

SBI Research

“State” of the state of economy: The shifting sands of GSDP pre- and post-pandemic offer a glimpse into rising competitive federalism that benefits the bottom line with incremental per capita income, vanquishing inequality

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- ❑ The COVID-19 pandemic surefootedly jeopardized the progress made in reducing global income inequality achieved in the previous two decades. In contrast to the global financial crisis of 2008-10 (chiefly a financial crisis with limited economic ramifications other than in EU), the deep and lingering economic recession triggered by the long pandemic and the lagging economic recovery in EMDEs compared with advanced economies have risen amongst-country income inequality, thwarting attempts to stay on course from many debt-ridden beleaguered economies
- ❑ However, the case for India is quite different with majority of states embarking upon a journey of embracing competitive spirit along fostering entrepreneurship, innovation, job creation, export centricity, infrastructure creation etc, boosting in totality the encompassing federalism
- ❑ **We have analyzed the state-wise GSDP and per capita Income data through the last decade, capturing the underlying macro changes across major states as they benefit from the winds of changes sweeping the entire nation and its young populace**
- ❑ The per capita income is the most important measure of convergence and equality across States as it determines both the accessibility and affordability of services...the results of the study vouch the rise of a knowledge economy on the anvil as select states have smartly harnessed the opportunities being created through the push for DPI (Digital Public Infrastructure), leveraging pillars that strengthen Innovation Capability/Climate, Human Capital/Leadership/Learning centricity, Information Technology Resources and Financial Resources in collaborative loops.
- ❑ **Analysing the ratio of per capita real income of a State vis-à-vis India during FY23 and FY12, We have trifurcated major states in three categories:**
 - **States that are showing acceleration in PCI during the intermittent period (compared to India's average), and Gujarat tops the chart in this cohort followed by southern states who have a natural hedge in knowledge management / technological enablers**
 - Some of the states, chiefly from the heartland, exhibit stability in PCI
 - The third cohort is scattered across the latitude, states from the east brushing shoulders with northern and western counterparts, rather sluggish to keep pace the country's average as PCI shows deceleration during the period
- ❑ **We used Spearman's Rank Correlation Coefficient to test check our results; it shows a correlation of 0.88, indicating the ranks are in strong agreement**

- The average real GDP growth for all-India post-pandemic has risen to 8.1% as against 5.7% growth recorded in pre-pandemic period. In term of real growth, it can be interpreted that the country accumulated 235 bps during post-pandemic period over pre-pandemic phase.
- Of this, ~40% of the growth has been contributed by two states alone; Maharashtra (56 bps), followed by Uttar Pradesh (40 bps). Surprisingly, ~90% of the growth of 235 bps has come from top 10 states only. The other side of the coin, however, points to incremental and sustainable growth for the country as a whole as other states too embrace the competitive federalism to embark upon robust growth in coming years
- Remarkably, action-oriented policy measures unleashed across the pillars of knowledge economy through reforms spanning physical, market and digital infrastructure that are spearheading the information age and bridging the multiple divides embedded in various governance models, bridge the gap between comparatively better off states and states once considered laggard in terms of growth as differential has significantly narrowed down post FY'15...reaffirming the hypothesis that states are growing in sync and harmony with a growing India....this should anchor the quest for an incrementally balanced regional growth Pan-India going ahead....
- **At GSDP front, among the major states, Gujarat has taken the pole position, increasing its GSDP 2.2x in a decade, closely followed by Karnataka as also Assam, Andhra Pradesh, Odisha, Telangana, Sikkim, and Madhya Pradesh...a case of dissipating regional biases sure! Also, Gujarat's NSDP has increased 2.2x, followed by Karnataka, Assam, AP, Telangana, MP, Odisha, Haryana, and Tamil Nadu**
- **Among the major States, Gujarat per capita NSDP (FY22 over FY12) has increased the most, by 1.9x, followed by Karnataka, Andhra Pradesh, Telangana, and Assam**
- **State-wise Inequality, in terms of per capita NSDP, has shown normalization in post-pandemic period, reversing the course and coming down in recent years from the highs attained during FYs19/20Per Capita NSDP Inequality has decreased from 0.523 in FY19 to 0.48 in FY22**
- We believe the vanguards of the economic momentum can throw many surprises going forward as the race to embrace knowledge economy gains winds

Real per capita income as x times of India's per capita shows accelerating per capita income in real terms for Gujarat, Karnataka & Telangana in first 3 places....

- ❑ We have compared the ratio of per capita real income of a State vis-à-vis India during FY23 and FY12
- ❑ We have trifurcated major states in these categories:
 - State that are showing acceleration in PCI during these two period as compared to India and in this category, Gujarat is at top followed by Karnataka and Telangana
 - Some of the states exhibited stability in PCI (notable ones are MP, UP etc.)
 - The most disturbing case is for the states where PCI decelerated (vis-à-vis India) in FY23 as compared to FY12
- ❑ Spearman's Rank Correlation Coefficient shows a correlation of 0.88, which means the ranks are in strong agreement

Major States per capita real income (PCI) as x times of India				
	States	FY12	FY23	Change
States showing acceleration in PCI as compared to India during FY23 over FY12	Gujarat	1.4	1.8	0.44
	Karnataka	1.4	1.7	0.33
	Telangana	1.4	1.6	0.23
	Tamil Nadu	1.5	1.6	0.20
	Andhra Pradesh	1.1	1.3	0.18
	Himachal Pradesh	1.4	1.5	0.13
	Odisha	0.8	0.9	0.11
	Haryana	1.7	1.7	0.06
	Kerala	1.5	1.6	0.05
States showing stability in PCI as compared to India during FY23 over FY12*	Madhya Pradesh	0.6	0.6	0.03
	Chhattisgarh	0.9	0.9	0.01
	All India	1.0	1.0	0.00
	Uttar Pradesh	0.5	0.5	-0.03
	Bihar	0.3	0.3	-0.03
States showing deceleration in PCI as compared to India during FY23 over FY12	Jharkhand	0.6	0.6	-0.05
	Rajasthan	0.9	0.8	-0.05
	West Bengal	0.8	0.7	-0.07
	Uttarakhand	1.6	1.5	-0.09
	Maharashtra	1.6	1.4	-0.11
	Punjab	1.3	1.2	-0.11
	Delhi	2.9	2.6	-0.33
	Goa	4.0	3.3	-0.75

Source: SBI Research, * States are showing change between 0.04 to -0.04

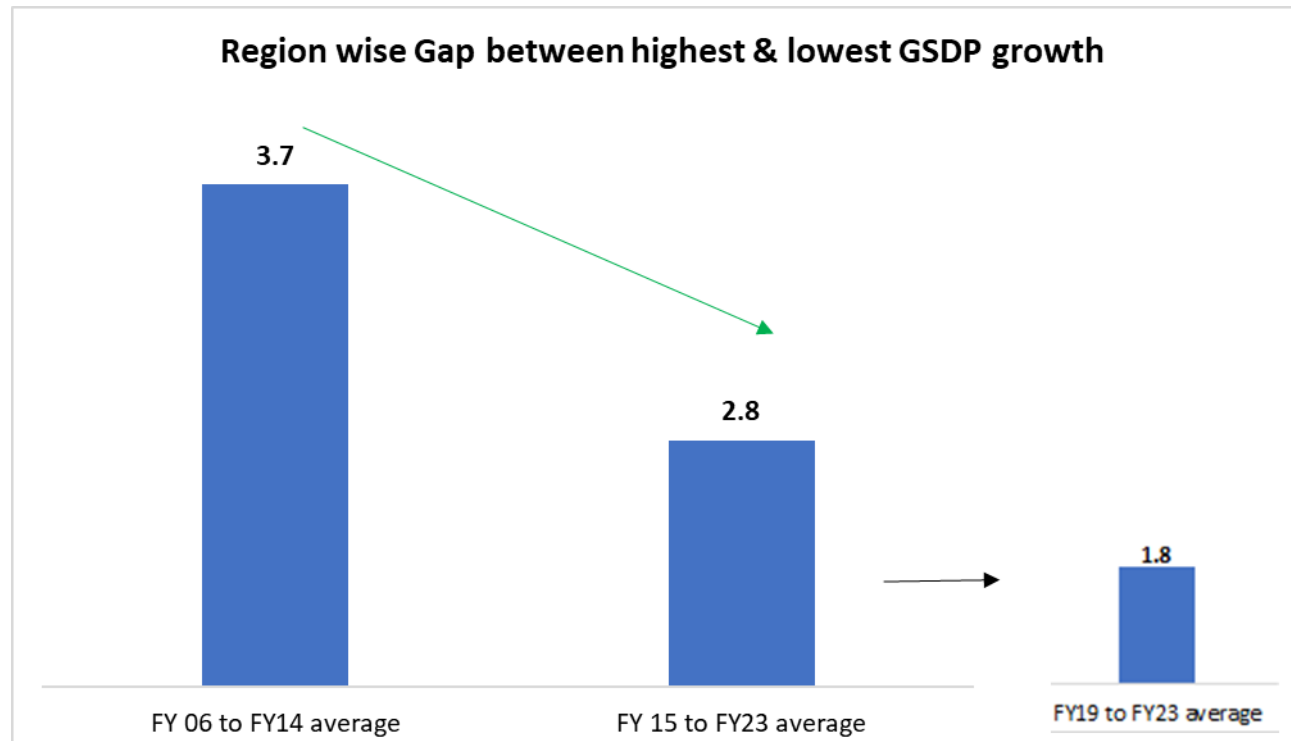
States weighted contribution in real GDP shows Maharashtra & Uttar Pradesh contributing the most post pandemic

- The average real GDP growth for all-India is at 8.1% as compared to 5.7% growth pre-pandemic. This indicates that India accumulated 235 bps in real growth during post-pandemic
- Of this, Maharashtra contributed the most (56 bps) followed by Uttar Pradesh (40 bps)

States weighted contribution in Real GDP Growth rate			
States	Pre pandemic average(FY18 to FY20)	Post pandemic average(FY 22 to FY23/FY24)	Change in bps
Maharashtra	0.5	1.1	56
Uttar Pradesh	0.3	0.7	40
Tamil Nadu	0.5	0.7	19
Rajasthan	0.2	0.4	19
Kerala	0.2	0.4	17
West Bengal	0.3	0.4	17
Karnataka	0.5	0.7	13
Delhi	0.2	0.3	12
Odisha	0.2	0.3	10
Gujarat	0.7	0.8	8
Haryana	0.2	0.3	8
Andhra Pradesh	0.3	0.4	7
Chhattisgarh	0.1	0.2	6
Bihar	0.2	0.3	5
Uttarakhand	0.1	0.1	5
Jharkhand	0.1	0.1	4
Punjab	0.2	0.2	3
Telangana	0.3	0.4	3
Madhya Pradesh	0.2	0.3	2
Goa	0.0	0.0	2
Himachal Pradesh	0.0	0.1	1
All India	5.7	8.1	235

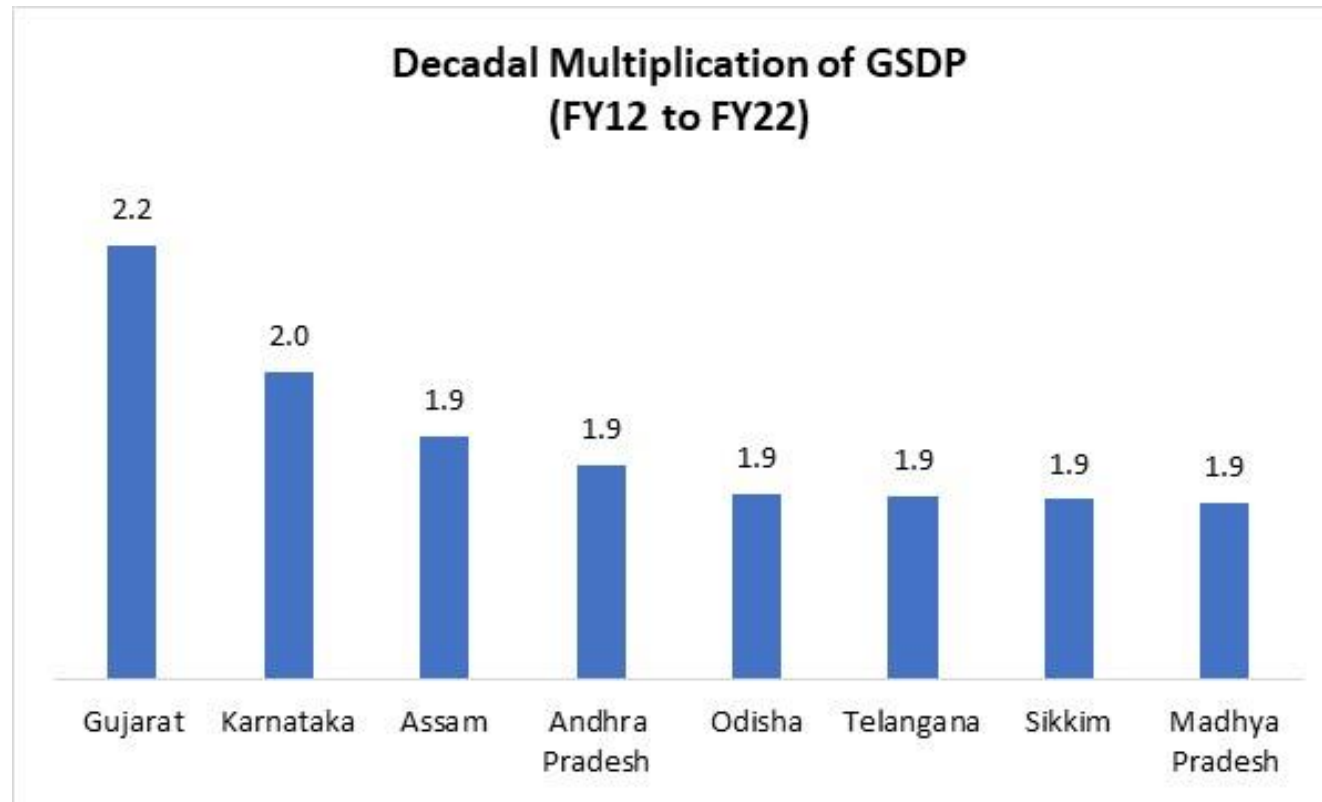
Remarkably the gap between better off and laggard states in terms of growth differentials has narrowed down significantly since 2014..as India is growing, the states are also growing in unison..

- Remarkably the gap between better off and states once considered laggard in terms of growth differentials has narrowed down significantly after FY2015..as India is growing, the states are also growing in unison.. this will ensure balanced regional growth across India in future....



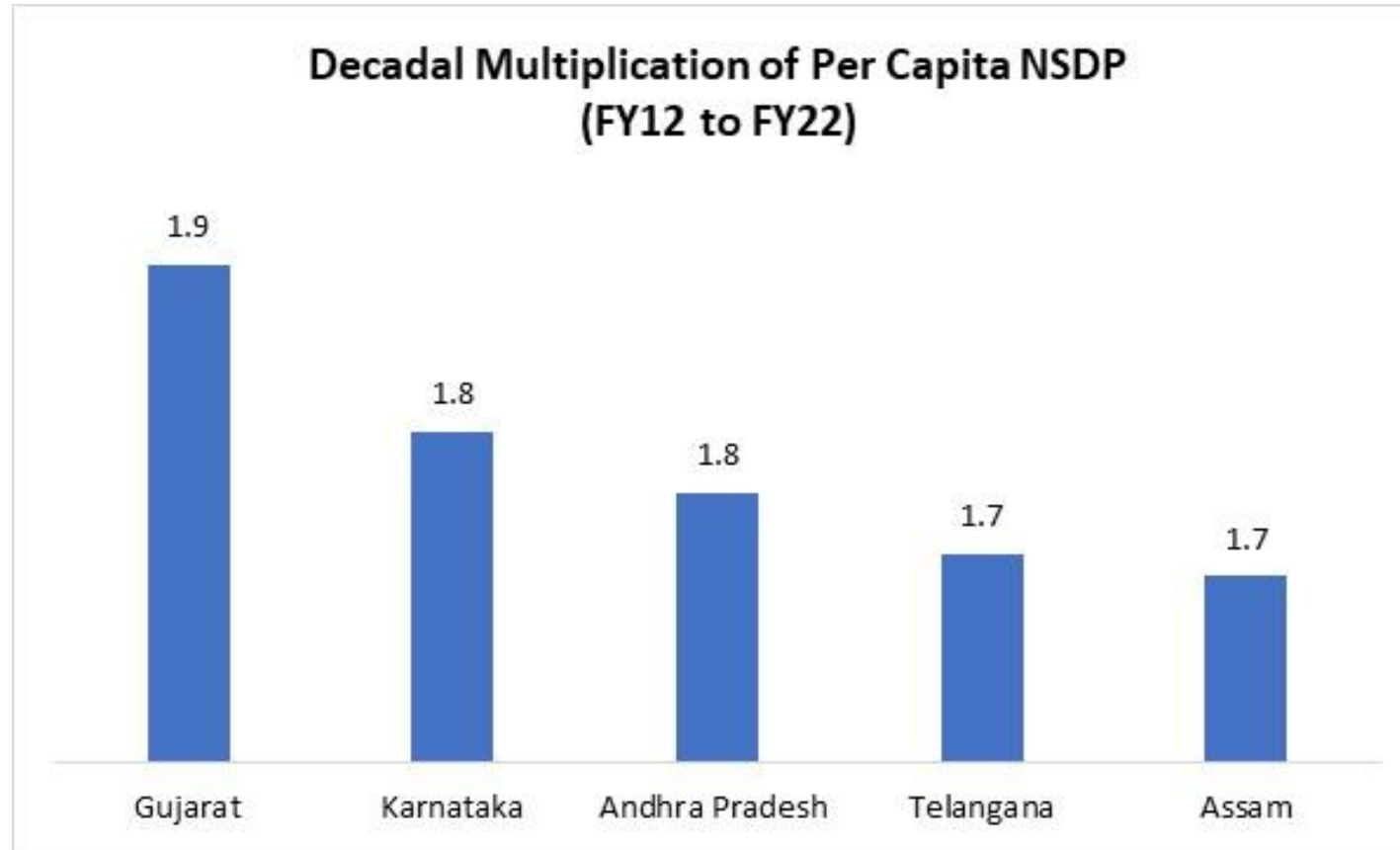
Gap between highest & lowest growth has stabilized averaging 1.8% since FY19, indicating all are growing with India

- Among the major States, Gujarat is the leader in increasing its GSDP
- Gujarat GSDP has increased 2.2x in a decade, followed by Karnataka, Assam, Andhra Pradesh, Odisha, Telangana, Sikkim, and Madhya Pradesh



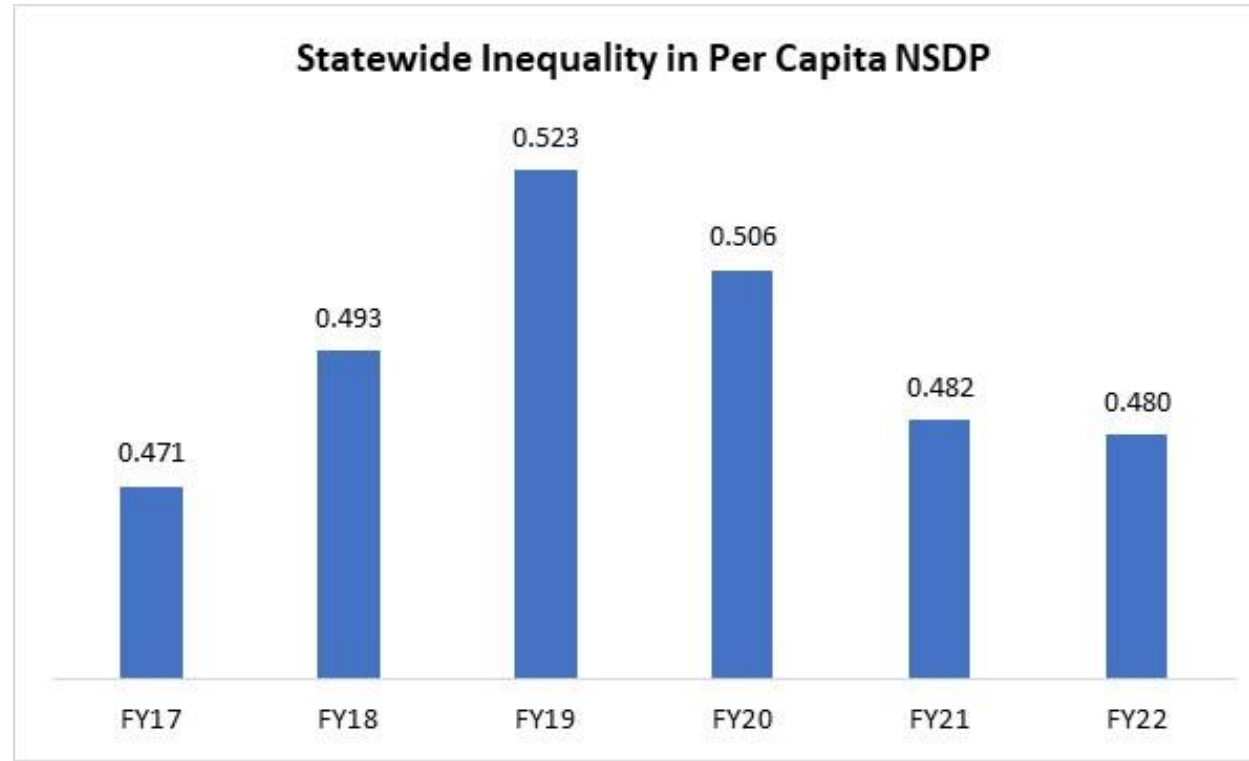
Per Capita NSDP has nearly doubled in a decade

- Among the major States, Gujarat per capita NSDP has increased the most, by 1.9x, followed by Karnataka, Andhra Pradesh, Telangana, and Assam



Inequality is clearly declining across Indian states post pandemic....

- ❑ State-wide Inequality, in terms of per capita NSDP was on upwards trend, however, After Covid, the same is on the decreasing trend
- ❑ Per Capita NSDP Inequality has decreased from 0.523 in FY19 to 0.480 in FY22



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