Analysing Economic Performance of Indian States

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India stands as the world's fastest-growing major economy and is well poised to reach US$9 trillion milestone by 2030. States hold the key to achieving this vision, as they drive India's economic growth and development trajectory. However, regional disparities loom large in India's economic performance, stemming from diverse geography and varying state-level economic growth. Five states – Maharashtra, Gujarat, Tamil Nadu, Karnataka and Uttar Pradesh are the major contributors to India's GDP, with a collective GSDP of about Rs 75 lakh crore representing a substantial 47 per cent share in India's GDP.

India's GDP for the fiscal year 2022-23 has reached Rs 160 lakh crore (at constant prices),surpassing its pre-pandemic five-year average of Rs 130 lakh crore spanning from 2015 to 2020. Majority of the states have shown a remarkable recovery from the challenges posed by the Covid-19 pandemic with their GSDP witnessing significant growth and surpassing pre-pandemic levels.

States like Gujarat, Maharashtra, Tamil Nadu, and Karnataka are the economic powerhouses, driving the nation's GDP by contributing to nearly half of the nation's economic output andoutperforming national GDP growth. These are large and diversified economies with a well-established manufacturing base and a robust services sector. Rajasthan, Uttar Pradesh, West Bengal and Chhattisgarh are emerging as high-potential states, displaying robust GSDP growth rates that surpass the national average in the post-pandemic period. These states havecollectively made substantial contribution of nearly 20 per cent to the nation's GDP.

Smaller states such as Assam, Tripura, Manipur and Arunachal Pradesh are poised to become new frontiers, demonstrating significant progress in growth. They have recently registered rapid growth rates and hold the potential to catch up with the high-performing states in the years to come, given their current trajectory.

Regionally, the Southern region stands out as the most significant contributor to India's GDP, with states like Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, and Telangana contributing around 30 per cent to the nation's economic output. The western region, anchored by Gujarat and Maharashtra, contributes roughly 23 per cent to India's GDP. In the northern region, states like Punjab, Haryana, and Rajasthan make significant contributions, accounting for 18.5 per cent of the GDP.

Eastern states, represented by West Bengal, Odisha, and Bihar, contribute 12.5 per cent and Central region, including Uttar Pradesh and Madhya Pradesh, contribute 13.6 per cent to the nation's output. The Northeast region, comprising states like Assam, Manipur, Meghalaya, and others, has a relatively modest economic share, standing at just 2.7 per cent.

Regional Variations in Sectoral Contributions and Growth Patterns

India's economic engine is fuelled primarily by services sector that account for more than half of the nation's GDP. Industry sector accounts for about 23 per cent share, whereas agriculture and allied sector contributes only 14 per cent to India's GDP. Over the last decade, the contribution of services sector to nation's GDP has experienced a substantial growth of 10 per cent, while that of industry and the agriculture sector have witnessed a decline of 6 percent and 19 per cent, respectively.

Post the covid-19 pandemic, Maharashtra, Kerala and Assam have seen substantial growth in the agriculture and allied sector. However, Madhya Pradesh and Haryana, which are primarily agrarian states, have witnessed a decline in agricultural performance. Gujarat, Maharashtra, and Tamil Nadu are industrial giants, together accounting for almost 37 per cent to the nation's industrial production.

These states have demonstrated positive trends in their GDP growth rates compared to the pre-pandemic average.

Notably, Arunachal Pradesh, Manipur, and Tripura have made significant strides in the industrial sector. If these small states sustain their growth trajectory, they will be on the path to become promising economies with the potential to transform into high-performing states, driven by their industrial sectors. The service sector has experienced remarkable growth following the pandemic, with nearly all states recording a substantial expansion in this sector. Kerala, Manipur, Bihar, West Bengal, and Tripura have achieved growth rates of over 10 per cent, surpassing the national average in the services sector.

Considering the regional distribution, the Southern region of India leads in sectoral contributions, including agriculture and allied activities, industry, and services. Within the services sector, the Southern region accounts for a substantial 31 per cent share, with Karnataka and Tamil Nadu emerging as the primary contributors. In the industrial sector, the region contributes 28 per cent to the nation's industrial output, with Tamil Nadu taking the lead. In agriculture and allied sector, it contributes 28.5 per cent to the national agricultural output, with Andhra Pradesh playing a pivotal role.

Conversely, the Western region, encompassing Gujarat and Maharashtra, has a greater contribution (27 per cent) to the nation's industrial output than its share in the nation's agriculture and services sectors which is 18 per cent and 20 per cent, respectively. In contrast, the rest of India contributes more to the country's agricultural output than it does to the industry and services sectors' output. Central region's contribution stands at a substantial 23 per cent, with Uttar Pradesh being the largest contributor (share of 12.3 per cent) to nation's agricultural output followed by Madhya Pradesh (8.8 per cent).

Conclusion

India holds a promising prospect of emerging as a US$9 trillion economy by 2030, but this realization depends on the effective utilization of its states' potential. A significant challenge lies in the persistence of regional disparities driven by varying economic growth rates and diverse geographies across states. To ensure that every state contributes optimally to India's growth story, it is important to harness each state's unique potential and contribute to overall economic growth and development.

Firstly, there is a need to prioritize agriculture as its contribution to India's GDP remains low despite large population dependent on it. States like Madhya

Pradesh, Haryana and Punjab, which are primarily agrarian but have witnessed a decline, require immediate attention. Theseregions should be provided with financial support and encouraged to adopt sustainable agricultural practices to revitalize the sector. Industrial powerhouses like Gujarat, Maharashtra, Tamil Nadu, and Karnataka should be provided with targeted support to promote their industrial prowess. This involves implementing industry-friendly policies, enhancing infrastructure, and attracting investments to further strengthen their industrialsectors.

States excelling in the service sector should focus on boosting the sector through skill development initiatives, conducive business environment, and further investments in technology and innovation. Small states, notably Assam, Tripura, Manipur, and Arunachal Pradesh, have demonstrated growing potential in recent times. It is imperative to prioritizeinfrastructure development, foster investment promotion, and promote sustainable agriculture in these regions to harness their capabilities. Moreover, it is imperative for all states to diversify their economies beyond their traditional sectors so as to enhance overall economicresilience. Inter-state collaboration and prioritizing inclusive growth is important to address regional disparities across the states towards achieving a balanced and sustained economic growth trajectory, steering India toward the US$9 trillion economy milestone by 2030.

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