EUROPEAN ACADEMIC RESEARCH
Vol. II, Issue 10/ January 2015

ISSN 2286-4822
www.euacademic.org

Impact Factor: 3.1 (UIF)
DRJI Value: 5.9 (B+)

Performance of Indian Economy During 2004 to 2013: An Empirical Analysis

Dr. DIPTI RANJAN MOHAPATRA
Associate Professor (Economics)
School of Business and Economics
Madawalabu University
Post Box: 407, Bale Robe, Ethiopia

Abstract:

Growth rate of Gross Domestic Product (GDP) is an indicator of the performance of the economy. Numerous attempts are always made to predict the future growth correctly to make the planning process successful. In a market economy like India poverty planning, investment decisions, moderation of liberalization process and in nutshell macro-economic planning depends upon the past performance and future potential of the economy. The optimistic high growth rate during 2004-08 has faded away from Indian economy in 2012-13. Meanwhile, a new party has been elected at center in India. Some crucial decisions to control the economy from declining growth process thus have become imperative for the new government. The high aspirations of the masses needs different outlook and which is only possible with a realistic approach to analyze the past economic performance and predict the future growth correctly. As many of the new measure to correct the economy from declining growth spiral, the new government has done away with the planning commission. What the past –performance of the economy speak? On the basis of this empiricism, we have tried to predict the future. This paper has attempted to forecast the future decadal (2014-2024) growth rate on the basis of past performance of the Indian economy. Adequate moderation has been done to arrive at a conclusion. We have used regression analysis to analyze the empirical data. The time frame of this analysis is 9-year period from 2004 to 2013, based on data availability.

Key words: Gross Domestic Product, Net State Domestic Product, time-series data, growth rate, sector performance, growth scenario

Indian economy achieved a very high growth rate of 9% and above during 2004-2008. This growth phase also performed good changes in all macro-economic indicators. After the onset of 2008 bubble burst crisis there was a setback to this growth spiral. Growth rate was high initially because of large pump of money by government to maintain a stable monetary and fiscal policy on the domestic front. However this growth spiral could not be continued for long, rather there was widening of current account and fiscal deficit in the post crisis period especially in 2012-13 with the recurrence of high consumer level inflationary pressure and slowing down of private corporate investment. The growth rate declined in the subsequent years. The data of declined GDP growth rate and sector's growth rate of India during 2005-06 to 2012-13 is presented in Table 1.

Table 1: Growth Rate (India)

(In %)

Year	GDP at factor cost @ 2004-05 price	GDP at factor cost @ 2014 current price	Primary Sector @ 2004-05 price	Secondary Sector @ 2004-05 price	Tertiary Sector @ 2004-05 price
2005-06	9.5	14.1	4.6	10.7	10.9
2006-07	9.6	16.6	4.6	12.7	10.1
2007-08	9.3	15.9	5.5	10.3	10.3
2008-09	6.7	15.7	0.4	4.7	10.0
2009-10	8.6	15.2	1.5	9.5	10.5
2010-11	8.9	18.7	8.3	7.6	9.7
2011-12	6.7	15.8	4.4	8.5	6.6
2012-13	4.5	11.9	1.0	1.2	7.0

Source: Central Statistical Organisation, India 2014.

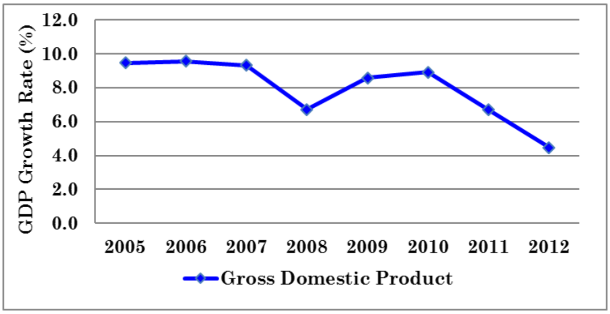

Fig.1: Growth of GDP of India (2005 to 2012)

Twelfth Five-Year Plan (2012-2017) projected a growth target (moderated) of 8.0%. However, observing the current declining growth trend there is a big question mark on feasibility of achieving the above-mentioned target. What is the feasible growth rate in the coming decade? Whether the growth rate forecasted by Planning Commission and/or professional economists will be realized or there will be variations? If at all there is any variation to what extent? Is it smaller or wider? What empirical observations say? Thus, there are many questions arises. In this paper is an attempt to answer back the above question on the basis of moderation of future growth process in India through an empirical analysis.

2.0 Review of Literature:

The annual average growth rate of GDP during 1980 to 2001 was 6.0%. In 1996-97 this growth rate moved to 7.8% compared to 1.3% in 1991-92. It played in between 6.5% to 4.0% during 1998-99 to 2002-03 (Srinivasan, 2004). The investment in India is susceptible to rate of saving, which is in fact gradually declining. One reason for this is because of the availability of variety of consumer goods in Indian market. Indian market is one of the best places to experiment the sustainability of domestic and international consumer items. Thus, the saving potential of Indian households is getting diverted towards consumption expenditure. This hampers savings, investments thus the overall growth process. The growth rate is indicators of poverty planning, attracting FDI investment and in nutshell, creating a cycle of boom and optimism in the domestic economy.

World Bank (2013) estimate indicates that the potential growth of developing economies during 2012 to 1015 will be restricted at 5.5 %. This slower growth process in the post-bubble burst crisis will have impact on Indian economy and the potential growth will be squeezed off. Many of the macro-economic variables including the wide -fiscal deficit and inflations in India follow global patterns in the post-crisis period. However, the degree of growth slowdown of Indian economy is a matter of concern. This may be due to domestic mis-alignment of certain macro-economic variables and policies. World Bank estimate indicates that the potential growth of developing economies during 2012 to 1015 will be restricted at 5.5 %. This slower growth process in the post- bubble burst crisis will have impact on Indian economy and the potential growth will be squeezed off. Many of the macro-economic variables including the wide -fiscal deficit and inflations in India follow global patterns in the post-crisis period. However, the degree of growth slowdown of Indian economy is a matter of concern. This may be due to domestic mis-alignment of certain macro-economic variables and policies.

There occurred balance of payment crisis. By August 2013 the flow of funds from US Federal Reserve squeezed of because of the high level of volatility in the global and domestic market (Kapoor and Mohan 2014). Moreover the high growth performance during 2004-209 was because of high growth rate in the World economy accompanied by heavy capital flows. This was a debt oriented growth spiral (Nagraj, 2013). The slow recovery process globally is also responsible for the domestic market recovery. The global growth rate declined from an annual average of 4.8% during 2004-2007 to 2.9% during 2008-2012. The gross domestic product growth rate declined from 9.5% during 2004-2007 to 7.2% during 2008-2012 at 2004-05 constant prices. Post bubble burst crisis resulted in fall in demand globally although there has been a balancing of current account deficit and GDP in many advanced and emerging market economies (EMEs). The currencies depreciated in advance economies while the appreciated in EMEs. The decline in global growth rate along with high current account deficit adversely affected the growth scenario in India. India suffered from high level of current account deficit and fiscal deficit.

Indian government pumped up heavy doses of monetary and fiscal inducements immediately in the post –crisis period (Rajan 2013). Thus, India maintained a high growth spiral thereafter during 2009-2011 against the general perception that 2008 crisis will hamper Indian economy due to its policy of substantial openness. But the rapid growth rate of India was volatile and could not be maintained for a long period (Mohan, 2011). The growth started gradually declining from 2011 onward. The main reason for this was the withdrawal of the monetary and fiscal incentives towards the end of 2011 and onwards. Although there was heavy capital outflows from India after the bubble burst crisis of 2008, but it could not able to affect the Indian banking system. This was due to less acquaintance of Indian banking industry with contaminated assets and stringent regulatory framework of the central bank of India. Amongst the monetary measures, there was a sharp cut in policy rate from 9 % to 3.25%, CRR was brought down to 5% from 9% and in addition administration of a number liquidity measures around that period (Mohan, 2011). In order to streamline the fiscal side planned expenditure was boosted – up, CENVAT was reduced to 8% from 14%, agricultural loan waiver scheme was launched, gross fiscal deficit increased from 2.5% in 2007-08 to 6.0% in 2008-09, bond issued to oil, fertilizer and food sectors instead of cash subsidies and etc. In this background the real GDP growth of India in 2009 to 2011 was more than the expectation. Monetary pace was maintained until 2010. However, this stimulus was taken away in phases latter because of the perception of initial high inflationary pressure was due to high food prices in India, failure to gauge the high level of domestic demand along with high level of uncertainty around globe (RBI,2012). This was contrary to monetary and fiscal stimulus of 2008-09 periods. The revenue deficit in the domestic market around this period was due to higher allocation on MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) and higher food subsidies.

3.0 Objectives of the Paper:

The objective of this paper is to find out the performance of Indian economy during the period 2004 to 2013 and to moderate the future GDP growth rate of the country for the period 2014 to 2024.

4.0 Methodology:

i. *Past Performance:* The past performance of the Indian economy has been studied by analyzing time series data on GDP and income originating from the main economic sectors. The growth rate for different time periods have been worked out from regression equations fitted to time series data of sector's income.

ii. *Future Prospects*: The perspective growth rate of economy is an average perspectives based on their performance in the past. The growth rate derived from past performance is the medium or normal growth scenario. Prediction of the future growth accurately is difficult because of the various parameters affecting growth. Based on the past performance of the India and states economy, the recent recession, the targets have been appropriately moderated. Two more growth scenarios have been considered for studying the impact of various parameters on growth rates besides the medium growth scenarios.

The two other growth scenarios are:

(a) Low growth rates- Pessimistic Scenario (15% Less growth than medium scenario)

(b) High growth rates- Optimistic Scenario (7.5% more growth than medium scenario)

5.0 Data Used:

We have used Central Statistical Organization of India's data on gross value added by various economic activities to the GDP during the period 2004-05 to 2012-13 at 2004-05 constant prices for our analysis of past performance of Indian economy. This data is presented in Table 2. The composition of various sectors during the above-mentioned time period in percentage is presented in Table 3.

Table 2: Gross Value Added by Economic Activity
(@2004-05 Constant Price in Millions of Indian Rupees)

Sl.	*Items*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*2012-13*
1	Agriculture	4766340	5029960	5237450	5569560	5554420	5577150	6109050	6435430	6494240
2	Forestry & logging	616400	627420	647950	656970	669320	688770	705090	718160	738640
3	Fishing	271520	287490	306500	324270	333150	343950	364000	384730	412220
	Ag & Allied	5654260	5944870	6191900	6550800	6556890	6609870	7178140	7538320	7645100
4	Mining & quarrying	850280	861410	925780	959970	980550	1038300	1106170	1107250	1083280
a	***Sub- Total Primary***	***6504540***	***6806280***	***7117680***	***7510770***	***7537440***	***7648170***	***8284310***	***8645570***	***8728380***
5	**Manufacturing**	4532250	4990200	5704580	6290730	6563020	7304350	7951520	8540980	8638760
5.1	Registered	2923440	3277390	3793740	4175280	4420550	5066790	5552400	6075890	6145690
5.2	Unregistered	1608810	1712810	1910840	2115450	2142470	2237560	2399120	2465090	2493070
6	Construction	2288550	2581290	2848060	3154950	3323290	3544360	3747082	4151876	4197953
7	Electricity, gas and Water supply	626750	671230	733620	794300	830500	882180	928620	1006460	1029220
b	***Sub -Total Secondary***	***7447550***	***8242720***	***9286260***	***10239980***	***10716810***	***11730890***	***12627222***	***13699316***	***13865933***
	Industry	8297830	9104130	10212040	11199950	11697360	12769190	13733392	14806566	14949213
8	**Transport, storage & communication**	2504170	2800100	3151660	3545070	3929010	4508720	5076720	5556310	5890450
8.1	Railways	291620	313390	348320	382350	411610	447630	474040	509630	511120
8.2	Transport by other means	1699950	1857410	2023670	2199690	2315640	2483800	2686690	2918860	3111730
8.3	Storage	19800	20730	22980	23750	27110	32330	33530	34500	37480
8.4	Communication	492800	608570	756690	939280	1174650	1544960	1882460	2093320	2230120
9	Trade, hotels and restaurants	4773030	5353970	5949180	6550130	6922240	7470190	8363520	8466300	8843080
10	Banking & Insurance	1710980	1981580	2388990	2787760	3178260	3539830	4066090	4591420	5135190
11	Real estate, owne-rship of dwellings and business services	2660760	2941820	3221640	3493480	3858030	4179220	4425800	4863920	5352290

Sl.	***Items***	***2004-05***	***2005-06***	***2006-07***	***2007-08***	***2008-09***	***2009-10***	***2010-11***	***2011-12***	***2012-13***
12	Public administration	1746380	1822120	1856388	1997734	2393489	2813650	2802680	2921380	3021488
13	Other services	2367230	2582140	2671840	2841440	3051480	3270040	3538990	3731080	3984300
c	***Sub-Total Tertiary***	***15762550***	***17481730***	***19239698***	***21215614***	***23332509***	***25781650***	***28273800***	***30130410***	***32226798***
14	***Gross Domestic Product***	***29714640***	***32530730***	***35643638***	***38966364***	***41586759***	***45160710***	***49185331***	***52475296***	***54821111***

Source: Central Statistical Organisation, India August, 2014.

Table 3: Composition of GDP
@ 2004-05 Constant Prices (India)

(In %)

Items	***2004-05***	***2005-06***	***2006-07***	***2007-08***	***2008-09***	***2009-10***	***2010-11***	***2011-12***	***2012-13***
Agriculture	16.04	15.46	14.69	14.29	13.36	12.35	12.42	12.26	11.85
Forestry & logging	2.07	1.93	1.82	1.69	1.61	1.53	1.43	1.37	1.35
Fishing	0.91	0.88	0.86	0.83	0.80	0.76	0.74	0.73	0.75
Ag & Allied	*19.03*	*18.27*	*17.37*	*16.81*	*15.77*	*14.64*	*14.59*	*14.37*	*13.95*
Mining & quarrying	2.86	2.65	2.60	2.46	2.36	2.30	2.25	2.11	1.98
Sub-Total Primary	*21.89*	*20.92*	*19.97*	*19.28*	*18.12*	*16.94*	*16.84*	*16.48*	*15.92*
Manufacturing	*15.25*	*15.34*	*16.00*	*16.14*	*15.78*	*16.17*	*16.17*	*16.28*	*15.76*
Registered	9.84	10.07	10.64	10.72	10.63	11.22	11.29	11.58	11.21
Unregistered	5.41	5.27	5.36	5.43	5.15	4.95	4.88	4.70	4.55
Construction	7.70	7.93	7.99	8.10	7.99	7.85	7.62	7.91	7.66
Electricity, gas and Water supply	2.11	2.06	2.06	2.04	2.00	1.95	1.89	1.92	1.88
Sub-Total Secondary	*25.06*	*25.34*	*26.05*	*26.28*	*25.77*	*25.98*	*25.67*	*26.11*	*25.29*
Industry	27.93	27.99	28.65	28.74	28.13	28.27	27.92	28.22	27.27
Transport, storage & communication	8.43	8.61	8.84	9.10	9.45	9.98	10.32	10.59	10.74
Railways	0.98	0.96	0.98	0.98	0.99	0.99	0.96	0.97	0.93
Transport by other means	5.72	5.71	5.68	5.65	5.57	5.50	5.46	5.56	5.68
Storage	0.07	0.06	0.06	0.06	0.07	0.07	0.07	0.07	0.07
Communication	1.66	1.87	2.12	2.41	2.82	3.42	3.83	3.99	4.07
Trade, hotels and restaurants	16.06	16.46	16.69	16.81	16.65	16.54	17.00	16.13	16.13
Banking & Insurance	5.76	6.09	6.70	7.15	7.64	7.84	8.27	8.75	9.37
Real estate, ownership of dwellings and business services	8.95	9.04	9.04	8.97	9.28	9.25	9.00	9.27	9.76

Items	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*2012-13*
Public administration	5.88	5.60	5.21	5.13	5.76	6.23	5.70	5.57	5.51
Other services	7.97	7.94	7.50	7.29	7.34	7.24	7.20	7.11	7.27
Sub-Total Tertiary	*53.05*	*53.74*	*53.98*	*54.45*	*56.11*	*57.09*	*57.48*	*57.42*	*58.79*
Total- Gross Domestic Product	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*

Source: Central Statistical Organisation, India 2014.

5.1 Explanation of the Data Used:

Primary Sector: The primary sector in India is composed of the contribution that comes from agriculture, forestry and logging, fishing and mining & quarrying. For the analysis purpose we have considered the data of CSO, India at 2004-05 constant prices as presented in Table 2.

Secondary Sector: The secondary sector is composed of the contribution that comes from manufacturing, construction, electricity, gas and water supply. For the analysis purpose we have considered the data of CSO, India at 2004-05 constant prices as presented in Table 2.

Tertiary Sector: The tertiary sector is composed of the contribution that comes from transport, storage, communication, trade, hotels and restaurants, banking & insurance, real estate, ownership of dwellings and business services, Public administration and other services. For the analysis purpose we have considered the data of CSO, India at 2004-05 constant prices as presented in Table 2.

Gross Domestic Product: GDP is the sum of gross value added by primary, secondary and tertiary sectors to the economy. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. For the analysis purpose we have considered the data of CSO, India at 2004-05 constant prices as presented in Table 2.

6.0 Data Analysis:

Demographic Features: According to 2011 Census the total population of India was 1, 028.74 million in 2001, which increased to 1,210.85 million by 2011, registering an annual growth rate of 1.64%. The growth rate for male was 1.59% and for female was 1.70 during the above-mentioned decade.

Primary Sector: The contribution of primary sector to GDP is gradually declining. The contribution of this sector to GDP has declined from 22% in 2004-05 16% in 2012-13. The point to point growth of agricultural and allied sector was 3.8 % during the period 2004 to 2012. However the point to point growth of primary sector was 3.7% during the above-mentioned period. The actual growth of primary sector during this period was 1.6% (Table 4). The growth of this sector is abysmally low taking into account the size of population of the country. The productivity of agriculture and allied sector is declining at a faster rate and is the main reason for CPI (Consumer Price Index) inflation. The composition of different sectors of the economy is presented in Table 2 and 3.

Secondary Sector: The contributions of secondary sector to GDP remain almost stagnant at 25% during 2004-05 to 2012-13. The point to point growth of industrial sector was 7.6 % during the period 2004 to 2012. However the point to point growth of secondary sector was 8.1% during the above-mentioned period. The actual growth of secondary sector during this period was 3.5% (Table 4). The industrial growth of 1.0% in 2012 was least growth during the last decade. The composition of different sectors of the economy is presented in Table 2 and 3.

Tertiary Sector: There has occurred a slight increase in contribution of this sector to GDP. This contribution has increased from 53% to 59% during the period 2004-05 to 2012-13. The point to point growth of service sector was 9.4 % during the period 2004 to 2012. The actual growth of tertiary sector during this period was 4.0% (Table 4). The composition of different sectors of the economy is presented in Table 2 and 3.

Past Performance: The Gross Domestic Product (GDP) of India at current prices increased from Rs. 29,714,640 million in 2004-2005 to Rs. 93,888,760 million in 2012-2013 registering an average annual growth rate of 15.5 percent over the period. The rate of change in GDP at constant prices is the main economic indicator for measuring the real growth in the economy. NSDP at constant (2004-2005) prices has increased from Rs. 29,714,640 million in 2004-2005 to Rs. 54,821,110 million in 2012-13, thus exhibiting an average annual growth rate of 8.0 percent over this period. The per capita income (PCI) in real terms, a measure of the disposable income and general wellbeing of the people, went up from USD 687 in 2004 to USD 1165 in 2013, at constant (2005 USD) prices registering an average annual growth rate of 6% (*World Bank Country data for India, 2013*). During the 11th Plan period, the Indian economy witnessed an average annual growth of 8 percent while the GDP growth target during 12th Plan (2012-17) period is moderated to 8 %. The past performance of the economy of India has also been studied by analysing time series data on GDP and income originating from the main economic sectors. Growth rates from 2004-05 to 2012-13 are worked out from regression equations fitted to time series data of the income obtained from different sectors of the economy and is presented in Table 4.

Table 4: Growth Rate
(Regression result of the dependent variables with Time as an independent variable[1])

(In %)

Indicators	*Time Period*		
	2004-2008	*2008-2012*	*2004-2012*
GDP	3.77	3.14	3.44
Primary Sector	1.72	1.55	1.62
Secondary Sector	4.19	2.93	3.51
Tertiary Sector	4.34	3.73	4.03
Per Capita Income (PCI)	2.91	2.70	2.73
Population	0.64	0.60	0.62

Source: Calculated from State Domestic Products Data of Central Statistical Organization, Government of India, August 2014.

The country recorded long term average annual growth rate of GDP at 3.4 %, primary sector grew @1.6%, secondary grew @3.5%, and tertiary sector grew @4.0% during the period 2004

1

Regression Results 2004-2012

Independent Var.	*Dependent Var.*	*Growth Rate*	*R Square*	*t-value*
Time	GDP	3.44	0.99	34.62
Time	Primary Sector	1.62	0.97	15.69
Time	Secondary Sector	3.51	0.98	18.71
Time	Tertiary Sector	4.03	1.00	39.16
Time	PCI	2.73	0.99	28.54

Regression Results 2008-2012

Independent Var.	*Dependent Var.*	*Growth Rate*	*R Square*	*t-value*
Time	NSDP	3.14	0.99	21.46
Time	Primary Sector	1.55	0.91	6.39
Time	Secondary Sector	2.93	0.97	12.39
Time	Tertiary Sector	3.73	0.99	21.52
Time	PCI	2.70	0.98	11.00

Regression Results 2004-2008

Independent Var.	*Dependent Var.*	*Growth Rate*	*R Square*	*t-value*
Time	GDP	3.77	1.00	28.48
Time	Primary Sector	1.72	0.96	8.08
Time	Secondary Sector	4.19	0.98	12.33
Time	Tertiary Sector	4.34	1.00	116.20
Time	PCI	2.91	0.98	11.52

to 2012[2]. The performance of the economy in the short-term was little better with a GDP growth @ 3.8%, primary sector growth @1.7%, secondary growth @4.2%, and tertiary sector growth @4.3% during the period 2004-2008. The per capita income growth in the long period of 2004 to 2012 was 2.7%, while 2.9% during short period of 2004-2008. The population grew @ 0.6% in both long and short period. The long, medium and short term growth rates obtained during different time periods are presented in Table 4.

The Indian economy has displayed vigorous growth with strong macroeconomic fundamentals in the past. It entered the Eleventh Plan period with an impressive record of economic growth. However, the global recession and tightening liquidity position had its impact on the main economic sectors. The national economy that was witnessing high growth in the past slowed down with economic growth slipping to 4.5% in 2012-13. This growth trend of 4.5% to 5.0% will also continue in the current fiscal year 2014-15. The growth rates of states and union territories of India from 2004-05 to 2012-13 are worked out from regression equations fitted to time series data of the income obtained from different sectors of the NSDP and is presented in Table 5 below. The past growth trend of GDP of India and different sectors as well as the growth of NSDP of different states and union territories are crucial for

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Growth of Agriculture and Industry (In %)

Year	*Agriculture and Allied Sector @ 2004-05 price*	*Industry @ 2004-05 price*
2005-06	5.1	9.7
2006-07	4.2	12.2
2007-08	5.8	9.7
2008-09	0.1	4.4
2009-10	0.8	9.2
2010-11	8.6	7.6
2011-12	5.0	7.8
2012-13	1.4	1.0

Source: Central Statistical Organisation, India 2014.

determining the future growth targets. This has been taken into account while determining the future growth prospects of Indian economy.

Table 5 Growth of NSDP and Sectors during 2004-05 to 2013-14

(In %)

States / Union Territories	***NSDP***	***Primary***	***Secondary***	***Tertiary***
Andaman & Nicobar Island	4.5	2.2	2.0	6.2
Andhra Pradesh	3.4	1.9	3.2	4.2
Arunachal Pradesh	2.8	1.6	3.1	3.8
Assam	2.6	1.0	2.4	3.5
Bihar	4.3	2.0	5.9	4.8
Chandigarh	2.5	-2.2	0.8	2.8
Chhattisgarh	3.0	2.3	2.1	4.1
Delhi	4.2	2.0	0.3	4.8
Goa	4.5	-2.1	2.9	6.6
Gujarat	4.2	1.2	4.9	4.7
Haryana	3.6	1.4	2.6	5.0
Himachal Pradesh	2.8	0.8	2.6	4.2
Jammu & Kashmir	2.4	0.8	1.1	3.9
Jharkhand	3.2	3.8	0.3	4.8
Karnataka	2.9	1.4	2.2	3.6
Kerala	3.4	-0.5	3.4	4.1
Madhya Pradesh	3.7	3.2	3.8	3.9
Maharashtra	3.6	1.7	3.3	4.1
Manipur	2.0	1.0	0.0	3.9
Meghalaya	3.5	0.8	5.8	3.9
Mizoram	4.1	3.4	3.5	4.6
Nagaland	3.2	1.9	2.9	4.0
Odisha	2.4	0.3	1.5	4.0
Puducherry	4.2	3.0	2.1	6.0
Punjab	2.8	0.5	3.5	3.7
Rajasthan	3.2	3.1	1.8	4.1
Sikkim	7.2	3.6	12.3	3.4
Tamil Nadu	3.8	1.3	3.6	4.3
Tripura	3.6	3.4	2.7	4.1
Uttarakhand	5.0	1.0	5.9	5.7
Uttar Pradesh	2.8	1.1	2.4	3.8
West Bengal	2.7	0.7	1.5	3.7
India (2004-2012)	***3.4***	***1.6***	***3.5***	***4.0***

Source: Calculated from State Domestic Products Data of Central Statistical Organisation, Government of India, August 2014.

NSDP of twelve states and three union territories are better than the average GDP growth rate of India during 2004 to 2013. NSDP of states such as Bihar, Goa, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Sikkim, Tamil Nadu, Tripura and Uttarakhand are above the GDP (India) 3.4%. Similarly the NSDP of union territories of Andaman & Nicobar Island, Delhi and Puducherry are also above country average during the above-mentioned period. The growth of primary sectors in ten states and three union territories are above country average of 1.6% during this period. There is negative growth in this sector in the states of Goa and Kerala. Punjab performance is abysmally low in primary sector during this period. Seven states are above country average of 3.5% in the growth of secondary sector. Fourteen states and three union territories are above country average of 4.0% in growth of tertiary sector.

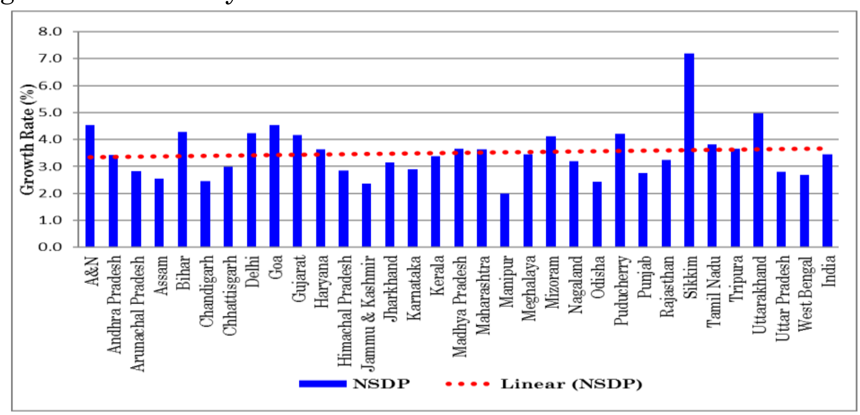

Fig.2: Growth of NSDP of States / UT of India (2004-05 to 2013-14)

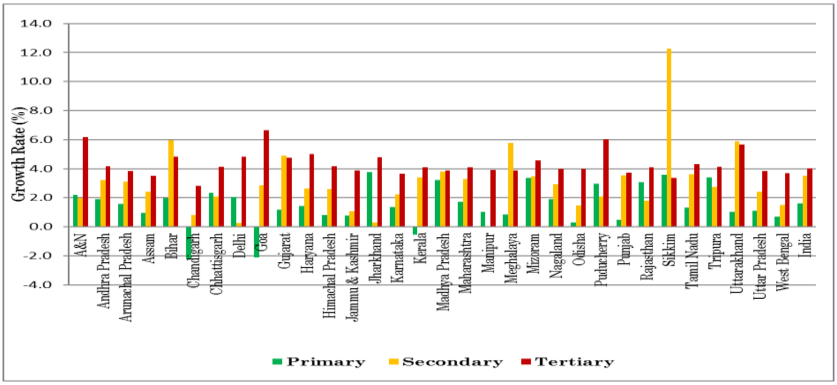

Fig.3: Sector's Growth of States / UT and India (2004-05 to 2013-14)

Future Growth Prospects: The future growth prospects have been forecasted as per the methodology described above. The growth rate derived from past performance is the medium or normal growth scenario. Based on the past performance of the India and states economy, the recent recession, the targets have been appropriately moderated. It is expected that the economy will definitely grow at 4.0% up to 2019 and 4.5 % up to 2024. This is in line with the GDP growth in the past moderated by taking into account the GDP growth rate given in Central Statistical Organization compilation. In case of a cycle of optimism in the economy in the coming decade the economy will grow @ 4.5% per annum during 2014-2019 and @ 5.0% thereafter up to 2024. The perspective growth rates of the economy for the medium, low and high growth scenarios are detailed in Table 6.

Table 6: Perspective Growth Rate of India

Medium (Normal) Growth Scenario *(In %)*				
Year	***Primary***	***Secondary***	***Tertiary***	***GDP***
Till 2013	1.6	3.5	4.0	3.4
2014-2019	1.5	3.0	4.5	4.0
2019-2024	1.5	3.5	4.5	4.5
Low Growth Rates - Pessimistic Growth Scenario *(Growth @15% less than Medium Growth) (In %)*				
Year	***Primary***	***Secondary***	***Tertiary***	***GDP***
Till 2013	1.4	3.0	3.4	2.9
2014-2019	1.3	2.6	3.4	3.4
2019-2024	1.3	3.0	3.8	3.8
High Growth Rates - Optimistic Growth Scenario *(Growth @7.5% more than Medium Growth) (In %)*				
Year	***Primary***	***Secondary***	***Tertiary***	***GDP***
Till 2013	1.7	3.8	4.3	3.7
2014-2019	1.6	3.2	4.8	4.3
2019-2024	1.6	3.8	4.8	4.8

Source: Calculated from State Domestic Products Data of Central Statistical Organisation, Government of India, August 2014.

6.0 Conclusion:

The prospects of Indian economy depend upon multiple factors. However, the boom in the business cycle can be created by increasing the savings and thus investment. The past trend of GDP growth in recent past is not very encouraging. The sensation that Indian economy created just after the 2008 crisis is lagging in Indian economy especially during 2012 -13. The task for new government to fulfill the high aspirations of masses and to maintain a growth rate of 5.0% and above in the coming decade requires creation of an atmosphere of optimism. This could be achieved by controlling the macro-economic policies as per the requirement. There is a variation in growth performance in different states. Some states are growing faster than the others. Slower growth states needs to be given support and directions from the center. Balanced development of all the states and maintaining a regional equality is desirable. This may be achieved by narrowing the variations of per capita NSDP amongst the states. The interstate difference in rate of investment may be one of the reasons of difference in the growth mechanism among different states. The investment needs to be widening up in the states where it is lagging. This might require creation of adequate infrastructure both physical and social, diversification of central government outlays on priority basis and a well thought policy environment and governance.

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