where as the SCS experienced a small deceleration in 2004-07. It may, however, be noted here that the deceleration of the secondary sector growth for the SCS was from a very high level of 10 per cent per annum witnessed in 2000-03. As far as UTs are concerned, growth was negative for the primary sector in both the sub periods. Further, the negative growth of the primary sector was of a higher order in the 2004-07 period. The secondary and tertiary sector for the UTs as a group, however, recorded very high growth rates in 2004-07 compared to that observed in the preceding period.

Notwithstanding the better performance for the GCS as a group across all the three sectors, primary sector growth in Bihar and Jharkahnd, secondary and tertiary sector growth in Uttaranchal has declined in 2004-07 period compared to that in 2000-03. When we consider the growth of primary sector for the GCS, the following facts emerge. First, compared to four states in 2000-03, only two states recorded negative growth in their primary sector in 2004-07. Primary sector growth was negative for Rajasthan in both the sub periods and for Jharkhnad, the positive growth seen in 2000-03 has turned negative in 2004-07. Karnataka, Madhya Pradesh, Rajasthan and Tamil Nadu, which had negative growth in the

² The detiles of the sectoral classification is given in Annex-1.

primary sector in 2000-03, clocked positive growth in 2004-07 except for Rajasthan. Compared to 11 states in 2000-03, only 9 states had a higher primary sector growth than the GCS as a group. However, the primary sector growth for GCS was much higher and close to 4 per cent per annum as compared to less than 0.5 per cent in 2000-03.

The growth in the secondary sector output has been higher in 2004-07 compared to the 2000-03 period for all states except Karnataka and Uttaranchal. Further, compared to only seven states in 2000-03, as many as 11 states recorded a much higher growth than that for GCS as a group in 2004-07. Thus the secondary

Growth of SDP Across Sectors								
STATE	GP PRIM ARY	GP PRIM ARY	GP SECO NDARY	GP SECO NDARY	GP TERTI ARY	GP TERTI ARY	GP SDP	GP SDP
	2000-03	2004-07	2000-03	2004-07	2000-03	2004-07	2000-03	2004-07
Andhra Pradesh	1.55	6.66	4.94	8.41	7.28	9.08	5.02	8.23
Bihar	7.20	5.98	1.12	25.12	6.42	9.63	6.05	10.36
Chattisgarh	1.46	5.64	4.33	16.46	4.51	9.11	3.41	9.81
Gujarat	5.05	5.73	1.63	10.82	5.99	11.04	4.16	9.88
Haryana	0.65	3.41	8.11	11.29	12.14	12.30	7.52	9.81
Jharkhand	1.54	-1.63	-4.08	21.87	3.06	8.54	0.27	10.80
Karnataka	-4.14	6.95	7.54	5.83	7.42	8.08	4.34	7.26
Kerala	1.71	5.94	4.93	8.01	6.87	8.23	5.35	7.76
Madhya Pradesh	-5.80	1.29	-0.08	4.89	2.54	5.42	-0.60	4.04
Maharashtra	2.27	4.12	-0.82	10.35	5.20	9.83	3.06	9.08
Orissa	0.02	4.90	-1.73	15.88	5.20	9.18	2.09	9.10
Punjab	0.41	2.53	1.72	10.84	5.53	5.30	2.79	5.67
Rajasthan	-3.75	-1.93	1.29	8.37	2.55	6.75	0.39	4.20
Tamil Nadu	-5.26	10.59	0.21	6.79	4.44	8.86	1.63	8.49
Utranchal	0.69	2.48	20.61	17.80	8.31	8.21	8.77	9.55
Uttar Pradesh	0.97	2.53	2.24	10.27	4.14	5.80	2.62	5.77
West Bengal	2.83	3.04	7.02	12.27	6.03	8.40	5.22	7.67
GCS	0.47	3.93	2.29	10.31	5.55	8.57	3.40	7.86

Arunachal Pradesh	0.60	3.97	19.56	12.79	5.67	3.49	6.78	6.36
Assam	-0.40	3.43	12.41	4.65	4.99	8.63	3.90	6.20
Himachal Pradesh	8.60	1.31	5.89	12.30	3.23	9.24	5.50	8.44
Manipur	1.60	2.16	2.74	10.45	-1.06	5.76	0.52	6.03
Meghalaya	5.25	3.99	7.88	10.53	5.01	6.07	5.52	6.16
Mizoram	-1.21	3.75	12.13	5.94	8.73	7.12	7.18	6.33
Sikkim	6.60	4.46	17.67	11.03	4.31	8.42	7.64	8.29
Tripura	4.61	6.02	23.28	6.39	7.53	10.80	9.25	8.61
SCS	1.83	3.23	10.01	8.56	4.71	8.48	4.81	6.94
Delhi	-0.50	-2.27	6.14	12.38	4.74	9.90	4.93	10.25
GOA	-1.20	-0.47	6.34	11.84	1.28	12.80	2.71	10.61
Pondicherry	-2.33	-1.85	15.24	-0.83	5.93	3.84	9.74	1.16
UT	-1.08	-1.27	7.21	10.72	4.56	9.88	4.97	9.80
India	0.45	3.84	5.20	10.78	6.81	10.34	4.78	8.97

sector growth has not only taken a leap forward in the 2004-07 period but the growth has also been broad based.

In the tertiary sector, growth acceleration is observed for all states except Uttaranchal. An equal number of 8 states witnessed higher than the group's tertiary sector growth in both the sub periods. Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka and West Bengal recorded higher than the growth of the GCS as a group in the secondary sector consistently in both the sub periods.

As far as the SCS are concerned, though not a single state recorded negative growth, two states witnessed growth deceleration in their primary sector in 2004-07. The growth acceleration in the primary sector for the SCS has also been broad based. Compared to only four states, as many as six states posted higher growth in the primary sector than that for the SCS as a group in 2004-07. While an equal number of five states had a higher than the group growth in the

secondary sector in 2004-07, growth deceleration is observed for the majority of the states within SCS. Though growth has been much better in the tertiary segment for the SCS as a group, three states experienced growth deceleration. However, compared to the tertiary growth observed for the SCS as a group, as many as five states in each sub period had a lower growth.

For the UTs, primary sector growth was negative in both the sub periods and was of a higher order in 2004-07. All the three states under study also recorded negative growth in their primary sector. In the secondary sector, there was growth acceleration for UTs as a group. Compared to only one state, two states notched a better growth performance in their secondary sector in the 2004-07 period compared to that in 2000-03. The tertiary sector has also grown for the UTs as a group at a much higher pace in 2004-07 as compared to 2000-03. Only in case of Pondicherry there was a growth deceleration amongst the UTs under study. The growth rate of GSDP for the GCS has more than doubled between 2004-07 over 2000-03. Further, a higher growth than that for GCS as a group is observed for ten states in 2004-07 as compared to for only 9 states in 2000-03. While Jharkhnad and Rajasthan had growth rates less than 0.5 per cent, Madhya Pradesh had a negative growth in GSDP during 2000-03. This scenario has changed completely in the 2004-07 period when the minimum growth recorded by any of the GCS is 4 per cent.

III. Variability of Output

While growth per se is important, its stability is equally a matter of concern. We now discuss the stability of growth across the states. While output has grown faster in the 2004-07 period, it has also been more volatile. Like for the GDP figure at the All India level, variability of SDP for GCS, SCS and UTs as a group has increased in the high growth phase 2004-07 compared to that in 2000-03 (Table-4). If we analyse the inter-sectoral variability of the States under GCS group, the following points emerge: Variability of SDP has increased in all the states in the 2004-07 period. For the GCS as a group, variability of the output originating from all the three sectors has increased in the 2004-07 period. The rise in the CV for secondary sector has been of the highest order followed by that for primary and

Variability in Output Across Sectors and States								
STATE	Primary CV	Primary CV	Secondary CV	Secondary CV	Tertiary CV	Tertiary CV	CVPSDP	CVPSDP
State	2000-2003	2004-2007	2000-2003	2004-2007	2000-2003	2004-2007	2000-2003	2004-2007
Andhra Pradesh	5.7	8.4	6.9	10.5	9.0	11.3	6.4	10.3
Bihar	14.8	11.0	4.5	29.3	8.0	12.7	8.8	13.6
CHATTISGARH	9.9	8.4	8.4	19.4	5.9	11.4	6.0	12.3
GUJARAT	10.2	9.2	7.0	13.3	8.0	13.4	6.7	12.2
Haryana	1.7	5.1	10.2	13.8	14.6	15.0	9.3	12.2
Jharkhand	6.6	7.7	19.6	24.9	4.7	10.7	4.5	13.9
Karnataka	7.3	9.4	9.8	7.4	9.2	10.1	5.5	9.0
Kerala	2.2	7.4	6.4	10.0	8.8	10.2	6.8	9.6
Madhya Pradesh	13.8	2.5	0.7	6.2	3.2	6.8	3.4	5.1
Maharashtra	4.0	6.9	5.1	12.9	6.8	12.0	4.7	11.3
Orissa	6.0	6.2	4.0	19.1	6.6	11.3	3.2	11.2
Punjab	0.9	3.3	2.8	13.3	7.0	6.7	3.6	7.1
Rajasthan	15.0	7.1	2.9	10.5	3.7	8.7	5.0	6.1
Tamil Nadu	9.8	13.0	5.1	8.5	5.6	10.9	2.7	10.5
Utranchal	2.6	3.4	23.8	20.8	10.2	10.2	10.9	11.8
Uttar Pradesh	1.3	4.0	3.2	12.6	5.3	7.3	3.4	7.4
West Bengal	4.4	3.9	8.9	15.2	7.6	10.4	6.6	9.6

GCS	2.6	5.2	4.4	12.6	7.0	10.6	4.4	9.8
Arunachal Pradesh	4.0	6.3	31.9	19.5	7.1	4.9	9.6	9.2
Assam	0.9	4.4	17.3	5.9	6.3	11.0	5.2	7.8
Himachal Pradesh	10.8	3.1	7.5	15.5	4.2	11.4	6.9	10.5
Manipur	3.1	5.0	7.2	12.8	4.5	7.2	3.2	7.6
Meghalaya	7.0	5.0	10.1	12.8	6.3	7.6	6.9	7.7
Mizoram	4.0	4.8	15.1	8.6	10.9	8.9	9.2	8.1
Sikkim	8.2	5.6	20.4	13.5	5.8	10.4	9.5	10.3
Tripura	8.8	7.7	25.8	8.1	9.7	13.3	11.6	10.7
SCS	2.4	4.2	12.7	10.7	6.0	10.6	6.1	8.7
Delhi	1.5	3.4	8.9	14.9	6.1	12.3	6.4	12.6
Goa	7.9	2.0	7.9	15.2	4.7	15.4	4.7	13.1
Pondicherry	3.5	3.6	17.9	10.6	7.7	5.0	11.9	5.9
UT	3.4	1.9	9.5	13.2	5.9	12.3	6.4	12.2
India	3.0	5.1	6.6	13.2	8.6	12.8	6.0	11.2

tertiary sector. While, increases in variability of output in the primary and secondary sector is noticed for 11 states, the same for secondary and tertiary sector has been for 15 states each in the 2004-07 period compared to the 2000-03 period. For eight states viz, Andhra Pradesh, Haryana, Jharkhand, Kerala, Maharashtra, Orissa, Tamil Nadu and Uttar Pradesh increased variability in output is observed in all the three sectors in the 2004-07 period. In Bihar, Chattisgarh, Gujarat, Madhya Pradesh, Rajasthan and West Bengal, increase in variability is noticed both in the secondary and the tertiary sectors.

Within SCS, variability of SDP increased for seven out of the eight states under study. Variability in primary sector output increased for four states and that for secondary and tertiary sector output increased for three and six states respectively in the 2004-07 period over the 2000-03 period. While for Himachal Pradesh and Meghalaya, variability in output increased for both the secondary and

tertiary sectors, in case of Manipur all sectors witnessed higher volatility in the 2004-07 period.

In case of UTs higher variability in SDP is observed in case of Delhi and Goa. While Delhi witnessed increased variability in output originating from all the three sectors, in case of Goa, output from secondary and tertiary sector only showed increased variability during 2004-07 as compared to that in 2000-03. In case of Pondicherry, there was a slight increase in variability in output from the primary sector only in the 2004-07 period.

IV. Changing Sectoral Shares in Output

That India has graduated from a predominantly primary producing economy to a services led economy and the industrial revolution has bypassed it

Share of Different Sectors in Output						
State	Primary	Primary	Secondary	Secondary	Tertiary	Tertiary
	2000-03	2004-07	2000-03	2004-07	2000-03	2004-07
Andhra Pradesh	31.1	29.1	20.6	20.7	48.3	50.2
Bihar	35.7	31.0	11.1	13.1	53.2	55.9
Chattisgarh	35.7	34.2	23.2	27.6	41.1	38.3
Gujarat	18.7	19.4	37.2	37.0	44.1	43.5
Haryana	29.4	23.9	28.3	29.9	42.2	46.2
Jharkhand	31.1	23.5	29.5	39.7	39.4	36.7
Karnataka	26.4	20.4	24.7	25.9	48.9	53.7
Kerala	21.4	18.3	20.7	21.5	57.9	60.2
Madhya Pradesh	29.4	30.2	21.3	20.7	49.2	49.1
Maharashtra	16.3	14.7	26.7	26.6	57.0	58.7
Orissa	34.4	32.1	18.9	20.9	46.6	47.0
Punjab	36.3	33.4	22.6	24.2	41.1	42.4
Rajasthan	31.0	32.1	25.6	25.8	43.5	42.1
Tamil Nadu	16.4	13.5	28.9	28.5	54.7	57.9
Uttaranchal	27.0	22.0	22.5	28.9	50.5	49.1
Uttar Pradesh	34.6	31.3	21.6	23.6	43.8	45.1
West Bengal	30.4	26.7	16.8	19.2	52.8	54.1
GCS	26.6	24.0	24.0	25.2	49.4	50.8
Arunachal Pradesh	32.9	26.1	21.8	32.7	45.3	41.1

Assam	38.4	33.4	13.8	17.2	47.8	49.4
Himachal Pradesh	24.9	24.2	36.5	37.7	38.6	38.1
Manipur	28.5	27.8	22.3	28.5	49.2	43.7
Meghalaya	31.8	30.5	15.1	16.9	53.1	52.5
Mizoram	20.0	16.9	16.7	17.5	63.3	65.6
Sikkim	21.7	20.3	23.0	26.5	55.4	53.2
Tripura	28.1	25.2	19.0	21.9	52.9	52.9
SCS	32.9	29.4	20.1	23.4	46.9	47.2
Delhi	1.3	1.0	18.8	19.6	79.8	79.4
Goa	14.9	13.3	37.6	38.5	47.5	48.2
Pondicherry	6.3	5.1	48.5	48.6	45.1	46.3
UT	2.9	2.4	22.2	22.8	74.9	74.8
India	25.9	22.1	23.2	24.1	50.9	53.8

has been a matter of recurring debate. Papola (2005) provides a brief overview of the state of the debate and also his own perspective on the sustainability of a services led growth. Here, we chronicle the tendencies for structural transformation in the high growth phase of 2004-07 across the States. While at the all India level, tertiary sector contributes to more than half of the GDP in the 2004-07 period, the amplitude of its contribution varies significantly across the three different categories of states. For instance, tertiary sector's contribution to SDP is around 75 per cent for the UTs, but it is of the order of only 49 and 47 percent respectively for the GCS and SCS as groups. Same is the case for the primary sector's contribution to SDP. While for GCS, primary sector's contribution is 24 per cent; the same for SCS and UTs is 29 and 2.4 percent respectively in the 2004-07 period. As we do not find a uniform pattern of sectoral contribution across the GCS, SCS and UTs, it would be instructive to go further down at the level of states under these three broad categories.

Within GCS, the tertiary sector has accounted for almost half of the SDP in both the periods. However, the share of primary sector, which was 2.6 percentage points higher than that for the secondary sector in the SDP during 2000-03, has become 1.2 per centage points less than that for the secondary sector during 2004-07. Chattisgarh has retained its position as the state where primary sector's contribution at 35.7 and 34.2 per cent is highest amongst all states during 2000-03 and 2004-07 period respectively. Amongst all states, Gujarat, which had the highest share of secondary sector during 2000-03 at 37.32 per cent, has given way to Jharkhand in 2004-07 at 39.7 per cent. The share of tertiary sector in SDP was highest for Kerala in both the time periods at around 60 per cent in 2004-07. Only in case of Gujarat and Jharkhand, secondary sector contributes to more than one third of the SDP during 2004-07.

The range of variation amongst the GCS in the tertiary sector's contribution to SDP has increased in the 2004-07 period. For example, the range which, varied between 57.9 percent for Kerala to 39.4 for Jharkhand in the 2000-03 period has increased in the 2004-07 period, between 60.2 for Kerala to 36.7 for Jharkhand. The range of contribution of primary and secondary sector to SDP has also increased marginally in the 2004-07 period. While in the primary sector the range of variation has increased from 19.4 to 20.7, the same for secondary sector has increased to 26.6 in 2004-07 from 26.1 in 2000-03 period. The increase in the range of variation has been maximum for the tertiary sector followed by the primary and secondary sector during 2004-07 when compared to 2000-03 period.

For the SCS, the range of variation of the contribution of primary and secondary sectors to state SDP has declined and that for the tertiary sector has gone up in the 2004-07 period. For instance, contribution of tertiary sector was the minimum for Arunachal Pradesh at 45.3 percent and maximum for Mizoram at 63.3 percent in the 2000-03 period giving a range of 18. This has increased to 27.5 in the 2004-07 period with 38.1 percent for Himachal Pradesh and 65.6 per cent for Mizoram. While the range of contribution of the primary sector has declined from 18.4 to 16.5 in the 2004-07 period; the States, which accounted for the lowest (Mizoram) and the highest (Assam) contribution of the primary sector to SDP amongst the eight states, however, have remained the same. As far as UTs are concerned, the range of variation of contribution to different sectors to SDP has declined for all the three broad sub sectors.

V. Sectoral Contribution to Growth

In the preceding sections we have discussed the growth of different sectors across the States and the changing shares of different sectors in the SDP in the two sub-periods 2000-03 and 2004-07. The discussion on the share of different sectors in SDP and on their growth leads us to comment on the relative importance of different sectors in their contribution to the growth for the States and how the same has changed over time. For GCS as a group, contribution of primary and secondary sector to growth has increased and that of tertiary sector has gone down in the 2004-07 period. While the contribution of primary sector to growth for the GCS as a group has increased modestly to 11.9 per cent in 2004-07 from 3.7 per

cent in 2000-03, the contribution by secondary sector to growth has been doubled to 33 per cent. The contribution from tertiary sector to growth has seen a sharp decline to 55 per cent in 2004-07 from 80 per cent in 2000-03. This pattern in the contribution of different sector to growth also observed at the all India level, however, with a lesser intensity. The situation is, however, different for the SCS. While the share of primary sector in its contribution to overall growth has slightly increased, that for tertiary sector has increased substantially during 2004-07 compared to the preceding period. The rise in the contribution of the tertiary sector is matched by a fall in the contribution of the secondary sector in the GSDP growth both for the SCS and UTs as a group. Within the GCS, only for Bihar,

Contribution to Growth						
State	Primary	Primary	Secondary	Secondary	Tertiary	Tertiary
	2000-03	2004-07	2000-03	2004-07	2000-03	2004-07
Andhra Pradesh	9.6	23.5	20.3	21.2	70.1	55.3
Bihar	42.1	17.6	2.0	31.2	55.9	51.2
Chattisgarh	15.5	19.4	29.8	45.6	54.7	35.0
Gujarat	22.5	11.2	14.4	40.4	63.0	48.4
Haryana	2.5	8.2	30.2	34.2	67.3	57.6
Jharkhand	99.0	-3.4	-248.0	75.9	249.0	27.4
Karnataka	-24.8	19.5	42.3	20.8	82.5	59.7
Kerala	6.8	14.0	19.1	22.1	74.1	63.8
Madhya Pradesh	360.8	9.6	3.6	24.9	-264.4	65.6
Maharashtra	11.9	6.6	-7.0	30.1	95.2	63.2
Orissa	0.4	17.1	-15.5	36.0	115.1	46.9
Punjab	5.3	14.8	13.8	45.9	80.9	39.3
Rajasthan	-419.3	-14.2	119.3	49.2	399.9	64.9
Tamil Nadu	-53.2	16.9	3.8	22.8	149.4	60.4
Uttaranchal	2.1	5.6	51.4	52.9	46.6	41.5
Uttar Pradesh	12.8	13.6	18.4	41.6	68.8	44.9
West Bengal	16.5	10.5	22.6	30.5	61.0	59.0
GCS	3.7	11.9	16.1	33.0	80.2	55.1
Arunachal Pradesh	2.8	15.6	60.7	62.9	36.5	21.6

Assam	-3.9	18.5	43.4	12.9	60.5	68.6
Himachal Pradesh	38.6	3.8	38.8	54.7	22.6	41.5
Manipur	84.2	9.9	112.1	48.9	-96.3	41.3
Meghalaya	30.2	19.7	21.6	28.8	48.2	51.5
Mizoram	-3.3	10.0	27.8	16.4	75.5	73.6
Sikkim	18.2	10.9	51.5	35.2	30.3	53.9
Tripura	13.4	17.6	45.6	16.2	41.1	66.3
SCS	12.5	13.6	41.7	28.8	45.8	57.6
Delhi	-0.1	-0.2	23.5	23.6	76.7	76.6
Goa	-6.4	-0.6	84.7	42.7	21.6	57.9
Pondicherry	-1.5	-7.4	74.5	-31.3	27.0	138.6
UT	-0.6	-0.3	32.1	24.9	68.5	75.4
India	2.4	9.4	25.2	28.8	72.4	61.8

Gujarat, Jharkhand, Madhya Pradesh, Maharashtra and West Bengal, the contribution of primary sector to growth has declined in the 2004-07 period. Jharkhand and Rajasthan showed negative contribution of the primary sector to growth in the 2004-07 period. Andhra Pradesh in the 2004-07 period has replaced Madhya Pradesh of the 2000-03 period in having the highest contribution to growth originating from the primary sector. As many as 9 states had a higher contribution to growth from the primary sector than what is observed for the GCS as a group during 2004-07. Except for Karnataka and Rajasthan, all other states have witnessed a rise in the contribution of secondary sector to overall SDP growth. When we consider the contribution of secondary sector to overall growth, Jharkhand during 2004-07 has replaced Rajasthan during 2000-03 in having the largest contribution. Eight states had a larger contribution to growth from secondary sector than that for the GCS as a group in both the sub periods. Three states had a negative contribution to growth from secondary sector during 2000-03. Negative contribution to growth by the secondary sector is not seen for any

state during 2004-07. As far as tertiary sector's contribution to growth is concerned except Madhya Pradesh, which had a negative contribution during 2000-03, all other states have witnessed a decline.

Within SCS, five out of eight states had a higher contribution from primary sector to growth of SDP compared to that for SCS as group during 2000-03. Number of such states has been reduced to four during 2004-07. Further, unlike contribution from primary sector to SDP growth, which was negative for two states, Assam and Mizoram during 2000-03, all states had a positive contribution to growth from this sector during 2004-07. Contribution of primary sector to SDP growth increased for only three states during 2004-07 compared to 2000-03. As far as contribution of secondary sector to SDP growth is concerned, Arunachal Pradesh and Meghalaya witnessed a small increase. Four states in each period had a higher contribution of secondary sector compared to that for the SCS as a group in each period. In the tertiary sector's contribution to growth, as many as six states experienced an increase during 2004-07 compared to the previous period.

Within the UTs all the three regions experienced a negative contribution to growth from the primary sector in both the periods. The negative contribution has become a little less during 2004-07 for Goa only. Secondary sector's contribution to growth turned negative for Pondicherry during 2004-07. For Goa, the secondary' sector's contribution has almost halved compared to the 2000-03 period. Only, Delhi retained the secondary sector's contribution to growth at 23.5 per cent in 2004-07. However, both Goa and Pondicheery witnessed very high

contribution to growth from the tertiary sector where as Delhi retained a similar contribution to SDP growth during 2004-07

VI. Contribution to All India Growth in Output and Population

The growth of different states contributes to the growth of the entire Indian economy. Growth of states would make more sense if we consider also their share in country's output and population. A higher growth for a state, which accounts for a larger share in country's GDP, augurs well for the stability of growth. Whereas, a state with a higher share of population if grows faster can have positive welfare implications. The GCS accounted for the largest share in country's GDP. Within the GCS, only Chattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu increased their contribution to GDP growth during 2004-07 compared to that in 2000-03. If we consider individual states, Maharashtra alone accounts for 13 per cent of Country's output. It also has the largest contribution to India's growth both during 2000-03 and 2004-07. Andhra Pradesh and West Bengal also contributed in the range of 11 to 12 per cent during 2000-03. However, both these states have witnessed a decline in their contribution to India's GDP growth in the 2004-07 period. The decline has been quite appreciable for West Bengal.

Uttar Pradesh accounted for more than 16 per cent of India's population, highest for any state. It also contributed the maximum to India's population growth in both the sub periods and its contribution to population growth has further increased to 21 per cent during 2004-07. Andhar Pradesh, Chattisgarh,

Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Uttaranchal and Uttar Pradesh witnessed a higher contribution to population growth during 2004-07 than that noticed for 2000-03 period.

Amongst the GCS, the newly created Uttaranchal accounted for the lowest share India's GDP and population in both the sub periods. Only Andhra Pradesh, Gujarat, Haryana, Jharkhad, Orissa increased their share in All India GDP. Only six states *viz.* Maharashtra, Uttar Pradesh, West Bengal, Andhra Pradesh, Tamil Nadu and Gujarat accounted for more than half of India's GDP in 2000-03. The share of these six states has slightly declined to 49.6 per cent during 2004-07. Barring the newly created states of Uttaranchal, Jharkahnd and Chhatisgarh, Orissa and Bihar accounted for the lowest share in All India GDP.

Contribution to GDP Growth and Population Growth by States								
STATE	Share in GDP	Share in GDP	Share in Population	Share in Population	Contribution to GDP Growth	Contribution to GDP Growth	Contribution to Population Growth	Contribution to Population Growth
	2000-03	2004-07	2000-03	2004-07	2000-03	2004-07	2000-03	2004-07
Andhra Pradesh	7.4	7.3	7.4	7.3	11.4	8.5	4.1	5.2
Bihar	2.9	2.7	8.1	8.1	5.5	4.0	11.5	9.0
Chattisgarh	1.5	1.5	2.0	2.0	1.5	2.1	1.6	2.6
Gujarat	5.9	6.4	4.9	4.9	7.5	9.0	5.8	5.1
Haryana	3.0	3.2	2.0	2.1	6.9	4.4	2.7	2.3
Jharkhand	1.7	1.8	2.6	2.6	0.1	2.8	3.0	2.7
Karnataka	5.4	5.1	5.1	5.1	7.3	5.2	4.2	4.0
Kerala	3.8	3.8	3.1	3.0	6.3	4.2	1.7	2.1
Madhya Pradesh	4.1	3.6	5.9	6.0	-0.8	2.1	6.8	7.2
Maharashtra	13.2	13.1	9.4	9.4	12.5	16.8	9.4	9.6
Orissa	2.3	2.4	3.6	3.5	1.5	3.0	2.5	2.7
Punjab	3.7	3.3	2.4	2.4	3.2	2.7	2.2	2.9
Rajasthan	4.4	4.3	5.5	5.6	0.5	2.6	7.4	6.9
Tamil Nadu	7.3	6.9	6.1	5.9	3.7	8.2	3.2	3.1
Utranchal	0.8	0.8	0.8	0.8	2.0	1.1	0.8	0.9
Uttar Pradesh	9.5	8.6	16.2	16.4	7.7	7.0	20.3	20.9
West Bengal	7.6	7.3	7.8	7.7	12.2	7.9	5.7	5.7

GCS	84.4	82.2	93.0	92.9	88.5	91.3	93.0	92.8
Arunachal Pradesh	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Assam	1.9	1.8	2.6	2.6	2.3	1.6	2.4	2.4
Himachal Pradesh	0.8	0.8	0.6	0.6	1.4	1.0	0.6	0.7
Manipur	0.2	0.2	0.2	0.2	0.0	0.1	0.3	0.3
Meghalaya	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2
Mizoram	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2
Sikkim	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Tripura	0.3	0.3	0.3	0.3	0.8	0.4	0.1	0.3
SCS	3.6	3.5	4.2	4.2	5.3	3.4	3.9	4.1
Delhi	3.1	3.1	1.3	1.4	4.7	4.4	2.6	2.7
GOA	0.3	0.3	0.1	0.1	0.3	0.5	0.2	0.3
Pondicherry	0.2	0.2	0.1	0.1	0.6	0.0	0.1	0.1
UT	3.6	3.6	1.6	1.7	5.5	5.0	3.0	3.1

VI. Concluding Observations

This Paper was an attempt to chronicle the growth process in Indian states during the recent high growth phase 2004-07. While the growth rate for the all the three categories of states have increased, the doubling of SDP growth for the GCS which account for more than 80 per cent of all India GDP stands out as a noticeable progress. Within GCS, a perceptible pick up in the growth momentum for majority of states including many poor states augurs well for the Indian economy. The share of secondary sector has surpassed that of the primary sector in the SDP for the GCS. Another noticeable feature of the growth process relates to the sectoral contribution to growth. There has been a sharp decline in the share of tertiary sector and a rise in the share of both primary and secondary sector in the contribution to SDP growth for the GCS during the 2004-07 period. Tertiary

sector however, still dominates in the contribution to growth for the SCS and the UTs. An increase in contribution to growth from the primary and secondary sector has been more due to the surge in growth rate of these sectors than a perceptible rise in their shares in the SDP. Thus it remains a challenge to continue the high growth momentum of the primary and secondary sectors in all the three categories of states to reduce the dependency on the tertiary sector to achieve 9 per cent growth in the 11th five year period. Another disquieting feature of the growth process relates to the stability of the high growth momentum. The rise in variability of output for all the three category states and more importantly for all the states in the GCS category raises serious concerns on the continuity of the high growth momentum in the future.

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Annex: 1 Data Issues

The State Domestic Product (SDP) data published by the Central Statistical Organization (CSO) spreads over seventeen sub sectors. The classification of the primary, secondary and tertiary sector is based on the following sub sectors:

Primary Sector: 'Agriculture', 'forestry and logging', 'fishing' and 'Mining and quarrying.'

Secondary Sector: 'Registered manufacturing' and 'unregistered manufacturing', 'construction' and 'electricity, Gas and Water supply'. Sum of the registered and the unregistered components gives the figures for manufacturing

Tertiary Sector: Transport (Railway and by other means), 'Storage' and communication, 'trade, hotel and restaurants', 'banking and insurance', 'Real Estate, Ownership of Dwellings and Business Services', 'Public Administration' and 'other Services'

ⁱ The National Integration Council (1961) held that ‘a rapid development of the economically backward regions in any state should be given priority in national and state Plans, at least to the extent that the minimum level of development is reached for all states within a stated period.’