Growth and Imbalances in Indian Economy

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Decent Standard of Living, Knowledge and Long and Healthy Life are the three dimensions of Human Development of UNDP.

ABSTRACT Indian economy has grown significantly over the period of time. This growth is very high in recent years due to speedy growth in service sector. Bihar, Assam, Madhya Pradesh and Orissa are in the bottom position among the 15 major states. On the other hand, Haryana, Maharashtra, Gujarat and Tamil Nadu are observed in the top position. Even though, states like Tamil Nadu, Kerala and Punjab have lower per capita income than Gujarat Maharashtra and Haryana, but their poverty level is found to be lower. It means, in Haryana, Maharashtra and Gujarat, income has not been distributed properly among the people. It strengths the argument the growth will not automatically trickledown to the poor, marginalized and vulnerable section of the society. Government's intervention is very much necessary for higher, sustainable and inclusive growth of the nation.

Introduction:

Economic Growth is an important component for every country. All countries intend to achieve higher economic growth. When the country's economy is strong, then the country can easily achieve higher social, cultural, educational, political, human development and overall development. One cannot deny that economic growth itself is not sufficient condition for overall development. However, for overall development, economic growth contributes significantly. The advocates of human development are also in the opinion that among the three dimensions[2] of human development, economic growth is very important. Economic growth is measured through per capita income. There is a contrary argument to this, which argues - measurement of economic growth with per capita income cannot be considered as the good tool, as it ignores the imbalances among regions, communities gender and so on. For this purpose, the concept of Human Development has emerged, which is considered as more dynamic. This concept has enhanced the boundary/ periphery of the growth/ development. It included various dimensions of development considering – education, health, gender, poverty environment and so on. However, per capita income is one of the good measures of development.

After independence, Indian economy has grown significantly. Indian economy was majorly dependent of agriculture at the time of independence. Over the period of time, government has implemented various policies and programmers, which has resulted higher economic development. There are plenty of studies on growth and regional imbalances in India see among others - Ahluwalia (1998), Sachs, Bajapai and Ramiah (2002), Rao, Shand and Kalirajan (1999), Nagaraj and Veganzore (1997), de la Fuente (2003), Dasgupta and others (2000), Bhide and other (1996) and so on. Taking into the consideration of recent data, studies are in limited. In the present an attempt has been made to analyze the trends and pattern of GDP and further it analyses the regional imbalances in economic growth taking into consideration of 15 major Indian states.

Growth and Composition of GDP:

Indian GDP (2004-05 prices) was Rs. 2,796 billion in 1950-51, which increased significantly to Rs. 49,370 billion in the year 2010-11. It has registered around 18 times increase over 60 years. Per capita GDP was Rs. 7,789 in 1950-51, which has increased to 41,627 in the year 2010-11. But it has shown only five times increase over 60 years of time. It means even though, GDP has increased significantly, population growth has eaten this growth. Population has increased considerable at the same period. Information related to growth of GDP and per capita GDP has been presented in table 1 and appendix table 1.

Table 1: Growth of GDP and Per Capita GDP from 1950-51 to 2010-11 (2004-05 prices)

Year	GDP (Rs billion)	Per Capita GDP (Rs)
1950-51	2796	7789
1960-61	4103	9453
1970-71	5898	10902
1980-81	7985	11760
1990-91	13479	16065
2000-01	23485	23047
2010-11	49370	41627

Source: Appendix Table 1

Economy has majorly been divided into three sectors, namely primary, secondary and tertiary sectors. During 1950-51 major share of GDP was from primary sector, which was 52 per cent (Rs 1,451 Billion), the contribution of secondary sector was 11 per cent (Rs. 310 Billion), while the share of tertiary sector was 35 per cent (Rs. 968 Billion). Agriculture (primary) sector's contribution has decreased significantly to 15 per cent in 2009-10 among these three sectors. On the other hand secondary sector has increased to 20 per cent. A higher and considerable increase can be observed in tertiary sector, which increased to 65 per cent in the period (please see graph 1 and appendix table 1 for more details).

Graph 1: Composition of GDP from 1950-51 to 2009-10
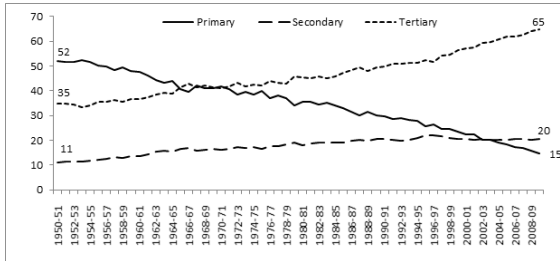
Source: Appendix Table 1

In table 2 sector wise and decade wise Compound Annual Growth Rate (CAGR) has been provided. It is found that among the sectors tertiary sector (5.67%) has registered the highest growth rate, followed by secondary sector (5.65%) and primary sector (2.61%). In 1960s, primary sector, has experienced the lowest annual growth rate (1.51%) and 1990s it has registered the highest annual growth rate (3.34%). With respect to tertiary sector, annual growth rates were more or less same in 1950s, 1960s and 1970s. In the later decades, it started increasing. This sector has shown the highest compound annual growth rate of 9.38 per cent in 2000s. On the other hand, tertiary sector has always shown higher growth rates compared to its previous decades. Its growth rate in 1950s was 3.68 and in the 2000s it was 7.85. Totally, it is clear that tertiary sector is contributed a lot with sustaining/ maintaining its growth rate. In case of per capita income also, more or less same trend can be observed like tertiary sector.

Table 2: Sector wise Growth Rate of GDP

Decades	Primary	Sector	Tertiary	GDP	Per Capita GDP
1950-51 to 1959-60	2.71	5.91	4.34	3.68	1.72
1960-61 to 1969-70	1.51	5.12	4.94	3.29	1.05
1970-71 to 1979-80	1.74	5.04	4.30	3.45	1.14
1980-81 to 1989-90	2.97	6.42	6.35	5.17	2.95
1990-91 to 1999-00	3.34	6.64	7.38	6.11	4.06
2000-01 to 2009-10	2.95	7.85	9.38	7.85	6.21
1950-51 to 2009-10	2.61	5.65	5.67	4.57	2.40

Source: Appendix Table 1

Inter-State Disparity:

Regional disparity is universal incident. No country is an exception of this. Compared to developed countries, the problem of regional imbalances is high in developing countries like India. India is a country where, number of diversifications can be observed. These diversifications are in language, race, caste, religion, geographical area, dresses, and food pattern and so on. With respect to economic growth also, India has been facing inter-state[3] imbalances from independence. Many planning and financing commissions have focused on this issue. Many governments have implemented various programmers and policies to reduce these imbalances. However, regional disparity has not reduced noticeable level, especially in economic growth.

In this section an attempt has been made to analyze inter-sate comparison in NSDP and per capita NSDP of major states of the country. Information related to NSDP from different states has been presented in table 3. It is found

that majority of the share of Domestic Product is contributed by Maharashtra State. The state contributes 15-16 per cent share to the nation. In the next layer the states like Andhra Pradesh and Tamil Nadu are observed. Contribution of these states observed around 8 per cent for both 2000-01 and 2010-11. In the third layer, West Bengal, Karnataka and Gujarat states are found with around 6-7 per cent contribution to the NDP. In the bottom position, states like Odisha, Bihar and Uttar Pradesh are observed. This exercise, due to ignorance of population, will not provide the exact per capita income/contribution of the state. Hence, NSDP has been converted into per capita terms, dividing with population, and presented in graph 2.

Table 3: State Wise Net State Domestic Product from 2000-01 to 2010-11, at constant prices of 2004-05 (Rs in Billion)

Year	2000-01	Share	2010-11	Share
Andhra Pradesh	1599	8.2	3329	8.0
Assam	395	2.0	663	1.6
Bihar	627	3.2	1176	2.8
Gujarat	1185	6.1	3158	7.6
Haryana	632	3.2	1494	3.6
Karnataka	1235	6.3	2386	5.8
Kerala	798	4.1	1702	4.1
Madhya Pradesh	857	4.4	1585	3.8
Maharashtra	2855	14.6	6693	16.2
Orissa	498	2.6	995	2.4
Punjab	749	3.8	1300	3.1
Rajasthan	894	4.6	1862	4.5
Tamil Nadu	1653	8.5	3439	8.3
Uttar Pradesh	192	1.0	477	1.2
West Bengal	1517	7.8	2880	7.0
NDP	19532	100.0	41409	100.0

Source: Handbook of Statistics on Indian Economy, RBI

It is found from the graph that Haryana state with per capita income of Rs. 55,044 situated in the first position, while, Bihar with the per capita income of Rs. 10,645 found in the last position. Haryana's per capita income is more than 5 fold higher than that of Bihar. As usual, Karnataka states is observed in the middle income group alike most of the socio-economic and human development indicators. Bihar, Assam, Madhya Pradesh, and Orissa are in the bottom position among the 15 major states. On the other hand, Haryana, Maharashtra, Gujarat and Tamil Nadu are observed in the top position.

Graph 2: Per capita NSDP of Major Indian State for 2009-10, at constant prices of 2004-05 (in Rs.)
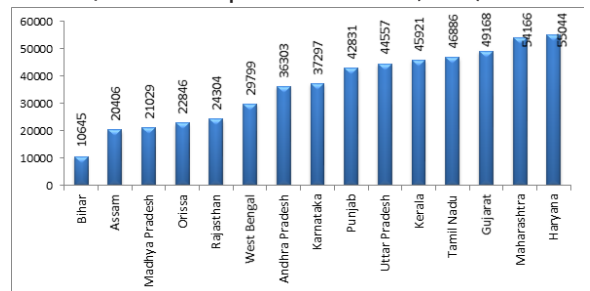
Source: Computed from Table 4

In table 4, growth rate of per capita NSDP for 15 major states have been presented for ten years from 2000-01 to 2009-10. It is found that except Haryana and West Bengal, none of the states have experienced any negative growth rate. The highest growth rate is observed in Orissa. It is clear that none of the Indian states are in the vicious

Cycle[4]. Inter-state disparity has been measured with Coefficient of Variation (CV). It is found that regional disparity (CV%) is fluctuating between 36 per cent and 48 per cent in the 10 years of study period.

Table 4: Per Capita Net State Domestic Product from 2000-01 to 2009-10, at constant prices of 2004-05, in Rs.

State	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Growth Rate
Andhra Pradesh	21022	21833	21994	23870	25321	27486	30114	33239	35272	36303	6.97
Assam	14978	15077	15730	16456	16782	17050	17579	18089	18922	20406	3.26
Bihar	7659	7005	7781	7149	7914	7748	8896	9231	10239	10645	4.40
Gujarat	23628	24963	26758	30706	32021	36102	38568	42498	43685	49168	8.61
Haryana	30218	31721	33095	35640	37972	40627	44423	47046	4978	55044	-3.03
Karnataka	23510	23577	24543	24707	26882	29295	31967	35574	37687	37297	6.35
Kerala	25131	26209	27839	29381	31871	34837	37284	40288	42433	45921	7.19
Madhya Pradesh	14310	15035	13964	15234	15442	15927	17073	17572	19462	21029	4.20
Maharashtra	29688	30185	31797	33712	36077	40627	45582	50138	50183	54166	7.72
Orissa	1354	1418	1392	1578	1765	18194	20194	2164	22963	22846	41.36
Punjab	30827	30834	30790	32118	33103	34096	37087	39567	41003	42831	4.13
Rajasthan	15990	17351	15011	19401	18565	19445	21342	21922	23356	24304	5.02
Tamil Nadu	26587	25840	25727	27094	30062	34126	39166	41314	42936	46886	7.71
Uttar Pradesh	23065	22949	23267	24012	24726	27781	30644	35444	38621	44557	7.88
West Bengal	18997	20144	20545	21488	22649	23808	254	27094	27914	29799	-3.30
CV (%)	41.1	41.1	42.5	42.3	43.1	36.3	47.5	46.1	44.0	38.2	

Source: Handbook of Indian Statistics, RBI

Another exercise has been made to see the relationship between per capital income and poverty. If the per capita income and poverty level both are high means - income is not properly be distributed among the people. To see this relationship, scatter diagram has been prepared and presented in graph 3. It is found from the graph that Bihar has the highest poverty ratio and lower per capita income. Though, the states like Tamil Nadu, Kerala and Punjab have lower per capita income than Gujarat Maharashtra and Haryana, their poverty level is lower than these states. It means in Haryana, Maharashtra and Gujarat, income has not been distributed properly among the people. It strengths the argument the growth will not automatically trickledown.

Graph 2: Scatter Diagram of Per Capita Income and Poverty Ratio
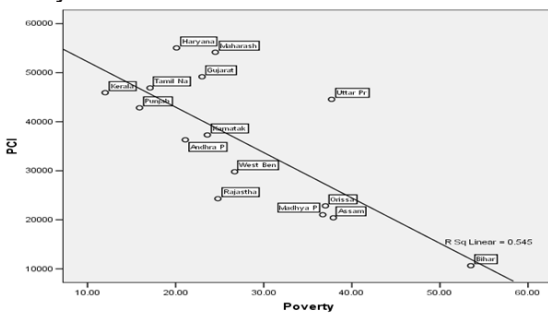
Conclusions:
Indian economy has grown significantly over the period of time. This growth is very high in recent years due to speedy growth in service sector. However, growing population has eaten this growth, i.e., in per capita terms of constant prices; the growth does not seem to be impressive. Bihar, Assam, Madhya Pradesh and Orissa are in the bottom position among the 15 major states. On the other hand, Haryana, Maharashtra, Gujarat and Tamil Nadu are observed in the top position. Even though, states like Tamil Nadu, Kerala and Punjab have lower per capita income than Gujarat Maharashtra and Haryana, but their poverty level is found to be lower. It means, in Haryana, Maharash-

tra and Gujarat, income has not been distributed properly among the people. It strengths the argument the growth will not automatically trickledown to the poor, marginalized and vulnerable section of the society. Government's intervention is very much necessary for higher, sustainable and inclusive growth of the nation.

Appendix Table 1: Sector-wise Growth of Gross Domestic Product from 1950-51 to 2009-10, Rs in Billion at constant prices of 2004-05

Year	Primary	Sector	Tertiary	GDP	Per Capita GDP (Rs)
1950-51	1451	310	968	2796	7789
1951-52	1472	325	1000	2861	7840
1952-53	1519	336	1016	2943	7910
1953-54	1636	359	1045	3122	8237
1954-55	1684	382	1105	3254	8431
1955-56	1669	409	1183	3338	8493
1956-57	1760	438	1251	3528	8797
1957-58	1681	458	1263	3485	8521
1958-59	1850	481	1330	3749	8970
1959-60	1831	513	1400	3832	8994
1960-61	1955	561	1502	4103	9453
1961-62	1956	608	1577	4230	9527
1962-63	1918	658	1661	4320	9515
1963-64	1962	715	1777	4538	9781
1964-65	2143	760	1887	4882	10301
1965-66	1907	782	1953	4704	9699
1966-67	1880	793	2032	4752	9600
1967-68	2159	804	2123	5139	10155
1968-69	2156	849	2216	5273	10179
1969-70	2294	931	2321	5616	10617
1970-71	2457	942	2413	5898	10902
1971-72	2411	975	2487	5957	10753
1972-73	2290	1017	2557	5938	10473
1973-74	2455	1056	2595	6209	10705
1974-75	2417	1091	2670	6281	10592
1975-76	2729	1138	2880	6846	11279
1976-77	2571	1231	3038	6932	11181
1977-78	2829	1301	3215	7450	11750
1978-79	2895	1443	3378	7860	12129
1979-80	2525	1410	3410	7451	11221
1980-81	2850	1441	3614	7985	11760
1981-82	2981	1572	3803	8434	12188
1982-83	2973	1648	3984	8681	12261
1983-84	3274	1793	4210	9363	12950
1984-85	3326	1870	4450	9734	13171
1985-86	3336	1943	4778	10139	13429
1986-87	3323	2078	5105	10576	13717
1987-88	3270	2193	5425	10950	13896
1988-89	3781	2408	5803	12062	14984
1989-90	3826	2618	6303	12802	15575
1990-91	3980	2772	6686	13479	16065
1991-92	3902	2765	6975	13672	15972
1992-93	4162	2851	7351	14405	16520
1993-94	4300	3057	7824	15223	17067
1994-95	4503	3376	8277	16197	17799
1995-96	4471	3814	9070	17377	18726
1996-97	4915	4108	9689	18763	19834
1997-98	4789	4199	10572	19570	20301
1998-99	5092	4346	11422	20878	21239
1999-00	5228	4573	12662	22463	22527
2000-01	5228	4847	13354	23428	23047
2001-02	5542	4952	14227	24721	23798
2002-03	5176	5291	15240	25707	24346
2003-04	5644	5589	16545	27778	25893
2004-05	5654	6009	18051	29715	27286
2005-06	5945	6523	20063	32531	29413
2006-07	6192	7364	22088	35644	31768
2007-08	6551	8045	24371	38966	34241
2008-09	6557	8374	26656	41587	36037
2009-10	6610	9225	29326	45161	38599

Source: Handbook of Statistics on Indian Economy, RBI

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