



The gap within

Posted at: 24/01/2019

We need to address the issue of slower growth in our poorer States

- India, as the world's fastest-growing major economy, may well be catching up with the richer economies in terms of absolute size.
- But economic convergence within the country remains a distant dream as poorer States continue to lag behind the richer ones in economic growth.
- A report from the rating agency Crisil found that the inter-State disparities have widened in recent years even as the larger economy grows in size and influence on the global stage.
- Many low-income States have experienced isolated years of strong economic growth above the national average.
- But they have still failed to bridge their widening gap with the richer States since they have simply not been able to maintain a healthy growth rate over a sustained period of time.
- The report found that there was a slight, albeit weak, convergence in the per capita income levels of the poorer and richer States between fiscal years 2008 and 2013, but the trend was reversed in the subsequent years.
- Between fiscal years 2013 and 2018, there has been a significant divergence rather than convergence in the economic fortunes of the poorer and richer States.
- This was the result of richer States continuing to show strong growth while the poorer States fell behind.
- The report suggests that, at least during fiscal year 2018, government spending may be what boosted gross domestic product growth in the top-performing States, particularly in Bihar and Andhra Pradesh whose double-digit growth rates have come along with a burgeoning fiscal deficit.
- Other variables like the strength of State-level institutions, as gauged by their ability to uphold the rule of law and create a free, competitive marketplace for businesses to thrive, and the quality of public spending

could be crucial determinants of the long-run growth prospects of States.

The Hindu

