WORKING PAPER 13

Development of Backward Areas- Outcome of the interventions so far

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Foreword

Balanced Regional Development has remained central to our planning process. Over the years, there have been various interventions for improving the quality of life and services in the backward states. Road connectivity, right to education and its universal access, health care and nutrition and dispersal of industries have been some of the important initiatives. While there has been an increase in growth and improvement in quality of life across the States, inequality in access to services and growth has persisted.

This paper by Centad looks at the initiatives and their outcome through the construction of an Improvement Index and suggests a relook. We hope that this paper will help improving our understanding of the issues involved in balanced growth and the interventions that may be necessary.

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Development of Backward Areas- Outcome of the interventions so far

Balanced regional development has remained a central theme of our development strategy. The First Plan did not talk explicitly about the problem of regional inequalities or of backward area development except in the context of industrial location. The Plan stated that the need and priorities of different regions as well as their potential for short term and long term development should be taken into account in drawing up development programmes[1]. The Second Five Year Plan dealt more explicitly with the needs of what it described as "the less developed areas". The Plan stated that resource constraints would limit the extent to which this can be done but "as development proceeds and large resources become available for investment, the stress on development programmes should be on extending the benefits of investments to under-developed regions[2]". More specifically the Plan proposed that the objective of more balanced development should be attained by (a) programmes for setting up decentralised industrial production (b) consideration of the need for regional balance in the location of new enterprises and (c) steps to promote greater mobility of labour from more to less densely populated areas.

2.   The problem of balanced regional development received much greater attention in the Third Five Year Plan. The Plan took a more positive view of the possibility of reaching regional balance. It stated that a large country with extensive natural resources, viewing each phase of its development in the perspective of a long term plan, has the means not only to realise a high and sustained rate of growth, but also to enable its less developed regions to come up to the level of the rest[3].

3.   The growing concern for redressal of regional imbalances found expression in the Fourth Five Year Plan formulated in 1969-70. This very explicit concern for neglected areas and classes was a significant shift in the orientation of development policy. Plan stated that the areas identified as backward must have three key characteristics: (a) they must have potential for development; (b) there must be some inhibiting factor which prevents that potential from being realised; and (c) there must be a need for special programmes to remove or mitigate the inhibiting factor. In last forty years the inclusive growth approach has concentrated on empowering under privileged groups and regions.

4.   Industrial dispersal has been envisaged to play an important role in correcting the regional imbalances and ensuring a balanced regional development. Industrial policy statements clearly indicated such intent of the Government. The Industrial Policy Resolution, 1956 stated that in order that industrialization benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. It is one of the aims of national planning to ensure that power, water supply and transport facilities are steadily made available to areas which are at present lagging behind industrially[4].

5.   The Industrial Policy Resolution of 1973 reiterated that in the implementation of the licensing policy Government will ensure that licensing decisions confirm to the growth profile of the Plan and the techno-economic and social considerations such as economies of scale, appropriate technology, balanced regional development and development of backward areas are fully reflected. Licensing policy will seek to promote production of ancillaries, wherever feasible and appropriate, in the medium or small scale sector. Other investors will be allowed to participate in the production of mass consumption goods only if there are special factors such as economies of scale, technological improvements, large investment requirements and substantial export possibilities or as part of modernization[5].

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[1]   Planning Commission- First Five Year Plan
[2]   Planning Commission- Second Five Year Plan
[3]   Planning Commission-Third Five Year Plan
[4]   The Industrial Policy Resolution, 1956
[5]   Industrial Policy Resolution 1973

6. The Industrial Policy Resolution of 1977 further envisaged the industrial location policy to become an effective instrument of balanced regional industrial development. It expressed concern that most of the industrial development that has taken place has concentrated around large cities. Government, therefore, decided to encourage decongestion by providing assistance to large existing industries which want to shift from congested metropolitan cities to approved locations in backward areas. Government in later years, including in Industrial Policy Statement of 1991 have continued to pursue the location of industries away from urban agglomerates and encourage their setting up in industrial estates/parks/clusters with emphasis on MSME sectors.

METHODOLOGY FOR SELECTING BACKWARD AREAS

7. In 1968, Planning Commission set up two working groups, the Pande Committee to spell out the criteria for identifying industrially backward States/districts and Wanchoo Committee to look into fiscal and financial concessions necessary for promoting industries in backward areas. The reports of the groups were discussed by National Development Council and in consultation with the financial institutions, a set of criteria were evolved for identification of industrially backward areas in which minimum infrastructure facilities were available. Unfortunately, the criteria suggested by these committees were not followed by the State Governments and 245 out of a total of 396 districts were actually identified as backward districts for the purpose of concessions and incentives.

8. In 1980, National Development Council also constituted a Committee to consider identification of backward areas and the interventions that may be needed. Committee considered the issue of regional imbalances from a variety of angles. It visualised that poor resource endowment acts as an inbuilt constraint to development but environmental concerns severely limit the scope for raising revenues by rapid exploitation of forest and mineral wealth. As for water resources, unexploited irrigation potential based on surface and ground water to over exploited dark and grey areas coexist together. Backward regions in general have remained backward largely on account of inadequate exploitation of resource potential not due to the absence of resources themselves[6].

9. Committee also considered other social and economic indicators to identify backward areas. Some of these were, deprivation in income as well as basic health and educational facilities, preponderance of agricultural labourers, the level of agricultural wages and output per agricultural worker, level of monetization and saving captured through per capita credit and deposits, child mortality and crude death rate, female literacy, net enrolment ratio for girls and Scheduled Castes and Tribes and the availability of physical infrastructure relating to road, power, drinking water, banking services and teledensity[7]. Committee suggested that there were broadly two ways of operationalising the concept. The first was to rely on some overall index for ranking areas and treat all areas below some cut off point as backward. The second was to identify problem areas by specifying the constraints that can be mitigated by special measures. With both approaches it was necessary to specify the geographical unit relevant for purposes of demarcation. Thus the index based approach required specification of (a) a set of basic indicators; (b) a procedure for weighting or aggregating so that these indicators can be reduced to a single measure; and (c) a cut-off point below which areas are to be considered backward.

10. In first forty years of planning backward states remained the focus of industrial dispersal. Following the introduction of Finance Bill in 1993, many representations were received suggesting that industrially backward districts in otherwise backward States also needed same fiscal support. The Ministry of Finance accordingly constituted a Study Group on Fiscal Incentives for industrialization under the Chairmanship of Dr. Shankar N Acharya, Chief Economic Adviser in the Ministry of Finance. The study group suggested that there was need to redesign Central Government tax incentives for backward areas and that

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6   Report of the National Committee on Development of Backward Areas, 1981, Planning Commission
7   Report of the National Committee on Development of Backward Areas, 1981, Planning Commission

identification of backward districts. However, the study group did not identify the backward districts. This was left to another study group constituted in May, 1994 under the Chairmanship of Shri M K Kaw. On the basis of these two reports, 123 districts were identified as industrially backward. The scheme providing tax concessions (100 per cent for the first five years and 25 per cent thereafter) became effective from 1994 and remained in force until 2005. The criteria for identifying the extent of backwardness, as suggested by the Study Group on Fiscal Incentives, were:

A. Financial criteria
- Per capital credit given by scheduled commercial banks
- Per capital deposit received by Scheduled commercial banks

B. Infrastructural criteria
- Phones per thousand population
- Per capital power consumption
- Urbanisation (urban population of a district as a proportion of total population)
- Metalled roads per 100 square kilometres

C. Industrial criteria
- Workers in registered factories per thousand population
- Per capital gross value added from registered manufacturing

11.   The Tenth Five Year Plan adopted a new approach to deal with the issue of regional disparities. The Inter-Ministry Task Force (IMTF) constituted by the Planning Commission in its report in January 2005 mentioned that the approach so far has been to transfer resources in a top down manner. The preferred strategy of IMTF was for "creating a Backward District Fund, integrated with district level budget/plan developed from below through a system of village plans based on perceived needs and real capacities of these areas." IMTF recognized that it was not the flow of resources alone, but dovetailing such transfers with the aspiration of the people and their resource endowments that are necessary for dispersed growth. ITMF, therefore, adopted a composite approach to identify backwardness consisting of multiple criteria broadly grouped under four categories of physical resource endowments, human resources, availability of physical infrastructure and capacity to raise resources. ITMF identified 170 districts as the backward districts.

12.   The creation of Backward Regions Grant Fund (BRGF) in 2005-06 subsumed the on-going programme of addressing regional imbalances. BRGF covered 250 backward districts. The list of 250 districts included all the 200 districts covered under the first phase of the National Rural Employment Guarantee Programme (NREGP) and 170 districts identified by ITMF[8].

13.   Government in 2012 constituted another committee under the chairmanship of Dr Raghuram Rajan, the then Chief Economic Adviser in the Ministry of Finance to suggest new criteria for identifying backward areas and the strategy for balanced development. The Committee in its report also mentioned that to the level of development of a state is consequence of a complex set of historical, cultural, and sociological factors and that studies do not find geographic impediments, the lack of natural resources, or climatic factors as prominent reasons for underdevelopment[9]. Additional financial resources may be helpful in increasing growth rates in identified states, but the ability to use these resources well is probably most important in distinguishing regions that develop successfully and those that do not. Therefore, any scheme of allocation should take into account both development needs as well as past performance, with the latter serving to incentivize better performance as well as to allocate resources where they can be most beneficially used[10].

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[8]   Planning Commission- Report of the Inter-Ministerial Task Force

[9]   The underdevelopment index proposed by the Committee included the following ten sub-components: (i) monthly per capita consumption expenditure; (ii) education; (iii) health; (iv) household amenities; (v) poverty rate; (vi) female literacy; (vii) per cent of SC/ST population; (viii) urbanization rate; (viii) financial inclusion; and (x) connectivity.

[10]   Report of the Committee for Evolving a Composite Development Index Of States, Government Of India, Ministry Of Finance, September 2013

POLICY RESPONSE FOR BALANCED REGIONAL GROWTH

14.   The World Development Report 2009 (World Bank, 2009) analysed the policy framework for economic integration which included[11]:

- Institutions (spatially blind policies): These include policies as the tax system, inter-governmental fiscal relations, governance of land and housing markets, as well as education, health care, basic water, sanitation and other government initiatives which have effects and outcomes that may vary across locations.

- Infrastructure (Spatially connective policies): The term is used to include all investments that connect places and provide basic business services, such as public transportation and utilities.

- Incentives (Spatially focused policies): These include investment subsidies, tax rebates, location regulations, local infrastructure development, and targeted investment climate reforms, such as special regulations for export processing zones to stimulate economic growth in lagging areas.

15.   These instruments for integration – institutions, infrastructure, and incentives – span the range between universal and geographical targeted policies. Each of these categories can include taxes, public spending, and regulations. It recommends that in countries like India, which face divisions caused by ethno-linguistic or religious heterogeneity, spatially focussed incentives may need to complement institutions and infrastructure to encourage economic production in lagging areas.

16.   While India has lower spatial income disparities than countries such as Brazil, China and Indonesia, these disparities have actually grown. Spatial disparities and the presence of backward areas even within states has been a unique feature of India. Moreover, they form a contiguous corridor with deprived areas of Andhra Pradesh, Orissa, Chhattisgarh, Jharkhand and Bihar. Income disparities are matched, even exceeded, by disparities in non-income indicators[12]. Sharply rising disparities have coincided with economic reforms and opening up of the Indian economy. A widespread perception is that the gains of the rapid growth witnessed in post reform period have not percolated in an equitable manner. That this perception is well founded is borne by available statistics on a number of indicators. The widening income differentials between more developed and relatively poorer States is a matter of serious concern[13].

17.   Globally, opening up of an economy appears to be correlated with rising spatial inequality. This is not surprising, since global integration leads to a sharper expression of comparative advantage, and regions well placed in terms of location, education, governance and other initial conditions tend to surge ahead. It has also reduced the role of the State as industrial owner and industrial location regulator. The effects of policy-related factors that influence agglomeration are on the decline. Earlier studies of regional imbalances and public investment in India during 1860-1947 had, however, observed strong correlation between public investment and industrial development[14].

18.   The regional policy debate has essentially been between location neutral and location inducing policies. The location neutral policies make no attempt to alter the comparative advantages of a region arising due to agglomeration or resource availability (including technology) but rely on equalisation of income through migration. The location inducing policies on the other hand equalise comparative advantages through public investment or a differential tax rate. Firms can use these tax breaks to offset production costs and remain viable in otherwise uncompetitive environment[15]. But fiscal policy often forces a choice between equity and efficiency. The location neutral policies though result in a more optimal allocation of resources but these may often not desirable from socio-political considerations. With accelerated growth of the past two decades, there is an argument from some quarters

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[11]   World Development Report 2009

[12]   Ravi Kanbur: Regional Disparities and Indian Development *www.kanbur.aem.cornell.edu*

[13]   Planning Commission, 2008, Eleventh Five Year Plan (2007-2012)

[14]   Thavaraj, M.J.K. (1972), 'Regional Imbalances and Public Investment in India (1860- 1947)', Social Scientist, Vol. 1, No. 4, pp. 3-24.

[15]   Lall, Somik V., Richard Funderburg and Tito Yepes (2004), 'Location, Concentration, and Performance of Economic Activity in Brazil', World Bank Policy Research Working Paper 3268, World Bank.

that balanced regional development could perhaps be ignored and the backward regions may achieve high socio-economic status through migration and income accrual.

19.   There has been a lack of consensus on the impact of fiscal led strategy on growth dispersal. Many empirical studies have observed that tax variables usually have a very small and statistically insignificant impact on locational choice[16] or they find it more as substituting investment from one region to another[17]. Since entrepreneur mobility is a function of both economic and non-economic factors, efforts to grow entrepreneurship from within the regions are likely to be more durable and sustained[18]. In Madhya Pradesh fiscal incentives were found to have a statistically insignificant impact on large and medium investment. Abundant power was found to be an important factor attracting investment[19]. F. Hubert and Nigel Pain (2002), however observed that the pro-active fiscal policies are one of the main channels through which governments can try and influence location choices of firms[20].

20.   The process of growth clearly indicates that it is neither smooth nor linear. It may come earlier to some places than to others. Globalisation and liberalisation may rearrange production within countries and can result in more optimal allocation of resources. There could be a kind of factor price equalisation through movements of labour and capital. Both first-nature (resource endowments) and second-nature (distance between economic agents) geography are major determinants of production structure, trade and income[21]. The increase in spatial inequality with development often arises from spatial concentration of manufacturing, and this is seen most clearly in data for large countries including India. There are many reasons for variations in the prosperity of countries and regions. Some factors are truly exogenous – first nature geography – and others are a function of political and institutional history. The threshold effect in establishing new industries is very important[22].

21.   A study on sales tax incentives in the Indian context observed both employment and output loss due to tax incentives. The authors concluded that sales tax incentive, whichever way it is designed is not the most appropriate instrument to raise the level of investment or affect its spread to backward areas. If the entire new investment would have been made even in the absence of incentives, the incentives scheme can be treated as totally redundant. Conversely, if the new investment is entirely due to incentives then tax benefit under the scheme would not have gone to the exchequer[23].   However, business executives as pressure group often lobby for fiscal incentives because existence of such incentives, whether or not that affect their locational decisions have no adverse consequences for them.

22.   Financial incentives have been criticised as ineffective because it places regions in direct competition with each other and does not generate real economic growth[24]. If the value of the incentives exceeds the expected revenue, such occurrences could be like winner's curse as the cost of promoting the new plants would result in a net loss to the region[25]. An appropriate industrial location policy in the first place requires identification of factors determining industrial location, such as availability of transport and communications[26],

[16]   Carlton, D. (1983), 'The Location and Employment Choices of New Firms: An Econometric Model with Discrete and Continuous Endogenous Variables', Review of Economics and Statistics, pp. 440-449.
[17]   Netzer, Dick. 1991. 'An Evaluation of Interjurisdictional Competition through Economic Development Incentives' in Daphne A. Kenyon and John Kincaid (eds.)
[18]   Ramachandran M. (1987), 'Dynamism in Industrial Location – Location Theory Revisited', Keio Business Review, No. 24, pp. 73-85.
[19]   Rajaraman, Indira, H. Mukhopadhyay and Namita Bhatia (1999), 'Fiscal Industrial Incentives of the Government of Madhya Pradesh: Costs and Benefits', NIPFP mimeo, New Delhi.
[20]   Hubert, Florence and Nigel Pain (2002), 'Fiscal Incentives, European Integration and the Location of Foreign Direct Investment', National Institute of Economic and Social Research, London.
[21]   Overman, Henry G., Stephen Redding and Anthony J. Venables (2003), 'The Economic Geography of Trade, Production and Income: A Survey of Empirics'.
[22]   Venables, Anthony J. (2006), 'Shifts in Economic Geography and Their Causes'
[23]   Tulasidhar, V.B. & M.G. Rao (1986), 'Cost and Efficacy of Fiscal Incentives Case of Sales Tax Subsidy', Economic & Political Weekly, Vol. 21, No. 41 (Oct. 11, 1986), pp. 1799-1806.
[24]   Wasylenko, M. (1988), 'The Location of Firms: The Role of Taxes and Fiscal Incentives', Urban Government Finance, Beverly Hills, CA: Sage Publications.
[25]   Rogers, C.L. (1994), 'Industrial Targeting: Theory and Practice', Regional Research Institute, West Virginia University.
[26]   Kathuria, Vinish and Avanti Susan George (2005), 'Spatial Location of Industries – Factors influencing locational choice', paper presented at the Second Annual Conference on "Economic Growth and Development" organised by the Planning Unit, Indian Statistical Institute, New Delhi in January 2006.

water, power, and social amenities. Direct government intervention may be a necessary condition for diverting industry from industrially developed areas to industrially backward regions, but it is unlikely to be a sufficient one.

23.   Fiscal incentives, however, could be catalysts in smoothening the process of relocation from the centres of industrial over-concentration for competitive gains. A study by National Institute of Public Finance and Policy (1987) concluded that while the fiscal incentives for backward areas development did successfully promote industrial dispersal but it favoured the developed States. The study, however, suggested enlargement of the scope of tax incentives for new industrial establishments in Income Tax Act. This was the rationale for introduction of full tax holiday for the initial five years for the industrial units in backward States or Union Territories specified in Eighth Schedule.

24.   There was a shift in emphasis later to look at regions, there remoteness and inaccessibility. A package of fiscal and other incentives was introduced in 997 aimed at facilitating industrial development of the States of the North East Region (NER). During the Tenth Plan, similar schemes were notified for Jammu and Kashmir (J&K), Himachal Pradesh and Uttarakhand. While there is evidence that these incentives have stimulated industrial investment in Jammu, Himachal Pradesh and Uttarakhand and in NER, there have been complaints from other States, particularly the adjoining ones, of flight of capital induced by excise duty exemptions.

BALANCED REGIONAL DEVELOPMENT- POLICY INTERVENTIONS IN INDIA

25.   The development of backward areas has always remained a central theme of planning in India. It has relied on the institutional resource transfer mechanism of Finance Commission and Planning Commission, fiscal concessions for industries at macro level and for all industries and at regional level in terms tax holidays and infrastructure support. Though the responsibility of development of backward areas primarily rests with the State Government, relatively greater allocation of resources from Centre has been an important instrument for this purpose.

26.   The sources of financing of State governments can broadly be classified into four heads: (i) states' own revenue (tax and non-tax), (ii) transfer of funds from the centre (Finance Commission award and Plan transfers), (iii) borrowings of the states, and (iv) non-debt capital receipts.   Centre-state transfers take place mainly through three channels of Finance Commission (non-plan), Planning Commission (plan) and Central Ministries (Centrally Sponsored Schemes).   Overall resource transfers account for around 40 per cent of the revenue receipts of the States. For some states this share exceeds 50 per cent and even more (Fig 1). Central transfers have significantly contributed to higher ratio of revenue receipt to GSDP in backward and special category states.

Fig 1: Revenue Receipt (RR)/GSDP and Central Transfers in RR of States (per cent)
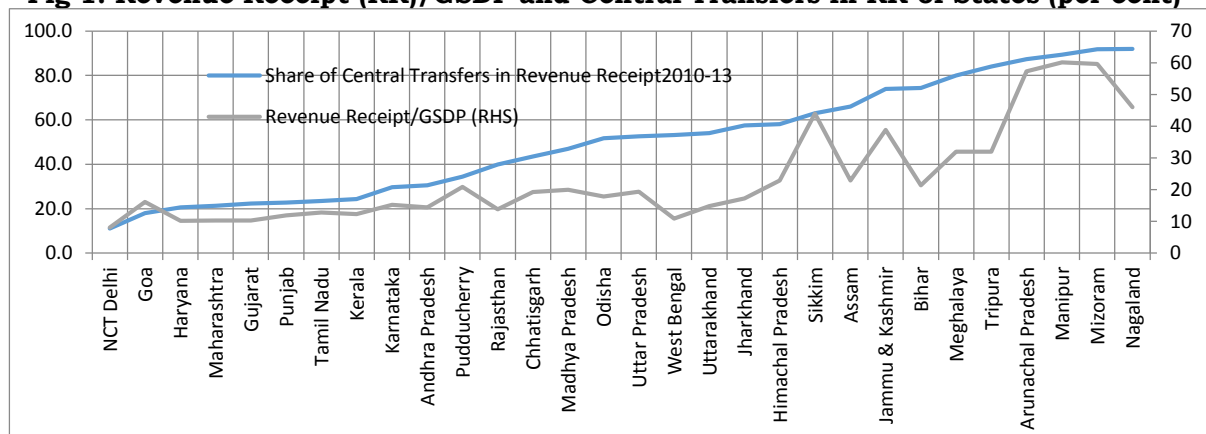
27.   The Gadgil-Mukherjee formula for allocation of plan funds and the criteria adopted by the successive Finance Commission for determining inter-se shares of the States in the divisible pools have considered relative backwardness (in one form or the other) as a factor for resource allocation. The relative weights assigned in allocation of plan and non-plan resources have generally been heavily biased in favour of the backward States (Table 1).

Table 1: Allocation of Plan and Statutory Transfers (weights in %)

| Criteria | Gadgil-Mukherjee Formula | Weights (Per cent)   by Finance Commission | | | |
		Tenth	Eleventh	Twelfth	Thirteenth
Population	60	20	10	25	25
Income Distance/ fiscal capacity	25	60	62.5	50	47.5
Area		5	7.5	10	10
Index of Infrastructure		5	7.5	-	-
Tax Effort		10	5	7.5	-
Fiscal Discipline		-	7.5	7.5	17.5
Performance	7.5		-	-	-
Special problems	7.5		-	-	-

28.   Successive Finance Commissions have endeavoured to design transfer of financial resources from the Union to the States in a manner so "as to place each State in a position where it can expect to maintain financial equilibrium."[27] Commissions have also attempted to "ensure that linking of revenue and expenditure decisions and fiscal responsibility are not unduly weakened at either level of Government."[28]Commissions have also attempted some balancing of equity and efficiency consideration by assessing revenues and expenditures in a manner that incentive for greater revenue effort and economy in spending are not curtailed"[29] and that the equity and efficiency are embedded into a system of transfer of resources[30]. While equity and efficiency have been the two guiding principles for the Commissions, weights assigned have usually favoured the principle of equalization and high and middle income States have suffered a continuous decline in their share of resources (Fig 2).

Fig 2: Share of Special Category, Low and High Income States in Finance Commission Transfers
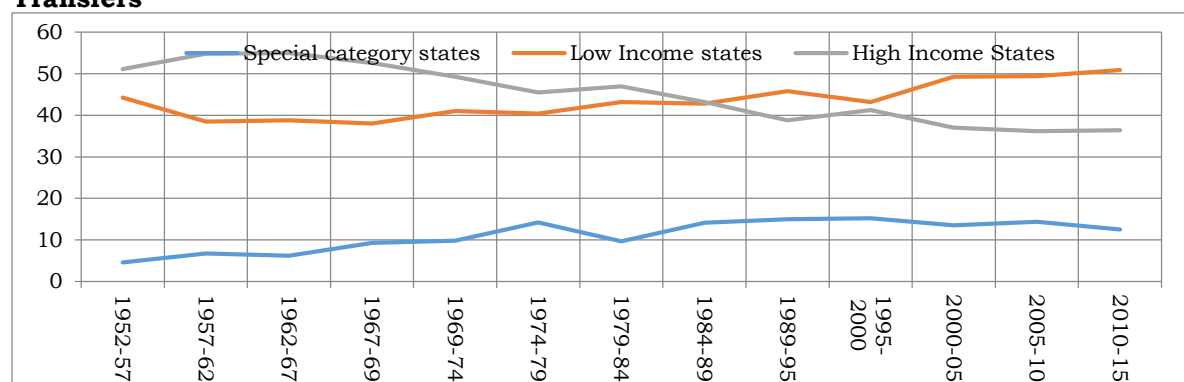
29.   Low income States (covering Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Rajasthan, Odisha and Uttar Pradesh) together received more than half of the total resources. Their share witnessed an increase from 38 per cent during the award period of Fourth Finance Commission to 50.9 per cent during 2010-15[31]. Special category states

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27   Finance Commission Report (Seventh Finance Commission), para 1, Chapter 2
28   Finance Commission Report (Ninth Finance Commission), 1st Report, para 97
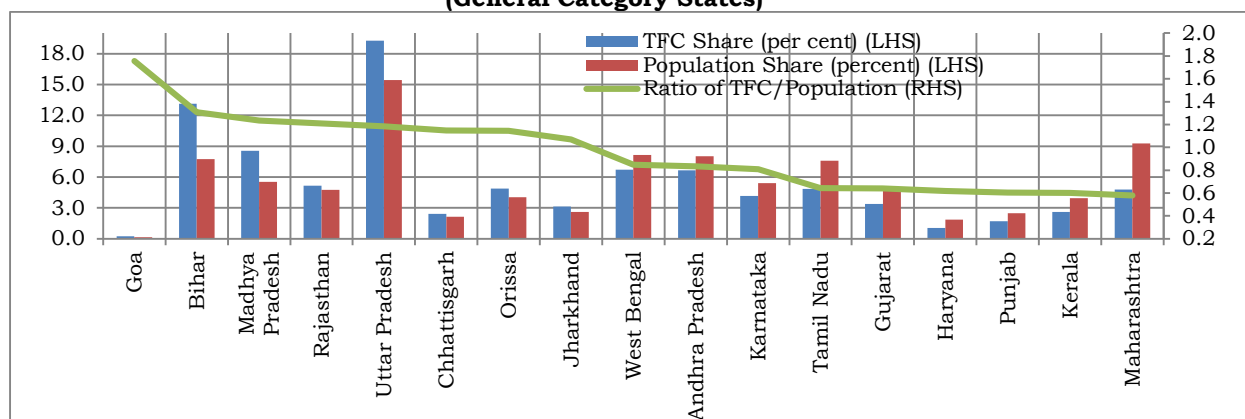29   Finance Commission Report (Ninth finance Commission), 2nd Report, para 2.35
30   Finance Commission Report (Thirteenth Finance Commission)
31   Memorandum to the 14th Finance Commission, Govt of Karanataka

comprising the states in North East, Jammu & Kashmir, Himachal and Uttarakhand have also seen an increase in their relative shares. On the other hand, high or middle income States (covering Goa, Maharashtra, Kerala, Karnataka, Andhra Pradesh, Haryana, Punjab, Tamil Nadu, West Bengal and Gujarat) witnessed a decline in their relative share.

30.   Relative to population the share of backward and special category states have also been higher compared to the better off states (Fig 3).

Fig 3: Share in resources and ratio of resource flows relative to the share in population (General Category States)

Source- Report of the Thirteenth Finance Commission and our calculations

31.   The Rajan Committee has also proposed that the less developed states rank higher on the index, and would get larger allocations based on the need criteria. The Committee proposes allocations based on the index, but with allocations increasing more than linearly to the most underdeveloped states.   The proposed allocation scheme accommodates differences in needs, even while recognizing that the truly needy should be given disproportionately more. Importantly, since the index is based on publicly available data, there is no element of discretion in the allocations. This follows the approach of a number of committees as well as the Finance Commission[32] (Fig 4).

Fig 4: Share in allocation of resources as proposed by the Committee
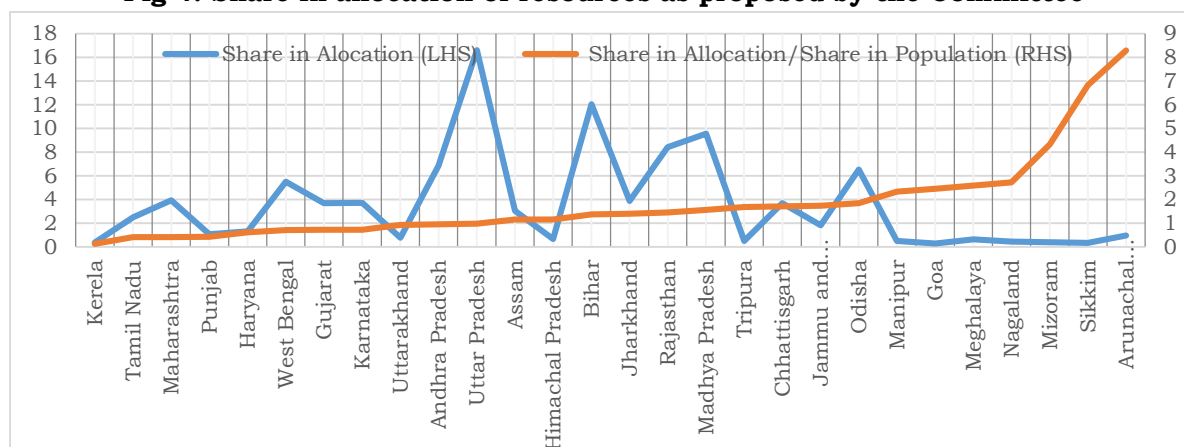
32.   In the initial stages of planning, location of the public sector undertakings was one of the important instruments for balanced regional growth. PSUs were located in new regions and were expected to spur growth, both through their own investments and through the spill-over effects. PSUs were also conscious of their social responsibilities and helped in all-round development of their catchment areas. Investment by the Central sector PSUs in

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[32]   Report of the Committee for Evolving a Composite Development Index Of States, Government Of India, Ministry Of Finance, September 2013

different States is indicated in. Relatively much lower investment has been made in backward states and the policy of resource allocation has actually been contrary to the strategy of growth dispersal.

Fig 5: PSU Investment
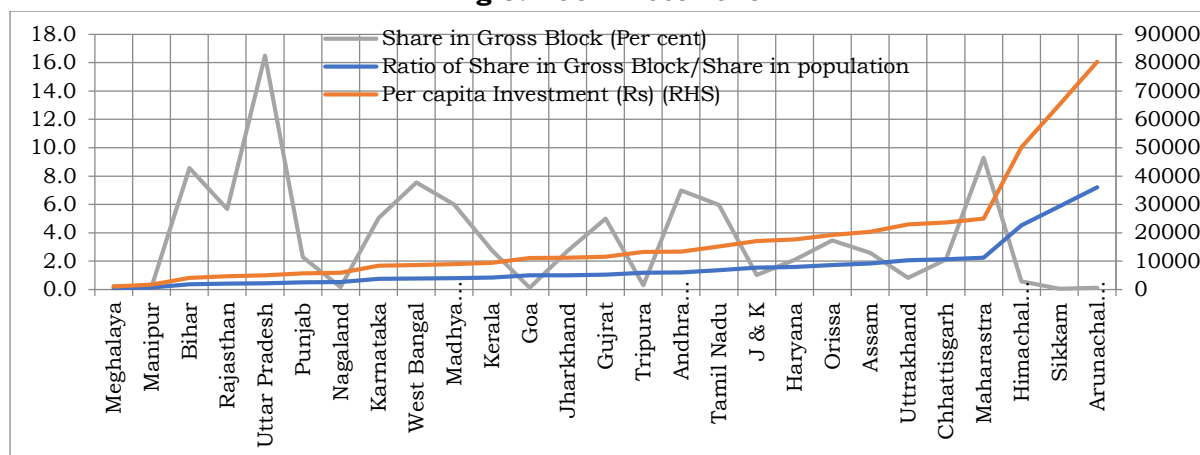
33. Government introduced a **Central Investment Subsidy Scheme in1971**. This scheme classified backward areas into A, B and C categories depending on relative backwardness and proposed subsidy at differential rates of 10-25 per cent on investment in land, building and plant & machinery subject to a maximum of Rs. 25 lakh. The scheme was discontinued in1988 after being in operation for 17 years and over Rs 1,000 crore were reimbursed to the States as the results did not indicate any significant relative shift in favour of backward states/districts. In 1980, the National Committee on Development of backward areas reported that between 1971& 1979, four relatively better off States (Tamil Nadu, Maharashtra, Gujarat and Karnataka) accounted for over 42 per cent of the total subsidy disbursed. Assistance went more to the industrially backward regions of the States which had strong infrastructure support.

34. Lack of infrastructure was considered to be a critical constraint affecting the growth of industries. With a view to promoting industrialization of the backward areas in the country, the Government in June, 1988 announced a scheme of developing **Growth Centres.** A growth centre, each of which was to be developed in areas of 400-800 hectares was to be endowed with the basic infrastructural facilities like power, telecommunication, water and banking, enabling the centres to attract industries. Each growth centre was proposed to be developed at the cost of 25-30 crore, jointly funded by the centre, state and the financial institutions. The allocation of growth centres to the States was made on the basis combined criteria of population, area and the extent of industrial backwardness. The scheme, prior to its being discontinued on March 31, 2009, had sanctioned 68 projects and an expenditure of nearly Rs 700 crore was made as central assistance. While some growth centres were able to attract industries, it took considerable time.

35. Industrial clusters are increasingly recognized as an effective means of industrial development and promotion of small and medium-sized enterprises. Cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities (external economies). Enterprises can better improve their competitiveness due to the presence of specialized suppliers of raw materials, parts and components, machinery, skills and technology as well as other supporting services. The research on clusters clearly reflects the advantages of focusing on clusters with positive inter relationships among their stakeholders.

36. Organisation of industry into some kind of homogeneous clusters has been a historic phenomenon. Even for large industries, clusterization happens because of the growth of ancillary industries. For MSME, being part of a cluster is important for their sustainable growth. In India, there are around 4700 clusters in traditional handloom, handicrafts and

modern SME industry segments (Table 2). In addition to the clusters shown in the table, it is estimated that there are another 2500 rural industry clusters although not mapped.

Table 2: Distribution of Clusters

Distribution of Clusters in India								
Region	Traditional Manufacturing		Micro Enterprises				Total	
	SME		Handlooms		Handicrafts			
	Number	Share	Number	Share	Number	Share	Number	Share
Northern	315	28.1	124	25.1	627	20.3	1066	22.7
Eastern	148	13.2	110	22.2	807	26.2	1065	22.7
Western	294	26.2	122	24.6	816	26.5	1232	26.2
Southern	350	31.2	83	16.8	537	17.4	970	20.6
North East	15	1.3	56	11.3	297	9.6	368	7.8
Total	1122	100.0	495	100.0	3084	100.0	4701	100.0

Source: Policy and Status Paper on Cluster Development in India, Foundation for MSME Clusters, 2007

37.   Through a cluster development program, common initiatives that an individual unit may not be able to afford, could be supported and the competitiveness could be derived through such provision of inputs. The cluster can have a common facility centre as one of the many possible options. Clusters can also be considered as part of a bigger value chain mechanism (raw materials, intermediates, finished products and marketing) where the value chain extends beyond geographically defined boundaries. The cluster based infrastructure support, being demand driven, was considered a preferred intervention strategy compared to the green field new locations under growth centres.

38.   Department of Industrial Policy and Promotion launched an Industrial Infrastructure Upgradation Scheme (IIUS) in 2003 as a Central Sector Scheme with a view to enhancing competitiveness of industry by providing quality infrastructure through public-private partnership in selected functional clusters. 37 projects have so far been sanctioned. The scheme was evaluated in 2008 and based on the findings was re-casted in February 2009 and again in July 2013. Under the Modified IIUS, central assistance would be considered with a ceiling of Rs. 50 crore per project and execution of projects is to be done through State Implementing Agency (SIA) in Industrial Estates/ Parks/ Growth Centers. The cost of the land would not be considered under project cost. State agency will contribute a minimum of 25% of the cost. In North Eastern States the contribution from Central Government and SIA may be up to 80% and 10%. Central grant up to 25% or Rs 12.5 crore could be for physical infrastructure. An expenditure of Rs. 1452 crore has already been approved on the upgradation of infrastructure in selected clusters which together have a project cost of Rs. 2453 crore[33].

39.   For small scale industries, a scheme of **Integrated Infrastructure Development (IID)** was also announced on 6th August, 1991. Until December 2010, 95 IID centres were sanctioned. The scheme envisaged setting up of the IID centres in the backward districts which were not covered under the growth centres scheme. Each centre was to be setup at a cost of Rs. 5 crore, shared by the Union and the States. MSME has also taken up more than 500 clusters so far for diagnostic studies, soft and hard intervention.

40.   In spatial development of industries, special care was taken for the development of industries in remote and inaccessible areas, particularly the States in the North East (NER). For accelerating industrial development in NER, the Industrial Policy called the 'North East Industrial Policy (NEIP), 1997' was first notified in December, 1997 and revised and extended in April, 2007. Under the scheme benefits are available to new industrial units as well as existing industrial unit on their substantial expansion, for a period of 10 years from the date of commencement of commercial production. The scheme also provides for benefit of

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[33]   Annual Report, 2013-14 Department of Industrial Policy and Promotion

exemption from excise duty and income tax. Other benefits available under the scheme are in terms of Capital Investment subsidy; Central Interest subsidy and Comprehensive Insurance subsidy. Under the NEIIPP, over Rs 550 crore has so far been released.

41.   A new Centrally Sponsored Scheme for boosting industrialization in the Special Category States of Jammu & Kashmir, Himachal Pradesh and Uttarakhand by way of incentives to the industrial units in these States announced in June 2002 for J&K and January 2003 for the other two States. These schemes would be continued until 2017. Benefits of the similar nature as are available to industrial units in NER are available to the industries in these states. An amount of around Rs 260 crore for Himachal Pradesh, Rs. 204.8 crore for Uttarakhand and Rs. 188.9 crore for Jammu & Kashmir has so far been released under this scheme. Further operating details of the schemes are as under:

Table 3: Impact of New Industrial Initiatives in J & K, HP and Uttarakhand[34]

State	No of Units benefited	Project Cost (Rs crore)	Persons employed
Jammu & Kashmir	14653	31770	118291
Himachal Pradesh	9647	18725	120662
Uttarakhand	31276	24460	337620

42.   Poor connectivity and high cost of transportation of raw materials and finished products or market access has been an important factor in poor growth of industries. Transport Subsidy Scheme was accordingly introduced in July, 1971 for promoting industrialization by way of subsiding transport cost of industrial units in the hilly, remote and inaccessible areas. The Scheme is applicable to all the industrial units (barring plantations, refineries and power generating units) irrespective of their size, both in private and the public sector. Under the scheme subsidy ranging between 50% and 90% of the transport cost incurred is admissible on the movement of raw material and finished goods from the designated rail-heads/ports up to the location of the industrial unit(s) and vice-versa for a period of five years from the date of commencement of commercial production. Since inception of the Scheme and until 2013-14 an amount of Rs. 3241 crore has been released to the various States/UT's/Nodal Agencies.

43.   The BRGF designed to redress regional imbalances provides financial resources for supplementing and converging existing developmental inflows into the identified districts, so as to: (a) bridge critical gaps in local infrastructure, (b) strengthen Panchayat and Municipality level governance to facilitate participatory planning, decision making, implementation and monitoring, (c) provide professional support to local bodies, and (d) improve the performance and delivery of critical functions assigned to local bodies.

44.   BRGF consist of 2 funding windows, a capacity building fund of Rs 250 crore each year and an untied grant. The untied grant is distributed among districts based on share of population and share of area. The untied grant fund also provides an annual fixed minimum amount of Rs 10 crore to each district. The BRGF is based on a "bottoms up" planning approach and considers the local resource endowments, perceived needs and the available opportunities. This approach may have a better chance of success than any sector specific strategy as it necessarily builds on local resource base and aspirations of the people, but it is a little early to assess the outcome of this new initiative.

OUTCOMES OF THE INTERVENTIONS SO FAR

45.   Most of these initiatives have been industry centric and have aimed at balanced regional dispersal of industries. In a discussion paper, the Department of Industrial Policy and Promotion had examined the outcomes in terms of the following three parameters: (a) whether there has been a convergence in terms of the per capita Gross State Domestic Products (GSDP) from the Industries; (b) whether there has been convergence in terms of

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[34]   Annual Report, 2013-14 Department of Industrial Policy and Promotion

the share of the industries in GSDP; and (c) whether there has been a convergence in terms of the per capita GSDP.

46.   Per capita income from industries (comprising mining, manufacturing, electricity and construction) across the states in 1999-2000 varied from Rs 795 (Bihar) to Rs 18,556 (Goa). This income increased to Rs.2638 in case of Bihar to Rs.76,788 in case of Goa by 2009-10. Out of 32 States/Union Territories, 18 States/UTs were below the national average in 1999-2000. Six of these 18 States/UTS improved their relative share in per capita GSDP from industries to an extent that in 2009-10, this exceeded the national average in that year. In case of the remaining 12 States/UTs, 4 states/UTs had a positive rate of convergence, in the sense that the average annual increase in per capita industrial GSDP was higher than the average of all States. However, in case of Nagaland, Assam, Uttar Pradesh, Mizoram, West Bengal, Madhya Pradesh, Jammu and Kashmir and Rajasthan, rate of growth of per capita GSDP from industries was lower than the average of all States.

47.   More than the share of industries in overall GSDP, for convergence, a more appropriate indicator could be the improvement in the share of industries in GSDP relative to the average of all States or simply relative to other states. If we take the all States share of industries in GSDP at 100, the share of states in 1999-2000 varied from 45.4 (Andaman and Nicobar) to 182.6 (Jharkhand). Over a decade, 10 States/UTs were able to move to the level of average of all the States/UTs. 6 States/UTS, however, witnessed a decline in their share relative to other States/UTs and had a negative rate of convergence[35].

48.   Some of the recent literature has used the terms "catching up" and "convergence" to consider the outcome of the growth strategy. Though "catching up" is a broad term and could mean that lower income states are growing faster so that the gap between their growth rates and those of the richer states is getting reduced. "Convergence" on the other hand would mean that the lower income states have caught up and the per capita incomes of the states are converging towards the national mean[36]. Independent of whether convergence has actually been achieved, catching up does indicate a journey to this end.

49.   A recent paper by Dr. Rangrajan and others have examined the evidence on convergence between states. Their paper indicate that strictly speaking, the three periods 1980–81 to 1993–94, 1993–94 to 2004–05 and 2004–05 to 2012–13 do not show convergence. However, in the recent period, there is strong evidence of "catching up" by the lower income states. Though median growth rate more than doubled in the recent period, convergence did not happen mainly because some states, especially Maharashtra, Gujarat, Kerala, Tamil Nadu and Haryana, which had high initial per capita incomes, also posted high growth rates[37]. Their results indicated in Fig 6 reveal that both the gini coefficient and the ratio between maximum and minimum GSDP has increased over the years and inequality has persisted.

Fig 6: Measures of inequality of States' GSDP
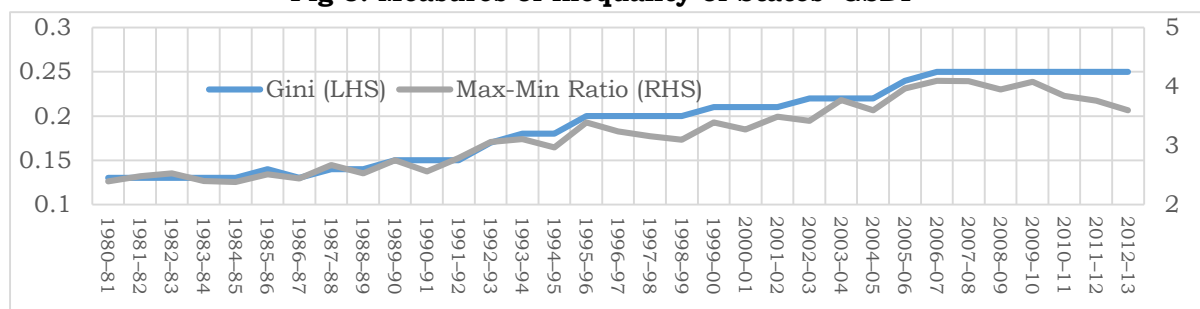
50.   Another way of look at the issue of convergence or catching up as the process towards convergence is by constructing an improvement index[38]. This index captures relative growth.

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[35]   Singhi MC, Report on the role of incentives in the development of industrially backward States/Uts
[36]   Convergence-Have the Lower Income States Caught Up? C. Rangarajan, Padma Iyer Kaul and Vibeesh EM
[37]   Convergence-Have the Lower Income States Caught Up? C. Rangarajan, Padma Iyer Kaul & Vibeesh EM
[38]   Improvement Index for State (a) is compiles as (current year's value of State/base year's value of the State)/(current year's value All India/base year's value All India). Index value greater than one indicate a relative improvement.

The value of index greater than one indicate comparatively better performance by a state. The NSDP improvement index indicate a somewhat mixed picture. Madhya Pradesh, Bihar and Uttarakhand, considered as backward of laggard states show an improvement in income growth ralative to other states with improvement factor exceeding 1 during the period 2004-05 to 2013-14. However, States like Asam, Jharkhand, Uttar Pradesh and Rajasthan have the index value lower than 1. Some of the better off states have continued to witness higher NSDP (per capita) increase during this period (Fig 7 and Anex Table 7).

Fig 7: Per capita State NSDP- Improvement Index
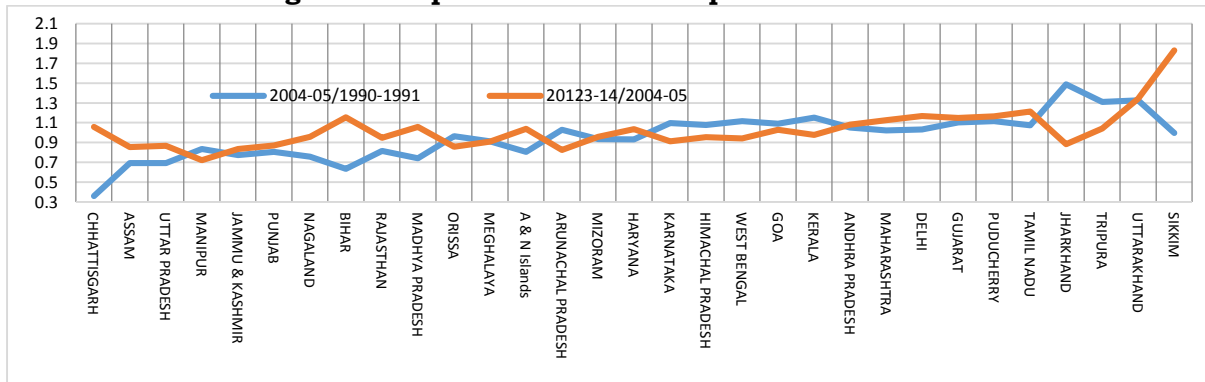
51.   Income may be surrogate measure, but it may be worthwhile to lok at some other socio economic parameters, more so as the backrdwardness is both complex and multi-dimensional. Since most of the fiscal incentives were directed for the manufacturing sector, we have looked at the improvement index of the manufacturing sector based on the results of the Annual Survey of Industries. Three parameters covering the invested capital, persons employed and net value added have been considered for this purpose. In terms of the invested capital for a longer term of 2011-12 over 1990-91, the improvement index is below the threshold level of one, which would indicate relative growth of the backward states as being the same as the other states, for Bihar (including Jharkhand), Madhya pradesh (including Chhatisgarh), Uttar Pradesh (including Uttarakhand), Rajasthan and Assam (though a border case). Himachal Pradesh, Jammu & Kashmir and Odisha appear to have performed better (Fig 8 and Annex Table 6).

Fig 8: Improvement Index- Invested Capital in Factories
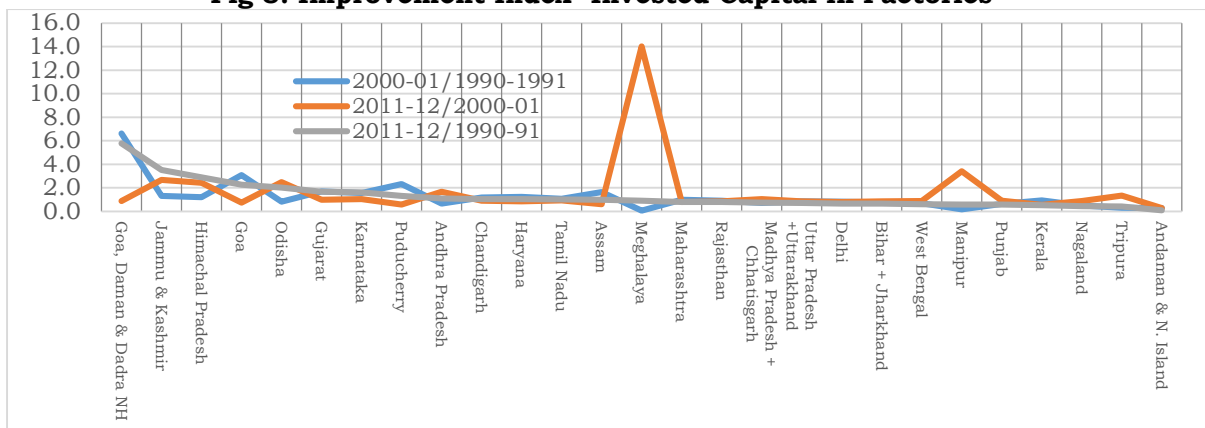
52.   In terms of the number of persons engaged in the factory sector, the outcome is not generally different. Improvement index is above the threshold value of 1 for Himachal Pradesh, Jammu & Kashmir, Assam, Rajasthan and Odisha though it is below the level of one for Madhya Pradesh (including Chhattisgarh) and Bihar (including Jharkhand). For Uttar Pradesh and Uttarakhand combined, though the index is less than one but it has performed better than the other states largely because of an improved performance from Uttarakhand (fig 9).

Fig 9: Improvement Index- Persons engaged in Factory Sector
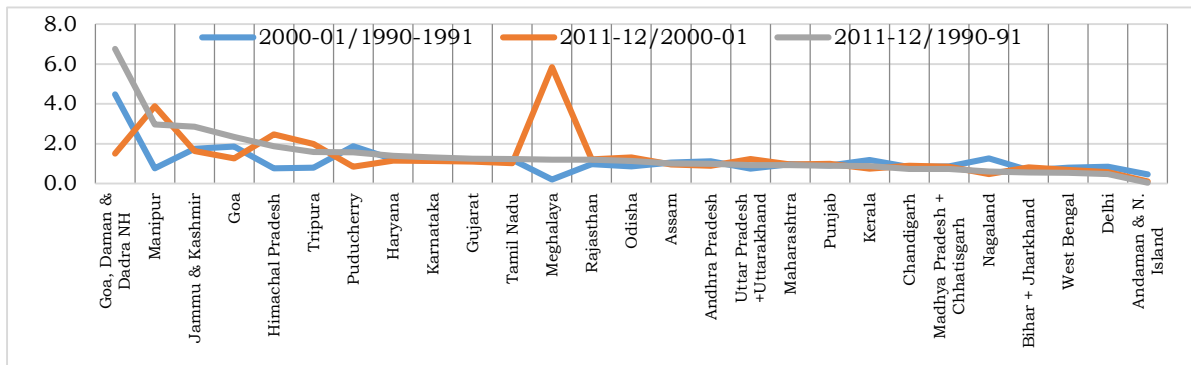
53.   In case of the performance of the third parameter- net value added Himachal Pradesh, Jammu & Kashmir, North Eastern States of Meghalaya and Manipur show an improvement relative to other states (Fig 10). Improvement index is below the threshold level of one for most of the backward states. Even when we divide the performance over two decadal periods there is hardly any change in the performance.

Fig 10: Improvement Index- Net Value Added from Factory sector
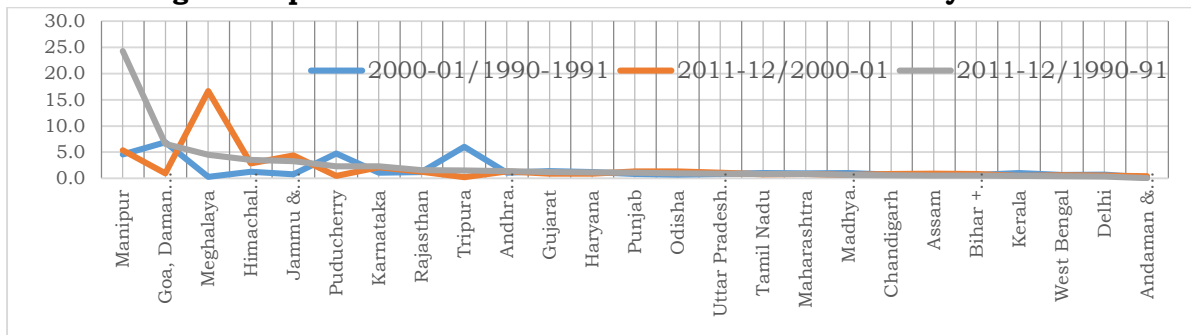
54.   We have picked up two parameters of fiscal performance of the states covering revenue receipts (including its sub components) and development expenditure relative to their GSDP to look at the impact of the policy interventions for balanced development and service delivery. In case of the improvement index for revenue receipts, which indicates the ability of the state to undertake developmental works, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Odisha and some of the NER states have improvement index value greater than one. Bihar, Rajasthan, Uttarakhand have an index value less than one. Even for the central transfers the index value is less than one for Bihar and Rajasthan among other states (Fig 11 and Annex Table 1).

Fig 11: Improvement Index- Revenue Receipt (2010-13/2004-08)
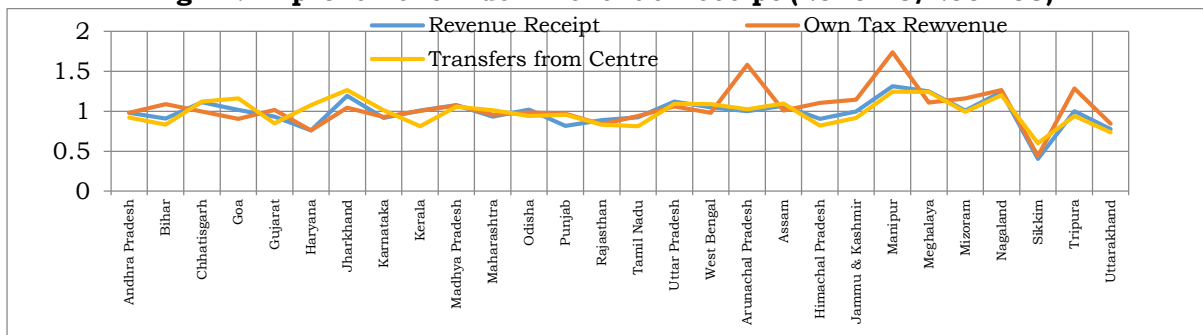
55.   The Thirteenth Finance Commission clearly mentioned that the excessive use of equity consideration may create a risk of moral hazard in making States lax in terms of improving revenue efforts and managing their finance prudently[39]. The 'principle of efficiency

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[39]   Report of the Thirteenth Finance Commission- para 8.22

which addresses this issue to motivate the states to exploit their resource base and manage their fiscal operations in a cost effective manner'[40] should not be ignored. Moreover, horizontal distribution making these transfers equalizing may also not be fair to the middle and high income states as they contribute far more to the central taxes.

56.   Twelfth Finance Commission considered equalising the delivery of services in health and education sectors. In view of this additionality of funds for these two sectors and likely increased availability for other developmental needs, we have considered generating an improvement index for development expenditure, expenditure on social sectors and capital outlay, the three key parameters of quality of expenditure to ascertain impact of interventions and larger fund flow. Results are mixed. While in case of Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Odisha and Bihar (except for the expenditure on social sectors) the index value is greater than one, in case of Rajasthan, Jharkhand and Uttarakhand the index is less than one indicating that these states could generate a lower relative growth of expenditure in these areas (Fig 12 and Annex Table 8)

Fig 12: Improvement Index- Developmental Expenditure (2010-13 over 2004-08)
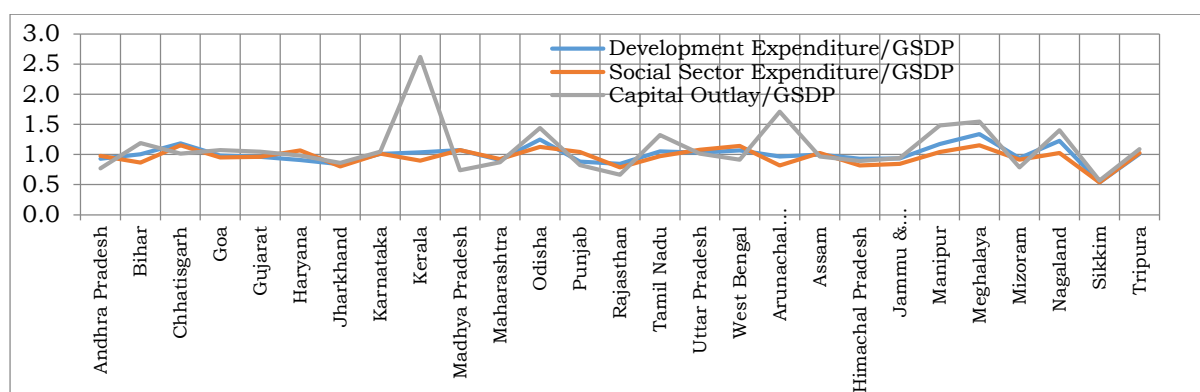
57.   Other parameters which have been covered in the improvement index are infant mortality rates, literacy rates, persons employed (participation in labour force), consumption expenditure and amenities comprising electricity, safe drinking water and toilets. Of the social parameters, infant mortality rates and literacy rates have been considered because of the special focus on these two sectors, both in terms of plan allocations and special programmes and flow of funds through the Finance Commission route. If we a consider longer time horizon of relative improvement in 2010 over 1991, improvement index is greater than one for Jharkhand, Uttar Pradesh, Rajasthan, Bihar and some NER States among other states for female mortality rates. Index value is less than one for Chhattisgarh, Odisha and Madhya Pradesh. For male infant mortality also results are similar. For a more recent period also there is hardly much of a difference except in case of Uttar Pradesh which records some slippage (Fig 12 and Annex Table 2).

Fig 12: Improvement Index- Infant Mortality

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[40]   Report of the Thirteenth Finance Commission- para 8.22
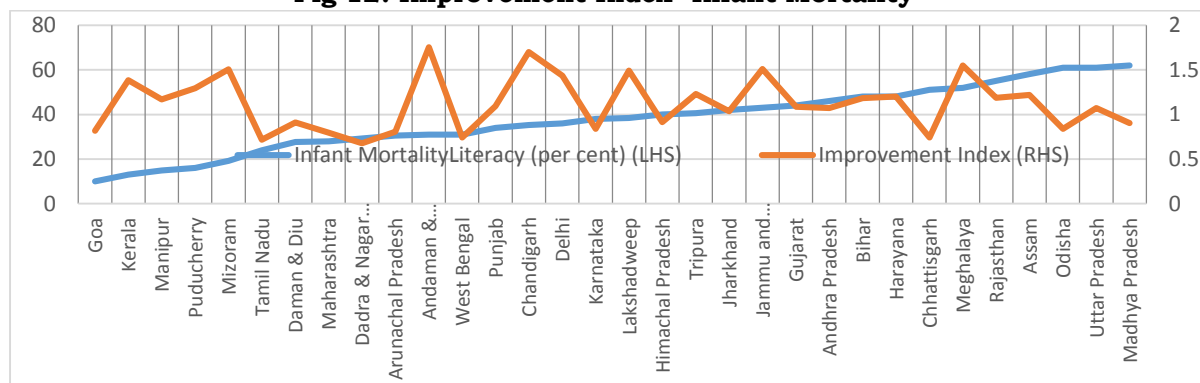
58.   Results for the literacy rates are indicated in Fig 13 and Annex Table 3. For constructing improvement index for literacy rates also, we have separately looked at the male and female literacy rates and have considered one longer period of 20 years and one most recent decade. Results in case of literacy rates are quite encouraging. Female literacy has significantly improved for most of the socially backward states. The performance index value is greater than one (for linger term horizon) for Madhya Pradesh, Jharkhand, Uttar Pradesh, Bihar, Uttarakhand, Rajasthan and almost close to one for Haryana. Lower index value for some of the states where female literacy is already very high like Kerala, Chandigarh is in any way expected because the unexploited potential is either very small or negligible. If we consider male literacy, the results are equally good indicating that the Sarva Siksha Abhiyan has indeed made inroads in these states and targeted interventions has generally been successful.

Fig 13: Improvement Index- Literacy rates
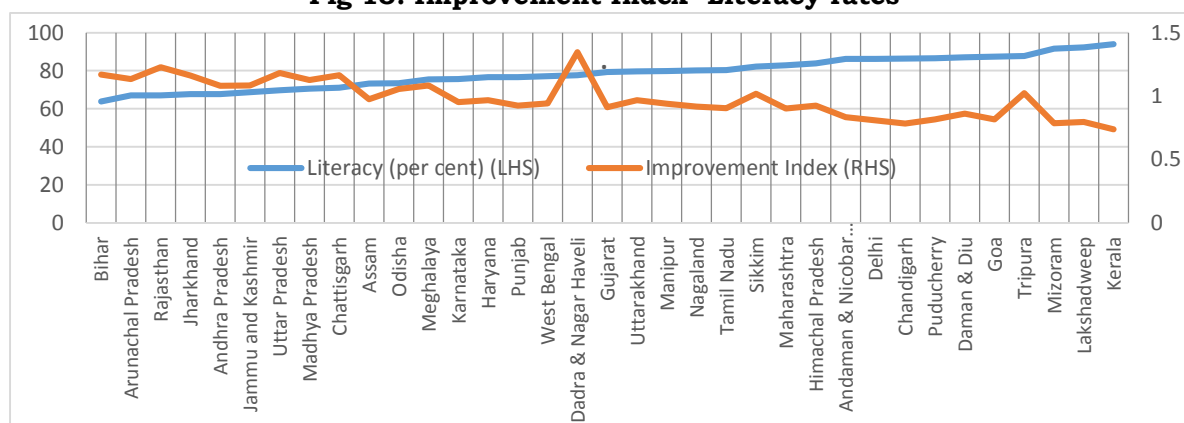
59.   Economic growth is also expected to result in better job opportunities for the individuals. Participation in labour force is indicative of the absorption of persons in a productive economic activity. Using compound average annual rate of growth approach, Reserve Bank has calculated employment elasticity of Indian economy for the NSSO survey periods from 1977-78 and observed that the same has declined from 0.57 during 1972-78 to 0.01 during 2004-2010 period before improving to 0.18 during 2009-12[41]. The overall change in the workforce participation rates (WPR) appear to be near uniform. The performance index of WPR for rural areas during 2004-05 to 2011-12 for most of the States is in the narrow range of 0.9 to 1.1. Of the major States, Himachal Pradesh is the only which has an index value of 1.2. In urban areas, performance index takes a value of 1.2 for Odisha (Fig 14 and Annex Table 4).

Fig 14: Improvement Index- Work Force Participation Rate

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[41]   Reserve Bank of India, Working Paper, 6/2014
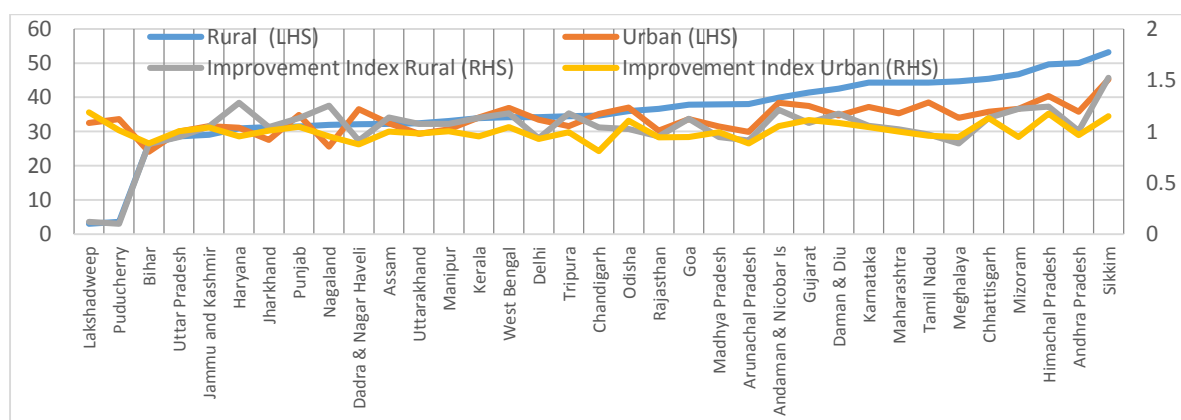
60.   Consumption is the real measure of welfare. Further since in the States, GSDP fails to capture the income accruing in a State, consumption better captures the potential of a State. NSSO through its five yearly surveys generate data of household consumption in rural and urban areas. We have captured the improvement index for two periods, for 2004-05 over 1993-94 and for 2009-10 over 2004-05. Compared to income or GSDP, improvement index for expenditure is more range bound. For 29 States and Union Territories the index value for the later period (for rural areas) is in the range of 0.9 and 1.1. In urban areas the distribution is more skewed. In major States, Uttarakhand in rural areas and Kerala in urban areas have an index value of 1.3 and 1.2, respectively. This clearly suggest that intervention have generally been neutral in their impact on consumption in both rural and urban areas (Fig 15 and Annex Table 9).

Fig 15: Improvement Index- Private Consumption Expenditure
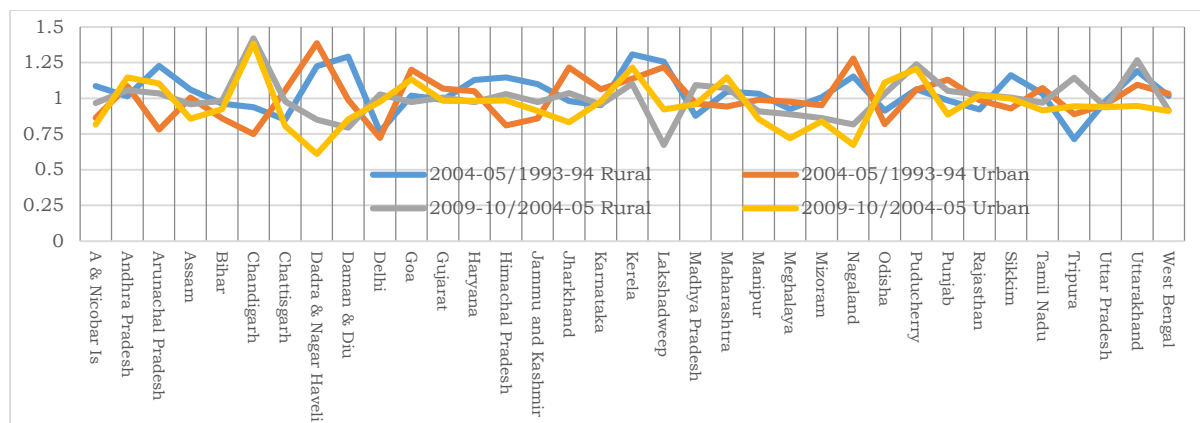
 61.   An attempt has also been to look at deprivation in terms of availability of some major quality life amenities in States. For improvement index we have taken the percentage of households with access to electricity, drinking water and sanitation in rural and urban areas during 1991, 2001 and 2011. If we take a longer term horizon of 2011 relative to 1991, most of the backward states appear to have worsened their status with regard to coverage of household for the key amenities. The performance index for Uttar Pradesh, Rajasthan, Bihar, Madhya Pradesh and Chhattisgarh among other states is below the threshold value of one (Fig 15 and Annex Table 10)

Fig 15: Improvement Index- Amenities (Electricity, Drinking Water & Sanitation)
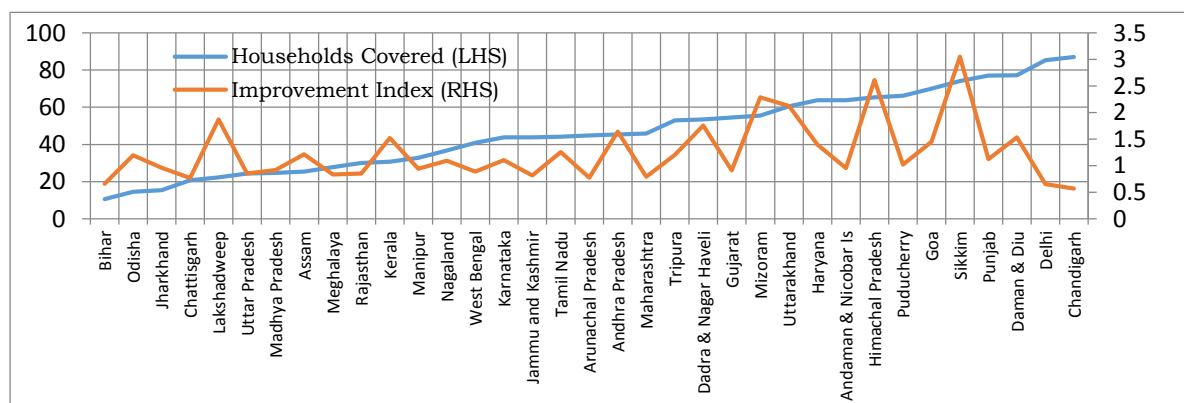
62.   The policy intervention for the dispersal of industries, particularly the development of backward areas, therefore, had a mixed success. Though the emphasis continued to shift based on the then thinking, from providing industry specific incentives to infrastructure support and to provide incentives in remote and inaccessible regions, rather than the districts with in a State, overall results indicate a mixed success. The North East Industrial Policy of 1997 was a beginning of a shift to remote and inaccessible areas as backwardness

was conceived to persist because of this isolation. The extension of such packages to the States of Jammu and Kashmir, Himachal Pradesh and Uttarakhand was extension of the same approach in subsequent years. It was lack of connectivity and inaccessibility that become the deciding factor for support to industries. This was also the ground for not extending the special package to other areas.

63.   In other regions, the development of industries adopted a cluster approach where the existing industries were supported in terms of common infrastructure to improve their competitiveness. The IIUS of the DIPP or the cluster development programme of MSME attempted to provide/upgrade the net worked infrastructure. Though BRGF, conceived as a mechanism to spur overall growth at sub regional levels, cannot be an alternative to the specific interventions for industrial development, BRGF essentially creates the enabling conditions. In between, there was also a shift towards inclusive growth and empowerment through a uniform delivery and access to key services relating to health, education and employment. Public interventions also continued in agriculture sector through public provisioning of irrigation and guaranteed returns in terms of minimum support prices.

64.   Though not specifically stated, it perhaps signalled that manufacturing per se may not essentially lead to regional balances. Further, it may also be an indication that infrastructural development, covering both physical and social infrastructure, are the first order conditions and the manufacturing growth could only be built on these first order conditions. In health, education and road connectivity, interventions did result in convergence to an extent, but in all these three areas intervention was not only above a threshold but targeted and in a mission mode. The success of interventions on social sectors was also because these were the enabling conditions and were in the nature of public goods with access to all. There was not any requirement of further investment by individual to become eligible for the concessions.

65.   But both from the point of view of potential and the need for a sustained higher growth manufacturing sector growth is critical for India. Even strategy for balanced regional development needs to focus on industrial development. Fiscal incentives have a limited role and they raise competing claims from backward districts in otherwise developed state. Remote and inaccessibility have as much an appeal as low industrial development compared to any threshold level. What may, therefore, be important is think of ways and means which reduce the transaction cost of setting up of industry. Given India's comparative advantage, there is a need to put in place a policy regime that is at least neutral between labour and capital. Other factors constraining manufacturing investment, such as policies for acquiring land, unpredictable implementation of tax laws, cumbersome exit structures, also need to be addressed. Infrastructure as the first order condition for industrial development can hardly be ignored.

66.   New industrial policies of incentivising at State level in the initial stages either encouraged setting up industries in products which had a high incidence of taxes (tobacco products) or where these could migrate from neighbouring location (Himachal Pradesh and Uttarakhand induced migration of industries from Punjab and Uttar Pradesh). While a negative list was later introduced to avoid the pure rent seeking, there was never any attempt to look at industry specific disabilities or transaction cost differences or even the time frame, it was a one shoe fits all approach. This may in a way be discretionary but for interventions to succeed it may be necessary. In the absence of the industry reaching a threshold of sustainability, there may be a danger of their becoming sick after the intervention period. This may even encourage substitution of ownership rather than any additional activity. Further, remote area based incentives touch only a periphery of industries, as just under 6 per cent of invested capital in factory sector in 2011-12 was based in these States.

67.   A survey of the business regulatory environment for each state was recently sponsored by the Planning Commission. The Deloitte assessed the business environment based on six parameters of (i) finance & tax related compliances, (ii) labour law related compliances, (iii) infrastructure & utility related approvals, (iv) land & building related approvals, (v) environmental clearances and (vi) other business regulatory compliances and

ranked Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Kerala, Madhya Pradesh, Odisha, Rajasthan and Tamil Nadu in first one third percentile while the States covered by the special industrial package were placed in second and third percentile[42] .

68.   Manufacturing, particularly the small scale manufacturing needed to be profitable and the incentives never looked at that issue. Studies show that the manufacturing establishments have a variety of statutory obligation to discharge which are costly, time consuming and often ineffective in meeting their stated objectives. Besides reducing the compliance through self-certification, consolidation of returns and their reduced periodicity, automatic greening, there is need to conceive an alternate institutional mechanism. A new service entity, specifically created to take on the responsibility of meeting statutory obligations, and expected to be more efficient, economical and better equipped to serve the interests of both the employers and the employees could be envisaged[43].

69.   A discussion paper by the Department of Industrial Policy and Promotion has highlighted the need of development finance for MSME industries. The development finance acts as a 'gap-filler' and its principal motivation is to make up for the failure of financial markets and institutions to provide certain kinds of finance to certain kinds of economic agents, which are rationed out of market. This has called for a shift to the "project approach" against the "collateral approach[44]". In the case of MSMEs, the need for quick conversion of trade receivables, an important component of current assets of business entities, into cash assumes great importance from liquidity considerations. One of the principal instruments of working capital is bill discounting and factoring[45]. The Committee on Financial Sector reforms had suggested two alternative proposals for creating liquidity for trade receivables - one through an organized system of auctioning and secondary market trading, and another through securitization[46]. Despite reforms in this sphere including the enactment of Factoring Act, 2012 the problem persists primarily because of the dependency of the MSMEs on the corporate buyer and the inability of the MSMEs to take up the problem of delayed payments through appropriate institutional setup

70.   Market, credit, skills and infrastructure that creates the diamond for manufacturing development. There still exists a considerable mis-match between the skill sets that are in demand and skill sets that are available. A possible synergy could be established between skill development and MGNREGA. MGNREGA should lead to either long term physical assets creation or human resource development through demand based skill upgradation[47]. Entrepreneurial development could also be made a subset of the skills that needs to be imparted. Market and credit are the areas where efforts are yet to reach any threshold level. For MSME these may be the critical factors. New backward development initiatives to be meaningful need to learn from these shortcomings, otherwise regional inequalities which have been with us for more than sixty years now may continue to persist further.

71.   The paper has looked at the outcome of the interventions so far and the results are a mixed bag. Intervention of a threshold level and where there were limited supplementary investment needs by individuals, such as literacy, health, connectivity did better than the interventions for industrial dispersal, though for long-term sustainability that may be critical. There should both be a threshold and a wider coverage for these to make any significant impact. Fiscal incentives need to accompany the measures which reduce other regulatory and infrastructure bottlenecks. The bottom line is that the manufacturing particularly by MSME should become profitable in new areas.

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[42]   Deloitte- Survey on Business Regulatory Environment for Manufacturing – State Level Assessment, sponsored by Planning Commission, March 2014
[43]   Centad- Working Paper 12- Current Issues & Priorities for the New Government
[44]   Discussion Paper on Financing Requirements of Infrastructure and Industry
[45]   RBI Concept Paper on Trade Receivables and Credit Exchange for Financing of MSME
[46]   Report of Committee on Financial Sector Reforms "Hundred Small steps, December 2008
[47]   Centad- Working Paper 12- Current Issues & Priorities for the New Government

State	2004-08 (Avg.)*				2010-13 (Avg.)			
	RR/ GSDP	OTR/ GSDP	ONTR/ GSDP	CT/ GSDP	RR/ GSDP	OTR/ GSDP	ONTR/ GSDP	CT/ GSDP
Andhra Pradesh	14.00	7.60	1.90	4.40	14.40	8.10	1.80	4.40
Bihar	22.40	4.30	0.50	17.60	21.40	5.10	0.40	15.90
Chhattisgarh	16.50	7.20	2.40	6.90	19.30	7.80	3.10	8.40
Goa	15.10	7.30	5.50	2.30	16.10	7.20	6.10	2.90
Gujarat	10.50	6.50	1.50	2.50	10.30	7.20	0.90	2.30
Haryana	12.80	8.10	3.00	1.80	10.20	6.70	1.40	2.10
Jharkhand	13.70	4.40	2.10	7.20	17.20	5.00	2.30	9.90
Karnataka	15.80	9.80	1.90	4.10	15.20	9.90	0.80	4.50
Kerala	11.60	7.60	0.70	3.40	12.30	8.30	0.90	3.00
Madhya Pradesh	17.70	7.20	2.30	8.20	20.00	8.40	2.20	9.40
Maharashtra	10.50	7.00	1.50	2.00	10.30	7.30	0.80	2.20
Odisha	16.60	5.60	2.00	9.00	17.80	6.00	2.70	9.20
Punjab	13.90	7.30	4.10	2.60	11.90	7.70	1.50	2.70
Rajasthan	14.80	6.80	1.90	6.10	13.80	6.20	2.20	5.50
Tamil Nadu	13.20	8.80	1.00	3.40	12.80	9.00	0.80	3.00
Uttar Pradesh	16.50	6.50	1.40	8.60	19.40	7.50	1.70	10.20
West Bengal	9.90	4.50	0.50	4.90	10.90	4.80	0.30	5.80
Arunachal Pradesh	54.50	1.80	7.80	44.90	57.30	3.10	4.30	50.00
Assam	20.40	5.20	2.60	12.70	22.90	5.70	2.20	15.10
Himachal Pradesh	24.10	5.50	3.70	14.90	22.90	6.60	2.90	13.30
Jammu & Kashmir	37.00	5.70	2.40	28.90	38.80	7.10	2.90	28.70
Manipur	43.60	1.80	2.00	39.70	60.10	3.40	3.00	53.70
Meghalaya	24.40	3.40	2.10	19.00	32.00	4.10	2.30	25.60
Mizoram	56.20	1.90	3.60	50.80	59.60	2.40	2.50	54.70
Nagaland	35.30	1.60	1.40	32.40	46.00	2.20	1.50	42.30
Sikkim	103.30	7.50	53.30	42.40	44.00	3.60	12.60	27.70
Tripura	30.40	3.00	1.10	26.30	32.00	4.20	0.90	26.90
Uttarakhand	18.10	6.10	1.90	10.00	14.80	5.60	1.10	8.00
All States#	**11.90**	**5.70**	**1.40**	**4.70**	**12.50**	**6.20**	**1.20**	**5.10**
NCT Delhi	9.1	7.4	1.1	0.6	8.1	6.5	0.7	0.9
Puducherry	22.8	6.6	6.6	9.5	20.9	11.3	2.4	7.2

Annex Table 1 Revenue Receipts of State Governments (Per cent)

Avg.: Average. RR: Revenue Receipts. OTR: Own Tax Revenue. ONTR: Own Non-Tax Revenue.

CT: Current Transfers. GSDP: Gross State Domestic Product.

*: Data for Puducherry pertain to 2006-07.

#: Data for All States are as per cent to GDP.

Source: Reserve Bank of India, Study of State Budgets, 2014

State/UT	1981			1991			2001			2010		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
Andhra Pradesh	84.0	75.0	79.0	76.0	70.0	73.0	65.0	68.0	66.0	44.0	47.0	46.0
Arunachal Pradesh	-	-	-	65.7	63.1	64.5	34.9	30.6	32.8	25.7	35.5	30.6
Assam	106.0	96.0	102.0	88.0	74.0	81.0	69.0	80.0	74.0	56.0	60.0	58.0
Bihar	107.0	118.0	112.0	68.0	71.0	69.0	57.0	68.0	62.0	46.0	50.0	48.0
Chhattisgarh	142.0	126.0	134.0	116.0	119.0	117.0	83.0	89.0	86.0	48.0	54.0	51.0
Goa	-	-	-	27.2	14.3	20.8	11.1	16.5	14.0	5.4	14.5	10.0
Gujarat	113.0	110.0	111.0	70.0	67.0	69.0	61.0	60.0	60.0	41.0	47.0	44.0
Harayana	92.0	95.0	93.0	69.0	67.0	68.0	63.0	70.0	66.0	46.0	49.0	48.0
Himachal Pradesh	-	-	-	80.8	67.3	74.6	48.0	36.2	42.8	35.0	47.0	40.0
Jammu and Kashmir	-	-	-	-	-	-	43.3	36.2	40.0	41.0	45.0	43.0
Jharkhand	107.0	118.0	112.0	68.0	71.0	69.0	57.0	68.0	62.0	41.0	44.0	42.0
Karnataka	73.0	56.0	65.0	82.0	72.0	77.0	59.0	58.0	58.0	37.0	39.0	38.0
Kerela	32.0	29.0	30.0	17.0	16.0	16.0	14.0	9.0	11.0	13.0	14.0	13.0
Madhya Pradesh	142.0	126.0	134.0	116.0	119.0	117.0	83.0	89.0	86.0	62.0	63.0	62.0
Maharashtra	71.0	69.0	70.0	60.0	59.0	60.0	43.0	48.0	45.0	27.0	29.0	28.0
Manipur	-	-	-	28.6	14.2	21.7	7.8	12.2	9.9	14.2	15.6	14.9
Meghalaya	-	-	-	54.7	59.4	57.0	52.3	50.2	51.2	47.2	57.2	51.9
Mizoram	-	-	-	-	-	-	20.1	15.7	17.9	20.0	18.4	19.2
Nagaland	-	-	-	12.7	0.0	6.6	-	-	-	29.8	8.5	19.5
Odisha	140.0	124.0	132.0	126.0	123.0	124.0	90.0	93.0	91.0	60.0	61.0	61.0
Punjab	78.0	73.0	75.0	55.0	51.0	53.0	43.0	63.0	52.0	33.0	35.0	34.0
Rajasthan	96.0	98.0	97.0	77.0	80.0	79.0	78.0	82.0	80.0	52.0	57.0	55.0
Sikkim	-	-	-	45.4	57.5	51.0	29.5	28.9	29.2	-	-	-
Tamil Nadu	82.0	83.0	83.0	60.0	54.0	57.0	45.0	54.0	49.0	23.0	24.0	24.0
Tripura	-	-	-	59.0	53.0	56.2	38.5	31.1	35.1	55.1	24.7	40.6
Uttar Pradesh	142.0	152.0	147.0	95.0	100.0	97.0	82.0	84.0	83.0	58.0	63.0	61.0
West Bengal	90.0	81.0	86.0	72.0	69.0	71.0	53.0	49.0	51.0	29.0	32.0	31.0
Andaman & Nicobar Is	-	-	-	39.4	21.8	30.0	7.2	6.0	6.6	23.9	38.2	30.9
Chandigarh	-	-	-	36.2	34.3	35.3	25.7	2.2	15.8	40.3	28.4	35.2
Dadra & Nagar Haveli	-	-	-	-	-	-	81.1	38.7	60.7	37.8	18.6	29.3
Daman & Diu	-	-	-	65.4	36.6	51.6	45.4	39.5	42.9	17.0	40.4	27.6
Delhi	-	-	-	39.1	46.7	42.7	27.0	22.8	25.1	35.7	36.4	36.0
Lakshadweep	-	-	-	53.4	34.8	43.8	42.9	33.2	37.8	49.9	28.4	38.4
Puducherry	-	-	-	22.3	19.9	21.2	26.4	17.2	21.9	23.5	7.9	16.1
All India	106.0	104.0	105.0	81.0	80.0	80.0	64.0	68.0	66.0	46.0	49.0	47.0

Annex Table 2: Infant Mortality Rate - Combined

(Per thousand)

Source- Rajeev Malhotra, India Public Policy Report (Data for Jharkhand, Chhattisgarh and Uttarakhand prior to their formation is that of Bihar, Madhya Pradesh and Uttar Pradesh, respectively)

States/UTs	1981			1991			2001			2011		
	Male	Female	Person	Male	Female	Person	Male	Female	Person	Male	Female	Person
Andhra Pradesh	46.83	24.16	35.66	55.13	32.72	44.09	70.32	50.43	60.47	75.56	59.74	67.66
Arunachal Pradesh	35.12	14.02	25.55	51.45	29.69	41.59	63.83	43.53	54.34	73.69	59.57	66.95
Assam	-	-	-	61.87	43.03	52.89	71.28	54.61	63.25	78.81	67.27	73.18
Bihar	46.60	16.52	32.05	52.49	22.89	38.48	59.68	33.12	47.00	73.39	53.33	63.82
Chattisgarh	48.42	23.97	36.63	58.00	28.00	43.00	77.38	51.85	64.66	81.45	60.59	71.04
Goa	76.00	55.20	65.70	83.64	67.09	75.51	88.42	75.37	82.01	92.81	81.84	87.40
Gujarat	65.14	38.46	52.21	73.13	48.64	61.29	79.66	57.80	69.14	87.23	70.73	79.31
Haryana	58.51	26.93	43.88	69.10	40.47	55.85	78.49	55.73	67.91	85.38	66.77	76.64
Himachal Pradesh	64.27	37.72	51.18	75.36	52.13	63.86	85.35	67.42	76.48	90.83	76.60	83.78
Jammu and Kashmir	44.18	19.56	32.68	-	-	-	66.60	43.00	55.52	78.26	58.01	68.74
Jharkhand	46.60	16.52	32.05	56.00	26.00	41.00	67.30	38.87	53.56	78.45	56.21	67.63
Karnataka	58.73	33.17	46.21	67.26	44.34	56.04	76.10	56.87	66.64	82.85	68.13	75.60
Kerela	87.73	75.65	81.56	93.62	86.13	89.81	94.24	87.72	90.86	96.02	91.98	93.91
Madhya Pradesh	48.42	23.97	36.63	58.42	28.85	44.20	76.06	50.29	63.74	80.82	60.02	70.63
Maharashtra	69.65	41.01	55.83	76.56	52.32	64.87	85.97	67.03	76.88	89.82	75.48	82.91
Manipur	64.15	34.67	49.66	71.63	47.60	59.89	80.33	60.53	70.53	86.49	73.17	79.85
Meghalaya	46.65	37.17	42.05	53.12	44.85	49.10	65.43	59.61	62.56	77.17	73.78	75.48
Mizoram	79.36	68.61	74.26	85.61	78.60	82.27	90.72	86.75	88.80	93.72	89.40	91.58
Nagaland	58.58	40.38	50.28	67.62	54.75	61.65	71.16	61.46	66.59	83.29	76.69	80.11
Odisha	56.45	25.14	40.97	63.09	34.68	49.09	75.35	50.51	63.08	82.40	64.36	73.45
Punjab	55.56	39.70	48.17	65.66	50.41	58.51	75.23	63.36	69.65	81.48	71.34	76.68
Rajasthan	44.77	14.00	30.11	54.99	20.44	38.55	75.70	43.85	60.41	80.51	52.66	67.06
Sikkim	53.00	27.38	41.59	65.74	46.69	56.94	76.04	60.40	68.81	87.29	76.43	82.20
Tamil Nadu	68.05	40.43	54.39	73.75	51.33	62.66	82.42	64.43	73.45	86.81	73.86	80.33
Tripura	61.49	38.01	50.11	70.58	49.65	60.44	81.02	64.91	73.19	92.18	83.15	87.75
Uttar Pradesh	47.45	17.19	33.35	55.73	25.31	41.60	68.82	42.22	56.27	79.24	59.26	69.72
Uttarakhand	47.45	17.19	33.35	73.00	42.00	58.00	83.28	59.63	71.62	88.33	70.70	79.63
West Bengal	59.93	36.07	48.65	67.81	46.56	57.71	77.02	59.61	68.64	82.67	71.16	77.08
Andaman & Nicobar Is	70.29	53.20	63.19	78.99	65.46	73.02	86.33	75.24	81.30	90.11	81.84	86.27
Chandigarh	78.89	69.31	74.81	82.04	72.34	77.81	86.14	76.47	81.94	90.54	81.38	86.43
Dadra & Nagar Haveli	44.64	20.37	32.70	53.56	26.98	40.71	87.33	74.71	81.67	86.46	65.93	77.65
Daman & Diu	74.50	46.70	59.90	82.66	59.40	71.20	71.18	40.23	57.63	91.48	79.59	87.07
Delhi	79.28	62.60	71.94	82.01	66.99	75.29	86.76	65.61	78.18	91.03	80.93	86.27
Lakshadweep	81.24	55.32	68.42	90.18	72.89	81.78	92.53	80.47	86.66	96.11	88.25	92.28
Puducherry	77.09	53.03	65.14	83.68	65.63	74.74	88.62	73.90	81.24	92.12	81.22	86.55
All India	**56.38**	**29.76**	**43.57**	**64.13**	**39.29**	**52.21**	**75.26**	**53.67**	**64.84**	**82.14**	**65.46**	**74.04**

Source- Rajeev Malhotra, India Public Policy Report (Data for Jharkhand, Chhattisgarh and Uttarakhand prior to their formation is that of Bihar, Madhya Pradesh and Uttar Pradesh, respectively)

State/UT	1983		1993-94		2004-05		2009-10		2011-12 (Percentage)	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	58.5	38.3	54.1	35.5	52.2	38.3	50.4	35.8	50.0	35.8
Arunachal Pradesh	-	-	45.2	32.4	45.6	31.7	39.9	30.0	38.0	29.9
Assam	33.5	32.7	30.8	31.0	34.0	31.5	35.1	31.2	32.2	32.4
Bihar	38.5	32.5	32.6	26.1	28.7	25.9	27.1	24.2	26.3	24.1
Chhattisgarh	56.1	34.5	43.5	30.3	48.0	34.6	43.6	31.0	45.4	35.8
Goa		-	36.5	34.0	32.2	35.6	33.9	33.2	37.8	33.6
Gujarat	34.4	35.6	41.5	32.3	45.0	36.0	42.1	36.1	41.4	37.5
Haryana	52.3	37.1	26.2	31.2	32.2	31.0	33.8	34.7	30.9	31.1
Himachal Pradesh	32.2	39.7	43.4	32.9	45.3	43.5	47.3	34.9	49.6	40.4
Jammu and Kashmir	51.9	34.1	30.0	29.1	31.3	31.0	29.8	32.8	29.0	31.6
Jharkhand	38.5	32.5	32.6	26.1	38.7	29.7	31.3	28.8	31.3	27.5
Karnataka	35.2	38.4	45.6	34.1	51.8	37.8	48.9	38.0	44.3	37.2
Kerela	53.8	32.7	32.5	34.2	34.3	32.9	35.4	34.4	33.9	34.1
Madhya Pradesh	56.1	34.5	43.5	30.3	43.0	33.1	41.8	31.9	37.9	31.5
Maharashtra	41.1	37.1	47.1	33.8	49.0	36.5	46.3	36.8	44.3	35.3
Manipur	54.3	37.3	33.5	29.2	38.4	30.9	33.9	30.6	33.1	30.6
Meghalaya	45.4	36.7	55.0	34.3	51.4	36.4	45.4	33.2	44.7	34.0
Mizoram	15.6	36.8	41.6	37.0	50.7	37.9	48.8	39.9	46.7	36.6
Nagaland	-	45.3	27.7	25.7	42.5	32.2	32.2	25.2	31.9	25.6
Odisha	34.7	34.9	38.2	32.0	39.2	32.1	37.0	33.9	36.0	37.0
Punjab	52.2	37.3	30.3	31.8	30.3	34.5	29.3	34.4	31.5	34.8
Rajasthan	42.6	35.5	41.8	30.7	38.9	31.6	36.5	30.2	36.6	30.3
Sikkim	48.6	41.8	37.9	37.6	44.1	36.8	43.6	39.8	53.2	45.2
Tamil Nadu	35.9	39.7	49.5	38.4	51.3	40.9	49.3	37.7	44.3	38.5
Tripura	38.8	31.8	31.8	30.4	31.8	29.3	33.6	32.4	34.5	31.6
Uttar Pradesh	43.3	33.4	32.8	28.6	30.4	30.5	29.2	28.7	28.6	30.0
Uttarakhand	43.3	33.4	32.8	28.6	39.9	31.3	36.2	32.2	32.4	29.3
West Bengal	35.1	36.1	31.6	33.8	33.6	35.4	35.6	35.0	34.2	36.9
Andaman & Nicobar Is	42.4	40.9	35.8	34.9	36.9	36.1	37.9	38.2	39.9	38.4
Chandigarh	38.6	38.2	36.2	41.5	38.8	34.2	30.1	35.2	34.7	35.1
Dadra & Nagar Haveli	65.9	-	38.2	39.9	41.0	38.9	31.1	33.9	32.1	36.5
Daman & Diu	34.2	41.3	39.3	30.6	38.4	40.1	41.4	34.4	42.5	34.7
Delhi	37.4	37.4	39.8	34.4	30.2	32.8	30.1	33.1	34.2	33.4
Lakshadweep	-	-	27.0	26.2	36.3	23.2	38.4	30.7	3.0	32.5
Puducherry	49.7	34.8	38.6	31.8	43.0	33.4	46.8	37.7	3.6	33.6
All India	**45.3**	**36.3**	**39.0**	**32.7**	**39.1**	**34.6**	**37.4**	**33.9**	35.9	34.2

Annex Table 4:Employed Persons for Usual Principal Status (All Ages)

Source- Rajeev Malhotra, India Public Policy Report (Data for Jharkhand, Chhattisgarh and Uttarakhand prior to their formation is that of Bihar, Madhya Pradesh and Uttar Pradesh, respectively)

Annex Table 5:Non-agriculture Workforce According to Usual Principal Status								
								(Percentage)
State/UT	1983		1993-94		2004-05		2009-10	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	20.5	77.7	21.0	77.0	28.3	81.4	31.0	82.5
Arunachal Pradesh	-	-	13.6	83.2	18.1	80.6	24.4	76.6
Assam	21.8	88.4	21.4	94.5	28.8	90.5	30.6	90.7
Bihar	18.0	78.5	16.5	87.1	23.4	74.3	34.3	74.0
Chhattisgarh	10.1	71.7	10.9	79.1	14.3	76.5	14.8	83.5
Goa	-	-	58.5	75.0	66.3	80.8	76.1	84.1
Gujarat	16.6	82.3	23.9	87.4	25.0	87.8	23.1	88.3
Haryana	26.0	82.7	37.6	84.7	45.7	85.8	46.0	83.6
Himachal Pradesh	14.3	84.3	24.4	80.0	34.7	71.2	39.5	83.9
Jammu and Kashmir	28.3	79.2	36.0	85.2	47.2	76.7	57.4	81.5
Jharkhand	18.0	78.5	16.5	87.1	32.7	82.1	47.1	76.6
Karnataka	16.6	73.5	19.7	78.4	18.6	82.1	24.5	77.9
Kerala	44.3	73.1	48.2	70.3	61.9	75.6	66.5	75.7
Madhya Pradesh	10.1	71.7	10.9	79.1	18.0	82.2	17.8	77.1
Maharashtra	14.7	82.7	18.1	85.9	20.4	84.4	21.5	87.4
Manipur	21.8	67.0	35.8	69.7	32.2	69.2	45.0	72.7
Meghalaya	12.0	88.4	14.1	89.2	18.1	93.2	28.3	84.4
Mizoram	10.0	53.4	11.4	54.3	12.5	58.9	16.6	55.4
Nagaland	-	83.4	29.4	86.4	22.8	87.1	28.0	78.0
Odisha	21.1	76.3	20.1	80.0	32.8	77.0	33.8	77.4
Punjab	24.8	85.0	32.3	88.4	46.0	89.3	48.9	82.0
Rajasthan	15.0	67.2	23.3	79.1	30.8	77.3	36.3	80.2
Sikkim	21.8	88.4	43.1	91.5	39.6	90.1	45.7	97.3
Tamil Nadu	27.0	81.1	30.6	81.2	35.0	84.9	36.1	75.9
Tripura	45.0	88.4	53.7	91.4	57.2	89.3	64.6	80.9
Uttar Pradesh	18.0	78.5	21.8	82.6	31.5	83.6	37.5	81.2
Uttarakhand	18.0	78.5	21.8	82.6	25.1	80.1	34.4	83.6
West Bengal	28.3	92.0	38.3	90.1	37.5	90.8	42.9	89.9
Andaman & Nicobar Is	27.0	81.1	48.9	81.2	59.7	85.4	57.5	86.3
Chandigarh	75.0	85.0	86.3	91.2	93.0	96.5	96.9	90.1
Dadra & Nagar Haveli	40.0	0.0	46.4	72.1	59.2	90.6	40.9	94.7
Daman & Diu	47.0	82.7	51.3	86.6	63.1	77.8	45.4	57.5
Delhi	85.0	83.5	91.6	88.1	95.6	93.6	100.0	96.8
Lakshadweep	-	-	64.1	46.4	62.6	64.0	62.6	67.1
Puducherry	27.0	81.1	35.8	74.8	40.4	79.3	54.6	84.9
All India	22.3	79.5	23.1	82.8	29.2	84.0	33.2	82.7
Source- Rajeev Malhotra, India Public Policy Report (Data for Jharkhand, Chhattisgarh and Uttarakhand prior to their formation is that of Bihar, Madhya Pradesh and Uttar Pradesh, respectively)								

	Invested Capital (Rs Crore)				Persons Employed (000)				Value Added (Rs Crore)			
	1980-81	1990-91	2000-1	2011-2	1980-81	1990-91	2000-1	2011-2	1980-81	1990-91	2000-1	2011-2
A & N. Island	7	44	36	50	5.2	5.5	2.5	0.4	4.0	14.4	5.8	13.4
Andhra Pradesh	2746	20362	39121	325942	706.3	845.7	907.1	1362.8	583.7	2981.4	8878.7	67052.8
Assam	481	1523	7309	21859	125.2	109.9	112.5	180.5	115.8	733.6	1283.9	6547.9
Bihar	4476	10228	2920	12197	384.1	363.4	62.9	126.6	641.2	2598.3	729.3	5643.9
Chandigarh	29	118	404	1813	10.7	12.4	9.9	14.9	16.0	70.5	145.4	692.7
Chhattisgarh	0	0	9053	67069	0	0	96.4	186	0.0	0.0	2492.8	12605.4
Dadra & Nagar Haveli	0	243	7332	33182	0	5.7	40.5	113.5	0.0	73.4	1860.8	7773.3
Daman & Diu	0	42	2942	13865	0	2.7	40	103.6	0.0	13.5	1370.0	6513.1
Delhi	700	1757	4289	16972	144.2	149.2	120.5	116.2	189.9	1016.4	2008.9	6121.5
Goa	229	453	4076	15008	15.4	17.4	31.1	66	60.9	157.8	1470.5	11782.2
Gujarat	4410	18696	93001	457048	795.1	688.7	752	1383.8	1138.7	4468.2	16855.9	87691.2
Haryana	1395	6106	21874	92311	187.8	256.8	300.9	582.4	430.8	1636.2	5570.5	29853.0
Himachal Pradesh	229	1308	4577	55203	22.5	53.7	39.4	163.4	62.0	377.5	1307.9	21611.6
Jammu & Kashmir	131	146	564	7477	28.1	13.8	23.2	63.7	17.9	76.3	159.5	4052.0
Jharkhand	0	0	20325	84796	0	0	173.5	196.8	0.0	0.0	4044.5	16788.8
Karnataka	2064	7863	35685	183620	402	424.8	474.2	905.9	603.0	2769.1	8301.6	103164.9
Kerala	1365	3809	10378	28645	281.6	274	313.4	393.4	390.7	1222.1	3553.8	9266.2
Madhya Pradesh	3025	13653	19733	79875	327.8	420.8	253.4	314.8	602.1	3006.7	6208.3	18950.7
Maharashtra	8318	35399	103631	412378	1585.4	1255.8	1172.8	1880.6	2986.0	12003.5	31261.0	156765.6
Manipur	2	15	7	126	1.7	1.1	0.8	5.3	0.6	0.2	1.9	59.2
Meghalaya	80	263	49	3421	5.9	5.7	1.1	11	13.8	11.0	8.4	809.6
Nagaland	0	34	50	221	0	2.6	3.1	2.5	0.0	-1.4	6.9	68.1
Odisha	1218	6210	14809	183454	134	154.5	128.7	284.6	198.2	1152.7	2351.7	18204.8
Puducherry	43	358	2436	6869	18.5	21.8	39.3	55.5	21.9	96.5	1281.4	3652.8
Punjab	1787	8133	15008	67845	245.6	411.3	358.6	600	386.1	1857.3	4300.8	32939.5
Rajasthan	1732	6898	18553	79119	193.9	245.5	232.2	474.9	334.0	1555.6	5258.0	39262.6
Sikkim	0	0	0	1729	0	0	0	8.9	0.0	0.0	0.0	3327.2
Tamil Nadu	3816	17701	55785	259680	810.2	976.6	1136.3	1940.8	1229.4	5792.9	16536.3	76955.7
Tripura	14	84	76	508	11.6	11.7	9	29.9	3.1	7.7	129.7	187.2
Uttar Pradesh	4312	20953	49010	147119	779.1	802.2	539.7	864.3	749.3	4624.8	9577.0	37144.4
Uttarakhand			3546	71441			43.1	342.4			961.4	30643.6
West Bengal	4177	12518	25221	109257	1004	746.3	569.8	654.3	1375.0	3198.4	5699.2	20558.3

Source- Annual survey of Industries- Various Issues

Annex Table 7: Per Capita NSDP at 2004-05 Prices							
	Year (Rupees)				Improvement Index		
STATE / UNION TERRITORY	1980-81	1990-91	2004-2005	2013-14	1990-91/1980-81	2004-05/1990-1991	20123-14/2004-04	2013-14/1990-91
A & N Islands	30224	29842	40921	72716	0.72	0.81	1.04	0.84
Andhra Pradesh	9499	14180	25321	46788	1.09	1.05	1.08	1.14
Arunachal Pradesh	8857	15274	26721	37767	1.26	1.03	0.83	0.85
Assam	11843	14241	16782	24533	0.88	0.69	0.85	0.59
Bihar	5631	7350	7914	15650	0.96	0.63	1.16	0.73
Chandigarh			74173	82798			0.65	
Chhattisgarh	20274	25320	15442	27917	0.91	0.36	1.06	0.38
Delhi	26913	36376	63877	127667	0.99	1.03	1.17	1.21
Goa	26778	41576	76968	135688	1.14	1.09	1.03	1.12
Gujarat	12560	17098	32021	62873	1	1.1	1.15	1.26
Haryana	16206	23995	37972	67317	1.08	0.93	1.04	0.97
Himachal Pradesh	13859	18226	33348	54494	0.96	1.08	0.95	1.03
Jammu & Kashmir	16474	16548	21734	31054	0.74	0.77	0.83	0.65
Jharkhand	5631	7350	18559	28113	0.96	1.49	0.89	1.32
Karnataka	7397	9923	18510	28882	0.98	1.1	0.91	1
Kerala	11429	13756	26882	45024	0.88	1.15	0.98	1.13
Madhya Pradesh	20274	25320	31871	57630	0.91	0.74	1.06	0.78
Maharashtra	14526	20778	36077	69584	1.05	1.02	1.13	1.15
Manipur	10715	13132	18640	23000	0.9	0.84	0.72	0.6
Meghalaya	12191	15523	24086	37439	0.93	0.91	0.91	0.83
Mizoram	12191	15523	24662	40409	0.93	0.94	0.96	0.9
Nagaland	16316	23689	30441	49963	1.06	0.76	0.96	0.73
Orissa	10227	10764	17650	25891	0.77	0.97	0.86	0.83
Puducherry	22359	25472	48302	96222	0.83	1.12	1.16	1.3
Punjab	17333	24177	33103	49411	1.02	0.81	0.87	0.7
Rajasthan	8433	13401	18565	30120	1.16	0.82	0.95	0.77
Sikkim	7355	15772	26690	83527	1.57	1	1.83	1.82
Tamil Nadu	11019	16455	30062	62361	1.09	1.08	1.21	1.3
Tripura	8723	10958	24394	43458	0.92	1.31	1.04	1.36
Uttar Pradesh	8500	10987	12950	19234	0.95	0.69	0.87	0.6
Uttarakhand	8500	10987	24726	56822	0.95	1.32	1.34	1.78
West Bengal	9872	11943	22649	36527	0.89	1.12	0.94	1.05
Source- Reserve Bank of India and Ministry of Statistics and Programme Implementation								

State	2004-08 (Avg.)*			2008-10 (Avg.)			2010-13 (Avg.)		
	DEV/ GSDP	SSE/ GSDP	CO/ GSDP	DEV/ GSDP	SSE/ GSDP	CO/ GSDP	DEV/ GSDP	SSE/ GSDP	CO/ GSDP
Andhra Pradesh	12.2	6.2	3	12.6	6.9	2.7	12.2	7.1	2.2
Bihar	15.7	10.4	3.7	17.4	11.2	4.5	17	10.6	4.2
Chhattisgarh	12.7	8.2	3.2	14.8	10.5	2.9	16.2	11.1	3.1
Goa	13.3	6.1	3.7	12.6	5.9	3.6	14.1	6.8	3.8
Gujarat	8.8	4.7	2.4	9.5	5.2	2.3	9.1	5.3	2.4
Haryana	9.3	4.3	1.6	10.3	5.7	2.4	9.1	5.4	1.5
Jharkhand	15.5	9.8	3.9	15.4	10.6	4.1	14	9.2	3.2
Karnataka	12.2	6.2	3.2	12.6	7	3.4	13.3	7.4	3.2
Kerala	7.6	5.4	0.6	7.7	5.3	0.9	8.5	5.7	1.5
Madhya Pradesh	14.5	7.3	4.4	13.8	7.6	3.4	16.8	9.2	3.1
Maharashtra	8.4	4.8	1.8	9.1	5.2	2.3	8.2	5.2	1.5
Odisha	9.3	6.2	1.6	11.8	7.6	2.4	12.5	8.2	2.2
Punjab	8.2	3.6	1.4	7.1	3.8	1.4	7.8	4.4	1.1
Rajasthan	12	7.6	3	11.8	8.3	2.3	10.9	7	1.9
Tamil Nadu	9.1	5.7	1.9	10	6.4	2	10.3	6.5	2.4
Uttar Pradesh	11.9	7.1	3.4	14.1	9	4.9	13.2	9	3.3
West Bengal	7.4	5	0.8	9.5	6.3	0.9	8.5	6.7	0.7
Arunachal Pradesh	44.3	19.7	12.9	54.4	23.1	18.7	46.2	18.9	21.1
Assam	14.4	8.3	2.6	13.9	8.9	2.8	15.5	10	2.4
Himachal Pradesh	17	10.5	3.4	18.2	10.6	4.5	17	10.1	2.9
Jammu & Kashmir	27.6	12.9	10.9	28.7	13.8	13.5	27.8	12.8	9.8
Manipur	33.2	16.9	12.8	39.2	19.1	19.5	42	20.6	18.1
Meghalaya	18.5	10.7	3.8	19.7	10.8	4.2	26.7	14.5	5.6
Mizoram	47.8	24.3	14	43.2	26.5	10.3	48.3	26.1	10.5
Nagaland	23.7	12.2	8.6	23.6	11.5	9.2	31.3	14.7	11.5
Sikkim	47.2	26.1	17.3	37.2	20.9	14.8	27.3	16.5	9.4
Tripura	19.1	11.7	7.3	21.1	13.3	8.8	20.8	14.1	7.6
Uttarakhand	15.7	8.9	4.9	12.4	7.7	3.3	11.6	7.8	3
All States#	**9.1**	**5.2**	**2.2**	**10**	**6**	**2.4**	**9.8**	**6.1**	**2.1**
NCT Delhi	6.8	4.2	1.6	8	4.7	2.1	6.5	4.2	1.4
Puducherry	21	10	3.6	20.8	10.8	2.8	18.2	10.9	2.6

Annex Table 8:Development Expenditure: Select Indicators

Source- Reserve Bank of India- Study of State Budgets

States/UTs	1983		1993-94		2004-05		2009-10	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	115.40	153.50	288.70	408.60	581.60	1018.60	1020.10	1982.20
Arunachal Pradesh			316.90	491.10	771.50	881.10	1325.80	1649.00
Assam	113.00	154.00	258.10	458.60	543.20	1058.00	863.50	1540.30
Bihar	93.80	138.50	218.30	353.00	417.10	696.30	681.00	1092.30
Chattisgarh	100.50	144.90	252.00	408.10	425.10	990.00	689.90	1352.50
Goa	69.10	222.50	487.20	519.30	985.50	1432.00	1591.90	2749.60
Gujarat	122.70	163.60	303.30	454.20	596.10	1115.20	994.90	1859.00
Haryana	151.80	186.90	385.00	473.90	862.90	1142.40	1393.60	1898.20
Himachal Pradesh	150.80	258.60	350.60	746.90	798.10	1390.10	1365.30	2321.50
Jammu and Kashmir	129.30	155.30	363.30	541.60	793.20	1070.10	1280.70	1653.90
Jharkhand	93.80	138.50	218.30	353.00	425.30	985.40	732.30	1390.90
Karnataka	116.80	166.30	269.40	423.10	508.50	1033.20	806.50	1716.40
Kerela	145.20	176.40	390.40	493.80	1013.20	1290.90	1850.70	2663.50
Madhya Pradesh	100.50	144.90	252.00	408.10	439.10	903.70	796.60	1469.40
Maharashtra	110.40	184.40	272.70	529.80	567.80	1148.30	1010.90	2232.00
Manipur	131.50	138.30	299.60	319.60	614.20	726.40	927.50	1053.50
Meghalaya	131.70	227.90	357.00	530.60	655.30	1190.10	966.80	1456.00
Mizoram	119.70	191.50	389.60	549.50	778.40	1200.50	1112.90	1707.10
Nagaland		194.90	441.50	510.00	1010.80	1498.50	1369.10	1709.80
Odisha	98.80	151.40	219.80	402.50	398.90	757.30	682.80	1425.40
Punjab	170.50	185.20	433.00	510.70	846.80	1326.10	1479.80	1992.70
Rajasthan	127.00	159.90	322.40	424.70	590.80	964.00	1004.50	1669.50
Sikkim	141.00	223.30	298.70	518.40	688.50	1106.80	1148.40	1876.50
Tamil Nadu	112.20	163.70	293.60	438.30	602.20	1079.70	968.40	1678.70
Tripura	126.20	186.60	343.90	489.90	487.60	1000.50	926.60	1602.40
Uttar Pradesh	104.50	135.50	273.80	389.00	532.60	857.10	828.70	1365.00
Uttarakhand	104.50	135.50	273.80	389.00	647.20	978.30	1360.30	1572.70
West Bengal	104.60	170.00	278.80	474.20	562.10	1123.60	855.10	1735.70
Andaman & Nicobar Is	156.20	240.70	495.90	907.20	1069.10	1802.40	1714.30	2498.40
Chandigarh		288.30	463.00	1028.00	862.80	1769.50	2032.40	4152.70
Dadra & Nagar Haveli	93.10		234.30	441.90	569.80	1407.50	805.30	1457.00
Daman & Diu	69.10	222.50	452.50	475.00	1160.90	1079.60	1531.40	1563.10
Delhi	217.10	228.80	605.20	795.00	918.50	1319.30	1566.60	2182.00
Lakshadweep			526.30	507.60	1312.60	1421.20	1466.80	2222.80
Puducherry	96.00	158.60	348.00	419.80	735.30	1022.50	1511.00	2094.90
All India	**112.50**	**164.00**	**281.40**	**458.00**	**558.80**	**1052.40**	**927.70**	**1785.80**

Source- Rajeev Malhotra, India Public Policy Report (Data for Jharkhand, Chhattisgarh and Uttarakhand prior to their formation is that of Bihar, Madhya Pradesh and Uttar Pradesh, respectively)

States/UTs	1991			2001			2011		
	Rural	**Urban**	**Total**	**Rural**	**Urban**	**Total**	**Rural**	**Urban**	**Total**
Andhra Pradesh	3.300	39.300	12.300	12.839	68.966	26.741	28.361	81.210	45.399
Arunachal Pradesh	18.900	64.500	25.700	25.306	74.932	36.536	32.611	81.181	44.844
Assam	4.500	42.700	9.300	9.732	54.149	16.169	18.026	65.542	25.434
Bihar	2.000	41.200	7.100	2.750	52.890	7.493	4.950	57.454	10.532
Chattisgarh	2.100	44.700	12.000	3.000	47.742	11.514	10.560	56.854	20.759
Goa	10.200	37.500	21.500	32.237	59.852	45.931	58.075	77.571	70.041
Gujarat	8.800	58.600	26.600	18.575	77.108	41.383	29.693	85.561	54.533
Haryana	5.000	60.400	20.300	22.074	77.115	38.840	50.339	86.336	63.706
Himachal Pradesh	5.300	57.200	11.100	25.204	75.583	31.016	62.417	87.572	65.246
Jammu and Kashmir	-	-	-	22.203	82.698	37.423	29.979	84.104	43.870
Jharkhand	2.000	41.200	7.100	1.961	46.079	11.580	2.935	54.075	15.308
Karnataka	3.700	48.600	17.600	11.478	67.545	30.968	20.887	77.723	43.810
Kerela	3.400	25.500	9.000	9.973	35.353	16.333	24.862	37.435	30.762
Madhya Pradesh	2.100	44.700	12.000	5.937	62.227	20.344	9.320	69.255	24.717
Maharashtra	4.200	58.800	25.800	12.143	55.181	30.361	27.420	68.170	45.912
Manipur	7.500	36.500	15.400	16.054	51.755	25.149	23.204	51.300	32.699
Meghalaya	3.600	61.900	14.800	8.074	64.798	20.299	14.676	75.199	27.729
Mizoram	5.400	16.300	10.800	11.705	46.443	29.316	34.405	74.525	55.493
Nagaland	9.800	33.400	15.000	20.613	37.896	24.086	31.698	49.349	36.776
Odisha	1.000	33.000	5.400	3.050	42.533	8.505	7.763	50.853	14.529
Punjab	13.900	68.800	30.500	38.486	84.647	54.609	67.578	92.127	77.081
Rajasthan	3.700	55.400	15.700	9.099	71.490	23.695	14.419	77.769	29.983
Sikkim	5.400	16.300	10.800	41.097	88.997	47.049	68.796	88.020	74.162
Tamil Nadu	4.000	40.500	15.600	10.407	53.864	28.493	20.713	69.096	44.074
Tripura	12.000	59.200	19.600	20.337	74.164	30.284	40.757	84.205	52.872
Uttar Pradesh	2.900	53.700	12.700	6.963	69.697	19.555	10.018	73.251	24.324
Uttarakhand	2.900	53.700	12.700	22.626	81.920	37.210	47.745	91.032	60.582
West Bengal	5.500	57.200	20.500	11.182	68.862	27.896	25.500	73.833	40.794
Andaman & Nicobar Is	18.700	59.900	29.700	32.218	74.869	45.883	51.060	85.649	63.783
Chandigarh	2.800	77.200	68.500	67.430	79.362	78.103	86.706	87.128	87.116
Dadra & Nagar Haveli	8.900	61.300	13.500	16.362	74.996	31.283	24.890	80.138	53.364
Daman & Diu	6.100	39.600	22.400	30.569	64.884	42.811	50.439	84.388	77.220
Delhi	18.400	62.000	58.200	50.957	73.698	72.188	69.132	85.748	85.354
Lakshadweep	1.900	8.000	5.300	4.130	3.446	3.842	30.757	19.719	22.321
Puducherry	9.000	41.900	28.800	19.840	60.540	46.457	38.499	78.981	66.198
All India	**3.900**	**50.500**	**16.100**	**10.171**	**63.515**	**25.091**	**19.236**	**72.335**	**36.211**

Annex Table 10: Households with Access to Electricity, Safe Drinking Water and Toilet

(Percentage)

Source- Rajeev Malhotra, India Public Policy Report (Data for Jharkhand, Chhattisgarh and Uttarakhand prior to their formation is that of Bihar, Madhya Pradesh and Uttar Pradesh, respectively)

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