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Research Article

AN EMPIRICAL ANALYSIS OF VARIATION IN GROSS STATE DOMESTIC PRODUCT (GSDP) OF DIFFERENT STATES IN INDIA

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ABSTRACT

The growth of gross state domestic product is an important parameter to measure the state of economic health of states and as a whole of the country. It helps to describe the status of public welfare of the states and overall picture of the economy. But there is uneven growth of state domestic product (SDP) of Indian states which is a constraint on the overall growth of India's gross domestic product (GDP). The growth of most of the Indian states is found to be featured with instability and volatility. This paper examines the extent of disparity in growth of state domestic products of different Indian states and also examines the trends of growth of GDP of India over a period of time. It also compares the growth trend of real GDP and nominal GDP of India. The annual growth rate (AGR) of state domestic product at constant prices (2011-12) of year-to-year for different states in India is used as a measure of disparity and volatility. This study is based on secondary data collected from various sources to find out the uneven growth of state domestic product at constant price in India. This study reveals that the growth is inconsistent in different states in India as well as in GDP of India and it is due to uneven distribution of economic activities among the states as well as across the country.

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INTRODUCTION

The gross domestic product (GDP) is one of the important indicators which reflect the health of a country's economy. It refers to the total money value of all final goods and services produced within the domestic territory of an economy during period of one year. The state domestic product (SDP) plays an important role in growth of GDP of India. Moreover gross state domestic product (GSDP) is an indicator for measuring economic prosperity as well as the growth and development of the states and as a whole of the country. The estimates of state domestic product (SDP) over a period of time reveal the extent and direction of the changes in the level of economic development of states. India's economy started out as a predominance of agricultural sector. During fiscal year 1951, agricultural and allied sector contributed 51.9% of economic output. India's economy changed over the planning period and focused on service sector which contributes near about 60% of economic output in recent years. The most important and the fastest growing sector of Indian economy are services. Although the government of India undertakes different plans,

policies and reforms in different sectors of the economy in order to maintained a steady and sustained growth of GDP, still the growth rate of GDP of India is featured with volatility. Moreover variability in growth rate of state domestic product (SDP) influences the GDP of India and plays a deterministic role. Gross State Domestic Product (GSDP), is the total money value of all final goods and services produced during a financial year within the geographical boundaries of a state. It is also called the state income. The Gross State Domestic Product estimates at current prices is obtained by evaluating the goods and services at prices prevailing during the current year. Gross State Domestic Product at constant price is calculated by taking the prices of base year of the goods and services. In between these two estimates, GSDP at constant price is better indicator for measuring status of economic growth and development in states. State Domestic Product play an influential role in the growth of India's GDP. Dispersal variation of the contribution of the Indian states affects overall growth of the economy of India. This study investigates and compares the growth of state domestic product of Indian states and its impact on GDP growth of India.

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Review of Literature

Jayajit Dash (2017) stated that Odisha has recorded a GSDP growth rate of 7.94 per cent in 2016-17, which is more than national growth rate of 7.1 percent, according to advance estimates in the Economic Survey due to the reason of good monsoon. Santosh Singh (2016) viewed that Bihar noted stable growth in the last decade by its GSDP growing 10.52 per cent annually at current prices between 2005-06 and 2014-15. Paramita Chatterjee (2017) explained that India’s Gross Domestic Product (GDP) is projected to grow 7.2 percent in 2017-18, World Bank specified that in 2016-17, India’s GDP is projected to be 6.8 percent. It is due to the impact of demonetization. Kurian (2000) attempted a comparative analysis of 15 major states in respect of a variety of indicators bearing on social and economic development. He classified the states into two groups; “Forward” group consisting of Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Punjab and Tamil Nadu, while the “backward” group consists of Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal. In some parts of his analysis he compared the indicators for the two groups of states. Das and Barua (1996) examined several dimensions of regional economic disparities among 23 states / union territories during the period 1970-92. Theil’s entropy measure of inequality was computed for economy wide NSDP and NSDP in different sectors for each of the years 1970 to 1992. It was found that inter-state inequality increased in almost all sectors. Roy choudhury (1993) reported that the CV of per capita in NSDP in current prices had increased between 1967-68 and 1977-78, but declined between 1977-78 and 1985-86. However, the CV in terms of constant price data showed a persistent increase during the entire period 1967-68 to 1985-86.

Objectives

Objectives of this study are

- To compare the growth rate of GSDP of different states in India.
- To examine trends of real GDP and nominal GDP of India.

Sources of Data & Methodology

The Study covers the period 2012-13 to 2016-17 and it is based on secondary data collected from RBI, CSO and Economic Survey of GOI 2016-17. The annual growth rate (AGR) and average annual growth rate (AAGR) have been used to analyse the data.

Percentage of annual growth rate $(X_i) = [(Ending\ value / Beginning\ value) - 1] \times 100$

$X_i = Year$

$i (Year) = (1, 2, 3, 4, \dots, n)$

Average Annual Growth Rate (AAGR) = $\frac{\sum_i^n AGR}{n}$

ANALYSIS AND DISCUSSION

Table 1 AGR of Gross State Domestic Product (GSDP) and GDP of India at constant prices

States	2012-13	2013-14	2014-15	2015-16	2016-17	AAGR 2012-13 to 16-17
Andhra Pradesh	8.43	12.85	13.40	15.85	14.65	13.04
Arunachal Pradesh	13.41	16.21	23.18	13.77	8.40	14.99
Assam	9.56	13.31	10.11	15.61	NA	9.72
Bihar	14.25	12.30	8.15	11.24	14.82	12.15
Chhattisgarh	12.30	16.44	13.69	10.98	11.26	12.93
Goa	-10.02	-5.77	33.11	13.51	NA	6.17
Gujarat	17.69	11.47	14.13	11.22	12.97	13.50
Haryana	16.63	15.45	9.18	10.91	12.82	13.00
Himachal Pradesh	13.89	14.42	9.47	8.78	10.97	11.51
Jammu and Kashmir	11.36	9.72	2.84	21.11	NA	9.01
Jharkhand	15.77	7.92	15.89	5.84	9.62	11.01
Karnataka	14.75	17.44	11.75	10.97	11.81	13.34
Kerala	13.26	12.79	10.22	8.85	10.59	11.14
Madhya Pradesh	20.71	15.37	9.25	10.48	20.51	15.26
Maharashtra	14.00	13.16	7.76	12.82	13.32	12.21
Manipur	6.45	17.83	11.92	6.09	NA	8.46
Meghalaya	9.81	4.87	1.29	11.76	9.54	7.46
Mizoram	15.20	23.10	31.24	13.55	NA	16.62
Nagaland	15.97	17.64	10.77	7.69	NA	10.41
Odisha	13.30	13.29	6.00	5.28	14.00	10.37
Punjab	11.67	11.56	6.85	10.32	9.28	9.94
Rajasthan	13.50	11.65	11.74	11.05	11.04	11.80
Sikkim	10.51	12.35	11.14	10.04	11.20	11.05
Tamil Nadu	13.84	13.30	10.68	8.31	11.75	11.58
Telangana	11.73	12.45	11.98	12.25	13.86	12.45
Tripura	12.78	18.14	7.15	25.33	NA	12.68
Uttar Pradesh	13.58	14.34	7.60	10.68	10.06	11.25
Uttarakhand	14.12	13.27	8.29	8.88	11.28	11.17
West Bengal	NA	NA	NA	NA	NA	NA
India	5.1	6.3	7.6	8.0	7.0	6.80

Source: RBI & Economic Survey GoI, 2017-18

It observed that during 2012-13, Madhya Pradesh witnessed highest growth rate in GSDP at 20.71% p.a. followed by Gujarat (17.69 % p.a.) but Goa experienced negative growth rate of -10.02% p.a. The Goa recorded a downturn in growth rate due to the negative growth rate in mining which is a sub-sector under the primary sector. The secondary sector, which includes manufacturing, construction, electricity etc. also had a downward growth trend in Goa. The negative growth of GSDP of Goa is one of important factors due to which GDP growth rate of India was lower i.e. 5.1% during year 2012-13. During 2013-14, Mizoram recorded highest growth rate in GSDP at 23.10 % p.a. followed by Tripura (18.14% p.a.) and Goa experienced -5.77% p.a. But GSDP of Goa has been relatively improved in comparison to previous year (2012-13). Moreover AGR of GDP of India is 6.3% which is higher than previous year (2012-13) i.e.5.1% per annum. In year 2014-15, Goa experienced a high growth rate (33.11%) which is about 6 times of previous year (2013-14) followed by Mizoram (31.24%) and Meghalaya had lowest growth rate (1.29%). The growth of GDP of India has increased to 7.6% in 2014-15. During year 2015-16, Tripura maintained 25.33% growth rate p.a. followed by Jammu & Kashmir (21.11%) but Odisha attained lowest (5.28%) growth rate among all states and it is also lower than her previous year growth rate i.e. 6% (2014-15). Gross Domestic Product (GDP) of India at Constant Prices was Rs. 10522686 crore and Rs. 11357529 crore during 2014-15 and 2015-16 respectively. Annual growth of 8 % was seen in GDP of India at constant prices during 2015-16. The top 10 States/UTs in terms of highest GSDP at constant prices during 2015-16 were Tamil Nadu, Uttar Pradesh, Gujarat, Karnataka, Andhra Pradesh, Kerala, Telangana, Delhi, Madhya Pradesh and Haryana. On the other hand the top growth rate of GSDP at constant prices of states during 2015-16 were 25.33

%(Tripura), 21.11% (Jammu & Kashmiri), 15.85% (Andhra Pradesh), 15.61% (Assam), 13.77% (Arunachala Pradesh), 13.55% (Mizoram), 13.51% (Goa), 12.82% (Maharashtra), 12.25% (Telangana) and 11.76 % (Meghalaya).

In 2016-17, Madhya Pradesh recorded highest (20.51%) growth rate in GSDP p.a. and Arunachala Pradesh maintained lowest (8.4%) p.a. among all states. The GDP growth rate of India is 7% in 2016-17 and it is less than 8% (GDP growth rate in 2015-16). In between 2012-13 and 2016-17, average annual growth rate of GSDP of Mizoram is highest (16.62%) where as Goa maintained lowest growth rate (6.17%). There is increasing inter-state disparity in growth rate of GSDP of different state during 2012-13 to 2016-17. Between 2012 and 2016, Mizoram, Madhya Pradesh, Andhra Pradesh, Gujarat and Karnataka recorded highest growth in gross state domestic product (GSDP) among 29 states.

Trends of Gdp of India

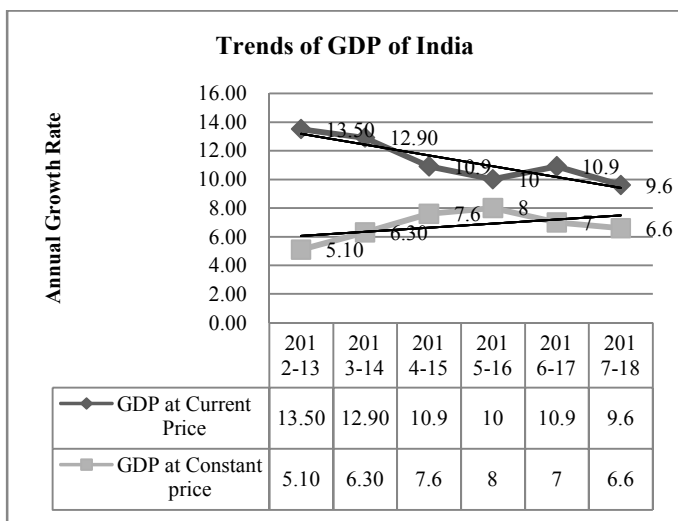


Figure 1 Trends of GDP at constant and current prices of India

Source: Economic Survey 2017-18, GoI.

In case of India, growth rate of GDP at constant prices shows a decelerated increasing trend. This was due to largely domestic policy logjam, tax disputes and shaken investor confidence in Indian economy with lower Gross Domestic Savings Rate (GDSR) and Gross Fixed Capital Formation (GFCF) whereas GDP at current prices reveals a decreasing trend due to falling rate of inflation. The rate of inflation was 10% in 2012, 9.4% in 2013, 5.8% in 2014, 4.9% in 2015, 4.5% in 2016, 3.6% in 2017 and 4.74% in 2018.

Major Findings

During 2012-13, it is observed that Madhya Pradesh witnessed highest growth rate in GSDP at 20.71% p.a. followed by Gujarat (17.69 % p.a.) but Goa experienced - 10.02% p.a. Mizoram recorded highest growth rate in GSDP at 23.10 % p.a. followed by Tripura (18.14% p.a.) but Goa experienced -5.77% p.a. during 2013-14. But during 2014-15, Goa experienced a high growth rate (33.11%) followed by Mizoram (31.24%) and Meghalaya had lowest growth rate (1.29%). On the other hand in 2015-16, Tripura maintained 25.33% growth rate p.a. followed by Jammu & Kashmiri (21.11%) . In 2016-17, Madhya Pradesh recorded highest (20.51%) growth rate in

GSDP p.a. and Arunachala Pradesh maintained lowest (8.4%) p.a. among all states. In 2016-17, Karnataka recoded 12.5% growth rate p.a. followed by Uttarakhanda (11.25%) p.a. and Uttar Pradesh experienced lowest 8.67% p.a. There is increasing inter-state disparity in growth rate of GSDP of different state during 2012-13 to 2016-17. In between 2012-13 and 2016-17, average annual growth rate of GSDP of Mizoram is highest (16.67%) and Goa maintained lowest average annual growth rate (6.17%). In case of India, growth rate of GDP at constant prices shows an increasing trend where as GDP at current prices reveals a decreasing trend.

SUGGESTION AND CONCLUSION

Thus, it may be concluded that regional disparity is common process in the developing countries like in India. Moreover the growth of GSDP is inconsistent in different states in India as well as in GDP of India. There should be decentralisation of economic activity with all factors of production throughout the country to reduce the disparity in growth rate of GSDP of states in India. The economic growth rate of India for past couple of years has been witnessed a downturn partly because of uneven growth rate of Indian states. Moreover instability, volatility appears to be a dominant characteristic of the economic growth of Indian states.

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