International Journal of Agriculture, Environment and Bioresearch

Vol. 2, No. 06; 2017

ISSN: 2456-8643

DISPARITIES IN GROWTH PATTERN OF PER CAPITA INCOME: A STATE LEVEL ANALYSIS

Arnab Roy[1]

[1]Research scholar (Agri. Economics), Department of Agricultural Economics, University of Agricultural Sciences, GKVK, Bengaluru

ABSTRACT

India is the second fastest growing economy in the world after China. India was able to withstand the repercussion of the global economic crisis. Savings as a proportion of GDP moved up by more than ten percentage points from 22.8% in 1991 to 33.7% in 2010.Investment to GDP ratio also jumped from 26.0% to 30.8%, however expected to declined to 29.5% in 2011 due to rising interest rate. India is in an enviable position among developing countries. Fear of competition is receding – confidence among Indian industries in their ability to compete in the world market. Success of IT is spilling over to manufacturing. India's standing as an economic power in the South Asian region and the world has risen. None of this would have happened but for systemic reforms initiated in 1991.The early burst of reforms in the early to mid nineties made sweeping changes such as Removal of controls in the financial sector, Encouragement to foreign investment and technology, Rationalization of tax structure. Per Capita Income has more than doubled from Rs. 15,826 in 1991 to Rs. 41,129 in 2011; has been increasing at an average annual rate of about 7% since 2004.These have ensured macroeconomic stability and driven the economy towards greater competitiveness. These measures have also helped India in emerging as a resurgent, vibrant and dynamic nation, leading global growth.

Keywords: Disparities, Global economic, Dynamic nation, Per Capita Income, Systemic reforms

Introduction

Growth in India is expected to strengthen gradually during 2016–17. Expectations of a normal monsoon after two consecutive years of rainfall deficiency, low current account deficit, improving real incomes of households and lower input costs of firms should contribute to strengthening the growth momentum (RBI, 2016). The International Monetary Fund (IMF), the World Bank and the Asian Development Bank have estimated robust growth for India during 2017. IMF has projected India's growth rate at 7.5 per cent for 2017, supported by stronger domestic demand. Global growth is estimated to reach 3.5 per cent in 2017 (IMF, 2016). India

ISSN: 2456-8643

stands out as a country with huge potential for growth, compared to the developed and other emerging market economies, including the other BRICS nations

1. Macroeconomic Challenges

Inflation and monetary policy Inflation based on the Consumer Price Index (CPI) which remained sticky around 9–10 per cent during 2012– 2014, moderated to 5.9 per cent in 2014–15 and declined further to 4.9 per cent in 2015–16. During 2015–16 consumer price inflation in rural and urban areas averaged 5.6 per cent and 4.1 per cent, respectively. The difference is partly owing to variation in weights of items in the two baskets. The rural basket of CPI assigns significantly larger weights to cereals, vegetables, meat. Thus the pattern of wage inequality itself needs to change to really affect aggregate income distribution in a major way. The manifestation of wage inequality is a sharply convex returns to labour function. This shows evidence of much higher productivity and wages being associated with higher levels of educational attainment. This reflects much stronger demand for educated than for less educated labour, and perhaps also encapsulates employer preferences for higher quality labour. Earnings functions indicate that the unexplained part of earnings differentials between race groups remains stubbornly high (Burger &Jafta 2006). This unexplained residual is often considered an upper estimate for labour market discrimination, but in South Africa it may to a considerable degree result from differences in the quality of education received by members of different race groups. Thus educational quality is a central concern in labour market outcomes.

2. Banking sector

Decline in asset quality has been a key area of concern for the banking sector in general and Public Sector Banks (PSBs) in particular. Accordingly, several regulatory measures to destress balance sheets of banks have been taken in recent times by the RBI. The business of Scheduled Commercial Banks (SCBs) slowed down as reflected in further decline in both deposit and credit growth (RBI, 2015). The reforms package 'Indradhanush' (a seven-point action plan) announced by the Government of India (GoI) aims at imbibing professionalism in the operations of Bank Boards and improving their efficiency in the decision making process. It also includes a fresh plan for recapitalisation in PSBs, following a performance- and need-based approach to the tune of `70,000 crore till 2019 (RBI, 2015). GoI has constituted a Bank Board Bureau to make recommendations to the government on the selection of Heads of PSBs and financial institutions and help banks in developing strategies and capital raising plans. These measures are expected to enable banks to promote quality business.

3. Financial Performance & Management of Resources

During the year 2009-10, the total Working Funds increased by 15.3% from Rs.1,18,176crore to Rs.1,36,656 crore. The increase was due to net inflow of RIDF Deposits (Rs.12,846crore),

ISSN: 2456-8643

STCRC Fund (Rs.5,000 crore), Commercial Papers (Rs.2,499 crore) and Term Money Borrowings (Rs.519 crore). The borrowings of NABARD (Rs.25,703crore) constituted 18.48 per cent of its working funds as on 31 March 2010. The funds utilised for ST (SAO) loans and ST(OSAO) loans advanced to SCBs and RRBs together increased by Rs.7,177 crore (42.5 per cent) to Rs.24,073 crore as on 31 March 2010 from Rs.16,896 crore as at the end of previous year. RIDF loans increased to Rs.60,255crore as on 31 March 2010 compared to Rs.45,616 crore at the end of previous year, recording a net outflow of Rs.14,639 crore during the year.

4. Growth and Per capita income

The Gross Domestic Product per capita in India was last recorded at 1805.58 US dollars in 2015. The GDP per Capita in India is equivalent to 14 percent of the world's average. GDP per capita in India averaged 675.38 USD from 1960 until 2015, reaching an all time high of 1805.58 USD in 2015 and a record low of 317.07 USD in 1960. GDP per capita in India is reported by the World Bank.The per capita income in real terms (at 2004-05 constant prices) during 2012-13 is likely to attain a level of Rs 39,143 as compared to the First Revised Estimate for the year 2011-12 of Rs 38,037, it said. The Gross Fixed Capital Formation (GFCF) at current prices is estimated at Rs 29.94 lakh crore in 2012-13 as against Rs 27.49 lakh crore in 2011-12, the release said. However, at 2004-05 constant prices, the GFCF is estimated at Rs 19.44 lakh crore in the current fiscal as against Rs 18.97 lakh crore in the previous fiscal, it added.

5. Indian states by GDP per capita Growth

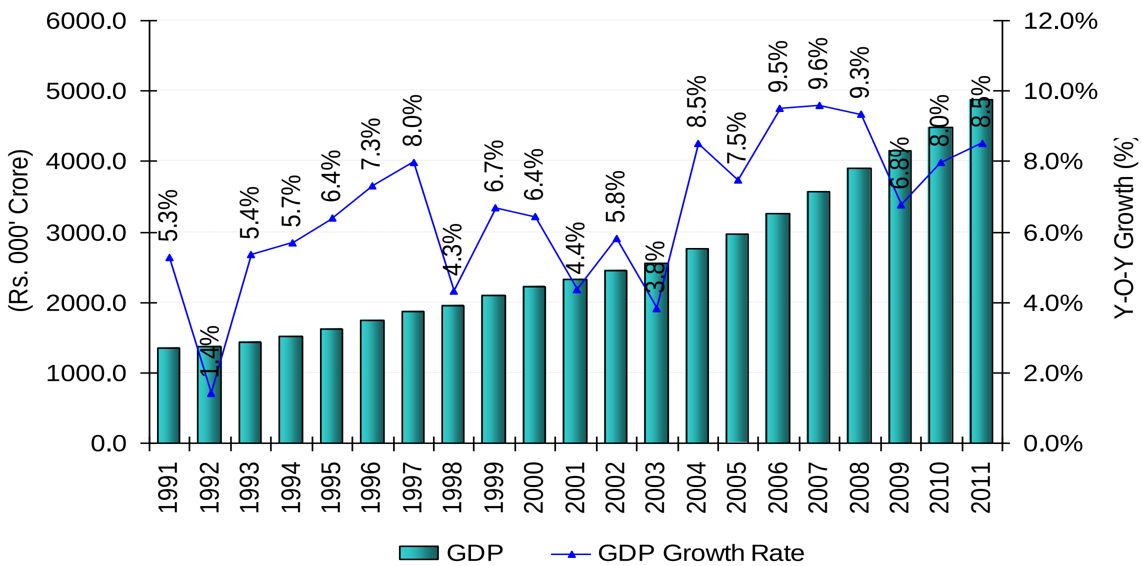
Tripura has registered highest NSDP per capita growth rate among 33 Indian States and Union Territories in year 2013-14. Tripura's per capita income growth rate for 2013-14 is estimated at 8.46 per cent. With growth rate of 8.37 per cent Puducherry is at 2nd position. Maharashtra, Bihar, and Madhya Pradesh is at 3rd, 4th, and 5th place, respectively.

Four states/UTs has growth rate above 8 per cent and 3 states has between 7 - 8 per cent. The bottom five states, in reverse order, are Odisha (-0.93%), Chhattisgarh (1.02%), A. & N. Islands (1.14%), Uttar Pradesh (3.21%) and Rajasthan (3.23%).Data for 2014-15 are available for 23 states. Madhya Pradesh (8.80%) has highest per capita growth followed by Puducherry (8.63%). Next three states are Bihar, Uttarakhand and Jharkhand. Jammu & Kashmir has lowest growth of -2.66%.

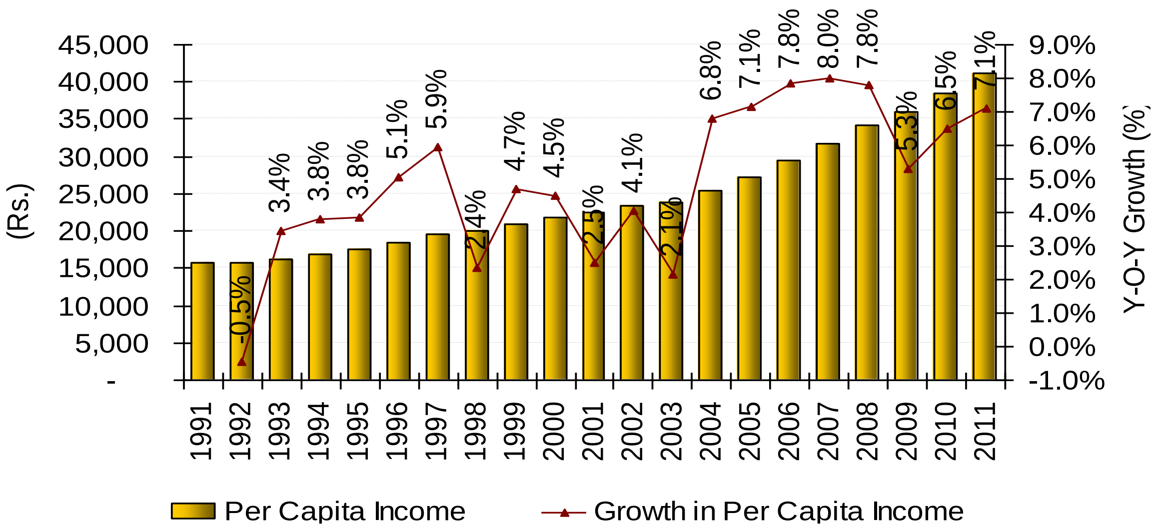
During Period 2005-14, Sikkim has highest average growth rate of 14.92 per cent. Next in line come Uttarakhand (10.23%), Tamil Nadu (8.52%) Telangana (8.16%) and Puducherry (8.05%). NSDP (Net state domestic product) per capita growth rate of Bihar is 7.92 per cent, marginal higher than Gujarat's 7.89 per cent. Two states/UTs has average growth rate of above 10 per cent. Three states has between 8 to 9 per cent, and five has between 7 to 8 per cent. Now 18

ISSN: 2456-8643

states has growth rate higher than India's average 5.76 per cent at 2004-05 prices. Bottom five states are : Chandigarh, Manipur, Arunachal Pradesh, Assam, and Odisha.At current prices, top five fastest growing states during 2005-14 are : Sikkim (25.27%), Uttarakhand (17.36%), Bihar (16.64%), Telangana (16.53%), and Tamil Nadu (15.87%). 20 states has growth rate greater than India's average 13 per cent. Bottom Five states are : Chandigarh, Manipur, Nagaland, Jharkhand, and A. & N. Islands.



Economic growth usually refers to quantitative rise in National Income and Per Capita Income of an economy during a period of time. To understand economic growth in India, first we examine the National Income trends and then look into the trends of Per Capita Income in India during the last Twenty years.



Rise in Per Capita Income:

Per Capita Income is considered a better index of economic growth. In 1950-51 India's Per Capita Income at 1999-2000 prices was Rs. 5,708. Since then it rose to Rs. 19,331 in 2004-05 and in 2009-10 it stood at Rs. 33,731.

There has been more than fourfold increase in real Per Capita Income during the planning period. Growth in Per Capita Income was much less than growth in National Income because of high population growth rate. The Planning Commission expects that country's Per Capita Income would be doubled in the next 20 years.

Conclusion

Reform process stalled Plethora of committees and commissions to study issues studied several times earlier. Actions cannot be delayed in several areas. Further opening of the economy to external competition. Have to move away from protectionism. Attract larger inflows of FDI including in manufacturing. Push for further liberalization of trade in goods and services in the Doha Round. The relationship between poverty and inequality is not straightforward; poverty can indeed decline while inequality grows, but rising inequality can also dominate any beneficial impacts of economic growth on poverty.

Reference

Datt, Ruddar; Sundharam, K.P.M. "27". *Indian Economy*. pp. 471–472.

Kumar, P., Joshi, P.K. and Birthal P.S. 2009. Demand Projections for Foodgrains in India. Agricultural Economics Research Review 22: 237-243

M. (2013), “Poor Numbers: How we are misled by African Development Statistics and what to do about it”, Cornell.

Meyer and Birdsall, New Estimates of India’s Middle Class Center for Global Development (2012)

Mittal, S. 2008. Demand Supply trends and projections for Food in India. Indian Council for Research on International Economic Relations (ICRIER) Working Paper No. 209, New Delhi.

Panagariya, Arvind, PinakiChakraborty and M. GovindaRao (2014) *State Level Reforms, Growth and Development in Indian States*, Oxford University Press, New York, Chapter 5.

Schneider, F and Williams, C. C., (2013), “The Shadow Economy”, Institute of Economic Affairs, Hobart Paper 172.

Van der Berg, Servaas& Megan Louw. 2004: Towards time series estimates of distribution and poverty. South African Journal of Economics 72(3): 546 - 572.

World Bank. 1997. World Development Report 1997. World Bank: Washington, D.CJerven,