

CMDR Journal of Social Research

(A Biannual Journal of Centre for Multi-disciplinary Development Research, Dharwad)

ISSN: 3049-1797 (Print) (Vol.3, No.1, Jan-Jun 2026, pp.53-72)

India's Two-Speed Growth Story: An Empirical Analysis of Interstate Economic and Human Development Disparities in India

Kapil* and Basavaraj M. Somanamaradi**

ABSTRACT

India's ascent to the position of the world's fourth-largest economy in 2025, with a nominal gross domestic product of approximately US\$4.19 trillion, masks sharp and persistent differences in economic performance and human development across its 28 states and 8 union territories (International Monetary Fund [IMF], 2025). This study examines the extent, drivers, and policy response to interstate regional disparity in India using secondary data drawn from the Economic Survey 2024–25 of respective state governments, the National Family Health Survey (NFHS-5, 2019–21), the Periodic Labour Force Survey (2022–25), the Census of India (1951–2011), the Sample Registration System (2020), and Goods and Services Tax (GST) collection data of the Department of Revenue (2024–25). The study pursues three specific objectives: to measure the magnitude of interstate disparity in income, health, education, and employment outcomes; to identify the economic, geographic, social, and policy-related determinants of this divergence; and to evaluate the extent to which fiscal instruments — particularly GST revenue — have narrowed or widened the gap. Using descriptive statistics, the coefficient of variation, and a distance-from-mean classification of states, the analysis finds a coefficient of variation of 41.5 per cent in state domestic product, a more than five-fold gap in per capita income between the highest- and lowest-performing states, and a GST revenue base concentrated overwhelmingly in a handful of industrialised states. Literacy and infant-mortality gaps have narrowed in absolute terms since 1951 but remain wide in relative terms. Based on these findings, the study recommends need-and-performance-based fiscal devolution on the lines of the Finance Commission and the Raghuram Rajan Committee (2013), targeted human-capital investment in lagging states, differentiated labour-market policy for high-literacy – high-unemployment states, and a standing regional-disparity monitoring index at NITI Aayog.

Keywords: regional disparity; interstate; fiscal federalism; net state domestic product; Goods and Services Tax

* **Research Scholar**, Department of Economic Studies and Planning, Central University of Karnataka, Kadaganchi, Kalaburgi, India-585367, Email: 24decon002@cuk.ac.in

** **Associate Professor**, Department of Economics Studies and Planning, Central University of Karnataka, Kadaganchi, Kalaburgi, India-585367, Email: bmkcuk@gmail.com

INTRODUCTION

India is currently the world's fourth-largest economy by nominal gross domestic product, having overtaken Japan in 2025 with an output of roughly US\$4.19 trillion, and it remains the fastest-growing major economy, with real growth exceeding 6 per cent a year (IMF, 2025). Yet national aggregates conceal a country whose states are developing at markedly different speeds. Regional disparity — the systematic and persistent difference in income, infrastructure, and human development across a country's constituent states — has therefore re-emerged as a central concern for Indian planners at precisely the moment the national growth story is being celebrated internationally.

A small group of states, Karnataka, Maharashtra, Tamil Nadu, Telangana, Gujarat, and Haryana function as the country's economic powerhouses. They combine strong industrial bases, competitive information-technology and financial-services sectors, and high per capita income well above the national average (Reserve Bank of India [RBI], 2025). By contrast, Bihar, Uttar Pradesh, Jharkhand, and much of the North-East continue to record low industrial output, weak infrastructure, high population growth, and comparatively poor health and education outcomes. The resulting divide is not new — it has been documented since the early post-reform period (Ahluwalia, 2000; Chakravorty, 2003) but the instruments available to address it have changed substantially with the introduction of the Goods and Services Tax in 2017, the Fifteenth Finance Commission's award, and NITI Aayog's Aspirational Districts and SDG India Index initiatives. Unaddressed disparity carries real social costs: it drives distress migration to already congested cities, strains urban infrastructure, and weakens the social fabric of both sending and receiving regions (Ahluwalia, 2000).

Much of the empirical literature on Indian regional disparity was written before these post-2017 fiscal reforms, and few studies systematically connect the new GST revenue-sharing architecture to the older, better-documented story of interstate income and human-development divergence. This is the specific gap this study addresses: it uses the most recent available secondary data — Economic Survey 2024–25 figures, NFHS-5, PLFS quarterly bulletins through 2024–25, and GST collection data for 2024–25 to re-examine regional disparity in the light of the country's current fiscal-federal architecture.

OBJECTIVES

1. To measure the magnitude of interstate disparity in economic output, per capita income, health, education, and employment outcomes using the most recently available secondary data (2020–2025).
2. To examine the economic, geographic, social, and policy-related determinants of persistent regional inequality in India, situated within the theoretical traditions of neoclassical growth theory, cumulative causation, and new economic geography.
3. To evaluate the role of fiscal-federalism instruments — particularly GST revenue collection and devolution — in narrowing or widening interstate disparities, and to derive specific, study-based policy recommendations.

LITERATURE REVIEW

Theoretical Framework

Three theoretical traditions frame the analysis. Neoclassical growth theory (Solow, 1956) predicts that, because of diminishing returns to capital, poorer regions should grow faster than richer ones and incomes should converge over time. Gunnar Myrdal's (1957) theory of cumulative causation offers the opposite prediction: initial advantages in a region attract capital, skilled labour, and infrastructure investment, producing self-reinforcing “backwash effects” that leave lagging regions progressively further behind. Krugman's (1991) new economic geography formalises a similar logic through agglomeration economies, whereby firms and workers cluster in a small number of locations because proximity itself lowers costs. The Indian evidence, reviewed below, is more consistent with Myrdal's and Krugman's divergence hypotheses than with simple neoclassical convergence.

Empirical Studies on Indian Regional Disparity

Ahluwalia (2000) was among the first to document that the post-1991 liberalisation era, rather than narrowing interstate gaps, coincided with growing divergence in per capita state income, as historically advantaged states captured a disproportionate share of new private investment. Chakravorty (2003) traced this pattern to the geography of industrial location, showing that southern and western states benefited from better port access, urban infrastructure, and agglomeration economies, while eastern and central states remained locked out of the post-reform

investment cycle. Bhattacharya and Sakthivel (2004) compared pre- and post-reform decades and confirmed that regional growth disparity widened rather than narrowed after 1991. Dholakia (2003) extended the analysis beyond income to a broader human-development index and found that disparities in health and education mirrored, and in some cases exceeded, income disparities. Kurian (2000) provided one of the most widely cited early indicator-based studies of widening regional gaps using Planning Commission data. Datt and Ravallion (2002) showed that India's aggregate poverty decline masked state-level divergence, with some states registering little or no reduction in poverty despite robust national growth. Sen's (1999) capability approach underlies the more recent shift in Indian policy discourse away from income alone and toward multidimensional indicators of well-being, an approach later operationalised in NITI Aayog's SDG India Index (Government of India, 2020) and the Raghuram Rajan Committee's composite development index (Government of India, 2013). Recent work by the Economic Advisory Council to the Prime Minister (2024), tracking state shares of national GDP from 1960–61 to 2023–24, confirms that the relative income gap between southern/western and eastern/northern states has continued to widen rather than converge over six decades — direct empirical support for the Myrdal–Krugman divergence hypothesis over neoclassical convergence in the Indian context.

Institutional and Policy Framework

Indian planners have used successive institutional mechanisms to address regional imbalance. The Gadgil–Mukherjee formula guided Plan-fund allocation across states during the Planning Commission era, explicitly weighting population, per capita income distance, and special-category status (Planning Commission, 2013). Since the Fourteenth Finance Commission, tax devolution to states has been governed by a needs-and-equity based formula combining population, income distance, area, forest cover, and demographic performance. The Backward Regions Grant Fund was designed specifically to channel additional resources to structurally lagging districts. In 2013, the Committee for Evolving a Composite Development Index of States, chaired by Raghuram Rajan, proposed a ten-indicator Multi-Dimensional Index and recommended classifying states as “Least Developed,” “Less Developed,” or “Relatively Developed” on the basis of distance from the national average, with fund allocation weighted 75 per cent toward development need and 25 per cent toward performance improvement (Government of India, 2013). More recently, NITI Aayog's Aspirational Districts Programme and SDG India Index (Government of India, 2020) have institutionalised continuous, indicator-based monitoring of lagging districts and states. This study's classification

method, described in Section 3, follows the same distance-from-average logic used by the Rajan Committee, applied to the most recent available data.

Research Gap

Three gaps in the existing literature motivate this study. First, most empirical studies of Indian regional disparity draw on data from before 2017 and therefore predate the GST regime, so the relationship between GST revenue patterns and regional disparity remains under-examined. Second, few studies integrate economic (NSDP), demographic (birth, death, and infant-mortality rates), educational (long-run literacy), and labour-market (unemployment) indicators within a single, consistently dated analysis. Third, policy prescriptions in the older literature rarely engage with the specific, quantified criteria used by contemporary institutions such as the Raghuram Rajan Committee and the Finance Commission. This study addresses all three gaps using data current through 2024–25.

METHODOLOGY

Research Design

The study follows a descriptive-analytical, ex post facto research design based entirely on secondary data; no primary survey was administered. This design is appropriate because the objective is to describe and interpret the existing distribution of income, health, education, and employment indicators across Indian states rather than to test a causal intervention.

Data Sources, Level, and Reference Period

Five categories of secondary data were used, each drawn from a specific, named source and reference period so that the basis of every figure reported in Section 4 is traceable:

- Net State Domestic Product (NSDP) and per capita NSDP at current prices, 2011–12 series, reference year 2022–23: compiled at state level from the Directorate of Economics & Statistics of each respective state government as published in the state-level Economic Survey 2024–25, and cross-validated against the central-level Reserve Bank of India's Handbook of Statistics on Indian States 2024–25 (RBI, 2025) and Ministry of Statistics and Programme Implementation (MoSPI) releases for 2022–23.

- GST revenue collection under CGST, SGST, IGST, and CESS heads, April–December of financial year 2024–25: central-level data from the Department of Revenue, Ministry of Finance, Government of India.
- Health and demographic indicators — birth rate, death rate, and infant mortality rate, reference year 2020: Sample Registration System (SRS) statistical report, Office of the Registrar General of India (RGI), Ministry of Home Affairs. Supplementary interpretation of maternal and child-health outcomes draws on the National Family Health Survey, Round 5 (NFHS-5, 2019–21), conducted by the Ministry of Health and Family Welfare through the International Institute for Population Sciences.
- Literacy rate, decennial series 1951–2011: Census of India, Office of the Registrar General of India, Ministry of Home Affairs (the most recent decennial census with published literacy data at the time of writing).
- Unemployment rate (Current Weekly Status, all ages), nine quarters from July–September 2022–23 through July–September 2024–25: Periodic Labour Force Survey (PLFS) quarterly bulletins, National Statistical Office, MoSPI.

Because these five datasets carry different reference years — 2022–23 for income, 2024–25 for GST, 2020 for vital statistics, 2011 for literacy, and 2022–2025 for employment — the study treats them as a composite, multi-period picture of regional disparity rather than a single-year snapshot. This mixed-period design is a deliberate methodological choice, made necessary by the fact that no single Indian data source currently reports all five indicator classes for the same year; it is noted explicitly as a limitation in Section 3.5.

Statistical Tools

The study uses descriptive statistics — arithmetic mean, standard deviation, and the coefficient of variation ($CV = \text{standard deviation} \div \text{mean} \times 100$) — to quantify the degree of interstate dispersion in each indicator. The coefficient of variation is preferred over the standard deviation alone because it is unit-free and therefore comparable across indicators measured in different units (rupees crore, percentages, and rates per 1,000 population). Simple ranking and ratio measures (highest-to-lowest state ratio) are used to express the practical magnitude of disparity in each indicator.

Classification of Top-Performing and Least-Performing States

States are classified as top-performing or least-performing using a distance-from-mean method consistent with the approach used by the Raghuram Rajan Committee (Government of India, 2013): for each indicator, a state whose value lies more than 0.5 standard deviations above the 2022–23 all-state mean is classified as top-performing, and a state whose value lies more than 0.5 standard deviations below the mean is classified as least-performing. States within ± 0.5 standard deviations of the mean are treated as middle-performing and are not separately tabulated in the condensed tables in Section 4, in the interest of readability; the full 34-state dataset is available from the corresponding author on request. Very small states and union territories with populations under two million (Goa, Sikkim, Delhi, Chandigarh, and comparable UTs) are reported separately rather than pooled with major states, because their small population denominators produce extreme per capita values that are not economically comparable to large, populous states (a standardisation step this study explicitly applies, in contrast to some earlier work that pools all states/UTs together).

3.5 Limitations

- The analysis relies entirely on secondary, government-published data and does not incorporate primary field survey evidence.
- The five indicator categories carry different base/reference years (2011–12 to 2024–25), which limits strict single-year comparability, though each indicator is internally consistent across states.
- Union territories without published State Domestic Product estimates (Dadra & Nagar Haveli and Daman & Diu, Ladakh, and Lakshadweep) are excluded from the NSDP-based tables.
- The study is descriptive rather than econometric; it does not estimate a formal convergence (beta- or sigma-convergence) regression, which is identified as a direction for future research in Section 6.

RESULTS AND DISCUSSION

State-wise Net State Domestic Product, 2022–23

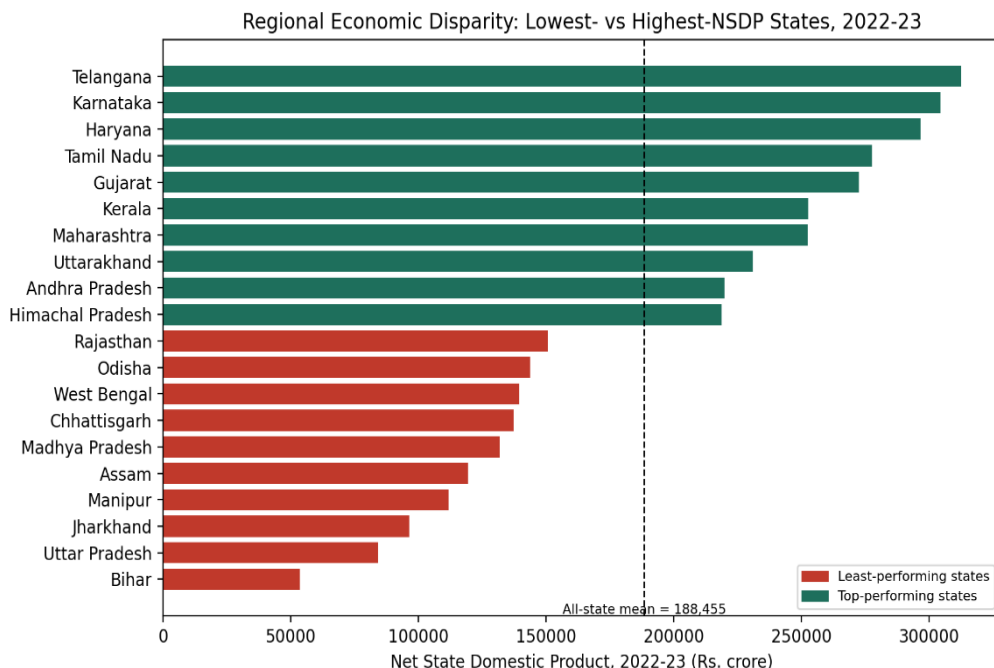
Table 1 and Figure 1 present the ten highest- and ten lowest-NSDP major states at current prices for 2022–23 (RBI, 2025; state Economic Surveys 2024–25). The 22-

state sample used for this comparison (excluding very small states/UTs, per Section 3.4) has a mean NSDP of ₹1,88,455 crore and a standard deviation of ₹78,185 crore, giving a coefficient of variation of 41.5 per cent — a high level of dispersion for a within-country comparison. Telangana, the highest-ranked major state (₹3,12,522 crore), records an NSDP nearly six times that of Bihar, the lowest-ranked major state (₹53,478 crore).

Table 1. Highest- and Lowest-NSDP Major States, 2022–23 (Source: RBI, 2025; State Economic Surveys 2024–25)

State	NSDP 2022–23 (₹ crore)
Telangana	3,12,522
Karnataka	3,04,474
Haryana	2,96,592
Tamil Nadu	2,77,802
Gujarat	2,72,451
Rajasthan	1,50,653
Odisha	1,43,768
West Bengal	1,39,442
Chhattisgarh	1,37,329
Madhya Pradesh	1,32,010
Assam	1,19,308
Manipur	1,11,853
Jharkhand	96,449
Uttar Pradesh	84,126
Bihar	53,478

Figure 1. Regional Economic Disparity — Lowest- vs Highest-NSDP Major



States, 2022-23

The pattern is consistent with the industrial-location literature: Karnataka, Telangana, and Tamil Nadu owe their high output to information-technology, pharmaceutical, and manufacturing clusters concentrated in and around Bengaluru, Hyderabad, and Chennai, while Gujarat and Haryana benefit from port infrastructure and proximity to the Delhi National Capital Region respectively (Chakravorty, 2003). Bihar, Uttar Pradesh, and Jharkhand remain constrained by low industrial density, weak physical infrastructure, and — in Jharkhand's case — heavy dependence on primary mineral extraction without downstream value addition. Separately, four very small states/UTs — Sikkim (₹5,20,466 crore), Goa (₹4,92,648 crore), Delhi (₹4,30,120 crore), and Chandigarh (₹3,99,654 crore) — report NSDP levels above or comparable to the largest major states despite tiny populations; these reflect concentrated tourism, hydropower, or service-sector activity rather than broad-based industrialisation, and are therefore reported separately rather than compared directly with large states (Section 3.4).

Per Capita Income Disparities

Aggregate NSDP understates disparity in living standards because it does not adjust for population. Per capita income data for 2022–23 (MoSPI, 2024, as reported by Business Standard; RBI, 2025) show Telangana at approximately ₹3,08,732, Karnataka at ₹3,01,673, and Haryana at ₹2,96,685 — all roughly two-and-a-half to three times the all-India average of approximately ₹1,15,490 for the same year. By contrast, Bihar's per capita income (approximately ₹54,000–69,000 depending on the estimate cited) and Uttar Pradesh's (approximately ₹71,000–85,000) remain among the lowest in the country. The ratio between the highest- and lowest-income major states is therefore in the region of 4.5 to 5.7, a gap that has persisted, and in relative terms widened, over six decades (Economic Advisory Council to the Prime Minister, 2024). This finding directly supports the divergence prediction of Myrdal (1957) and Krugman (1991) over the convergence prediction of neoclassical growth theory (Solow, 1956): India's richest states have grown faster in relative terms than its poorest states for a sustained period rather than converging toward them.

Fiscal Federalism and GST Revenue Distribution

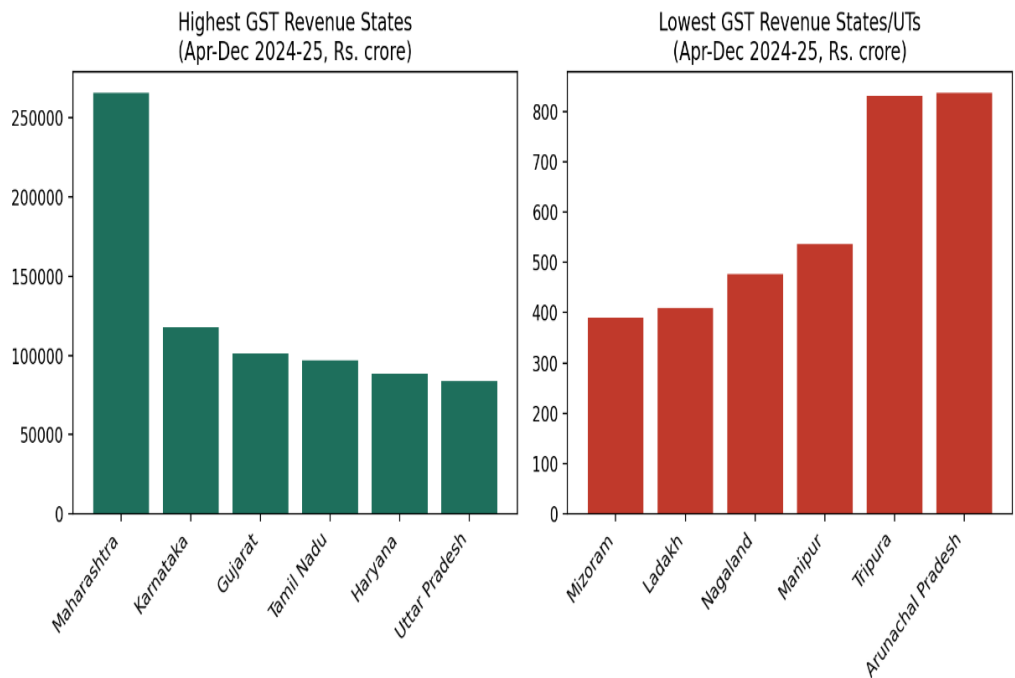
Table 2 and Figure 2 summarise GST revenue collected under the domestic supply of goods and services, April–December 2024–25 (Department of Revenue, Ministry of Finance). Because GST is a consumption-based, destination-linked tax, collection figures mirror the pattern of economic activity documented in Sections 4.1 and 4.2 rather than correcting it: Maharashtra alone collected ₹2,65,349 crore — more than the combined collection of all North-Eastern states and several major states put together — while Manipur, Mizoram, Nagaland, and comparable states/UTs each collected under ₹1,000 crore over the same nine-month period.

**Table 2. Highest- and Lowest-GST-Revenue States/UTs,
April–December 2024–25**

State/UT	GST Collection, Apr–Dec 2024–25 (₹ crore)
Maharashtra	2,65,349
Karnataka	1,17,597
Gujarat	1,01,117
Tamil Nadu	97,129
Haryana	88,505
Uttar Pradesh	83,585
West Bengal	49,436
Odisha	44,453
Sikkim	3,025
Arunachal Pradesh	836
Tripura	830
Nagaland	476
Manipur	536
Mizoram	390

(Source: Department of Revenue, Ministry of Finance, GoI)

Figure 2. GST Revenue Concentration — Highest- vs Lowest-Collection States/UTs, April–December 2024–25



This finding requires a careful, and specifically requested, clarification: raw GST collection figures do not by themselves indicate whether the GST regime is reducing or widening regional disparity, because collection reflects where consumption occurs, not where a state's fiscal need is greatest. The equalising mechanism in India's post-GST fiscal architecture operates not through where GST is collected but through how the divisible pool (including the Centre's share of IGST and the compensation cess) is subsequently devolved to states via the Finance Commission's needs-and-equity weighted formula — which explicitly favours states with lower per capita income, larger population, and greater forest cover. On the evidence assembled here, GST collection data alone do not show the tax reducing regional disparity; rather, it is the devolution formula layered on top of GST and other central revenue that carries the redistributive function envisaged by the Finance Commission and the Raghuram Rajan Committee (Government of India, 2013). This is an important nuance the pre-GST literature could not address, and it

directly motivates the policy recommendation in Section 5 for a more transparent, publicly tracked link between GST-pool devolution and lagging-state fiscal need.

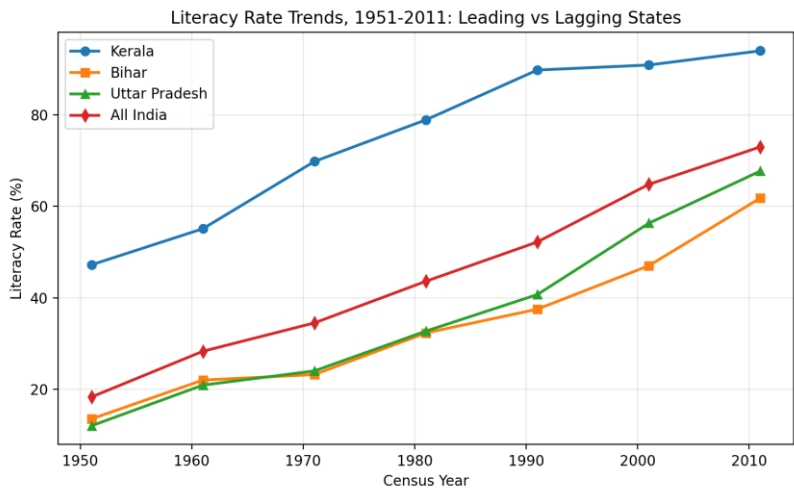
Demographic and Health Indicators

Birth rate, death rate, and infant mortality rate (IMR) data for 2020 (Office of the RGI, SRS 2020) show a consistent geographic pattern. High-birth-rate states — Bihar (25.5 per 1,000), Uttar Pradesh (25.1), and Madhya Pradesh (24.1) — are also, with the partial exception of Bihar, high-IMR states: Madhya Pradesh's IMR of 43 per 1,000 live births and Uttar Pradesh's IMR of 38 are among the highest in the country, more than six times Kerala's IMR of 6. This clustering is consistent with NFHS-5 (2019–21) findings that institutional delivery, skilled birth attendance, and child-nutrition indicators remain comparatively weaker in Bihar, Uttar Pradesh, and Madhya Pradesh than in Kerala, Tamil Nadu, and Goa. Kerala presents a partial exception to the general pattern: its low birth rate (13.2) and very low IMR (6) coexist with a comparatively high death rate (7.0), reflecting an ageing population structure rather than poor healthcare — a reminder that a single indicator, read in isolation, can misstate a state's underlying development position.

Educational Attainment: Long-Run Literacy Trends, 1951–2011

Figure 3 traces literacy rates from the first post-independence census (1951) to the most recent decennial census with published literacy data (2011) for Kerala, Maharashtra, Uttar Pradesh, Bihar, and the all-India average (Office of the RGI, Census of India). India's national literacy rate rose from 18.3 per cent in 1951 to 73.0 per cent in 2011. Kerala led throughout the period, rising from 47.2 per cent to 94.0 per cent, while Bihar rose from 13.5 per cent to 61.8 per cent and Uttar Pradesh from 12.0 per cent to 67.7 per cent. In absolute percentage-point terms the Kerala–Bihar gap narrowed slightly, from 33.7 points in 1951 to 32.2 points in 2011; in relative terms, however, Bihar's literacy rate in 2011 (61.8 per cent) was still below Kerala's literacy rate in 1981 (78.9 per cent) — a lag of roughly three decades. This is the clearest illustration in the dataset of Myrdal's (1957) cumulative-causation dynamic: early advantage in education compounds over generations rather than dissipating.

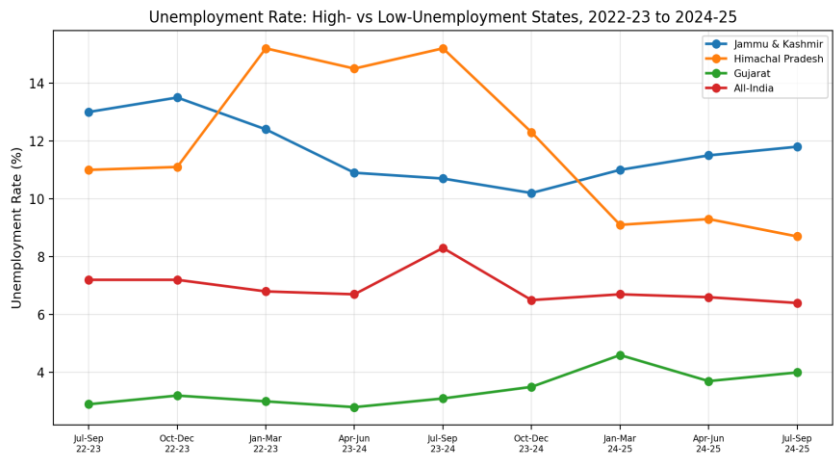
Figure 3. Literacy Rate Trends, 1951–2011: Leading vs Lagging States
(Source: Census of India, Office of the RGI)



Labour Market Disparities: Unemployment Rate, 2022–25

Figure 4 plots the Current Weekly Status unemployment rate for selected states across nine PLFS quarters, July–September 2022–23 through July–September 2024–25 (MoSPI, PLFS quarterly bulletins).

Figure 4. Unemployment Rate: High- vs Low-Unemployment States, 2022–23 to 2024–25
(Source: PLFS Quarterly Bulletins, MoSPI)



Gujarat maintained the lowest unemployment rate throughout the period (2.8–4.6 per cent), consistent with its strong manufacturing and export base, while Jammu & Kashmir (10.2–13.5 per cent) and Himachal Pradesh (8.7–15.2 per cent) recorded persistently high rates. Kerala presents a striking and policy-relevant paradox: despite near-universal literacy and strong health outcomes, its unemployment rate remained in the 8.3–12.5 per cent range throughout the period — among the highest of any large state — reflecting a mismatch between a highly educated workforce's job expectations and the limited supply of formal-sector employment within the state, a pattern also noted in the underlying PLFS commentary. This finding is important because it shows that human-development indicators and labour-market indicators do not always move together, and a disparity-reduction strategy focused only on literacy or health will not by itself resolve state-specific employment gaps.

Synthesis: A Composite Picture of Regional Disparity

Table 3 brings together the classification of major states across the five indicator categories examined above, using the distance-from-mean method described in Section 3.4. States that are top-performing on income and fiscal indicators are, with the qualified exception of Kerala on employment, generally also top-performing on health and education; states that are least-performing on income are, with few exceptions, also least-performing on health and education. This co-movement across indicator categories is itself evidence against a simple convergence story: if regions were converging, one would expect at least partial decoupling between income and human-development rankings over a six-decade period, and the data instead show the opposite — persistent, mutually reinforcing disparity consistent with cumulative causation (Myrdal, 1957).

Table 3. Composite Classification of Selected Major States Across Five Indicator Categories (Author's classification, based on Tables 1–2 and Sections 4.4–4.6)

State	Income (NSDP/capita)	Health (IMR)	Education (Literacy)	Employment (UR)
Karnataka	Top	Top	Top	Middle
Tamil Nadu	Top	Top	Top	Top (low UR)
Gujarat	Top	Middle	Middle	Top (low UR)
Kerala	Middle	Top	Top	Least (high UR)
Maharashtra	Top	Top	Top	Middle

State	Income (NSDP/capita)	Health (IMR)	Education (Literacy)	Employment (UR)
Madhya Pradesh	Least	Least	Least	Middle
Uttar Pradesh	Least	Least	Least	Middle
Bihar	Least	Middle	Least	Middle

KEY FINDINGS

- Interstate economic output disparity is high: the coefficient of variation in 2022–23 NSDP across 22 major states is 41.5 per cent, and the highest-output state's NSDP is nearly six times the lowest-output state's.
- Per capita income disparity is at least as severe as aggregate output disparity, with a highest-to-lowest ratio of roughly 4.5 to 5.7 among major states, and has widened rather than narrowed in relative terms since the 1960s.
- GST revenue collection is heavily concentrated in a small group of industrialised states and does not, by itself, function as a disparity-reducing instrument; redistribution occurs (if at all) through the subsequent Finance Commission devolution formula rather than through the pattern of collection.
- Health and education indicators cluster geographically in the same states that lag on income (Bihar, Uttar Pradesh, Madhya Pradesh, Jharkhand), consistent with cumulative-causation rather than convergence dynamics.
- Literacy gaps have narrowed only marginally in absolute percentage-point terms over six decades and remain wide in developmental-stage terms (Bihar's 2011 literacy rate matched Kerala's 1981 level).
- Labour-market outcomes do not track income and human-development outcomes in every state: Kerala combines top-tier health and education indicators with persistently high unemployment, indicating a distinct, skills-mismatch-driven employment problem rather than a general development deficit.

Policy Suggestions

The following recommendations follow directly from the findings in Sections 4 and 5 and are deliberately specific rather than generic:

1. Publish an annual, publicly accessible reconciliation between GST-pool devolution and each state's Finance Commission need-index score, so that the redistributive effect of fiscal federalism — currently opaque, as Section 4.3 shows — can be independently verified against the Raghuram Rajan Committee's need-and-performance criteria.
2. Direct incremental central infrastructure and industrial-corridor investment toward the eastern mineral belt (Bihar, Jharkhand, Odisha, Chhattisgarh) with an explicit value-addition mandate — requiring in-state processing of extracted minerals rather than raw-material export — to break the historical pattern in which resource-rich states remain income-poor (Section 4.1).
3. Scale up institutional-delivery and child-nutrition components of NFHS-5-monitored health programmes specifically in the seven states with IMR above 30 per 1,000 (Madhya Pradesh, Uttar Pradesh, Chhattisgarh, Assam, Odisha, Rajasthan, Meghalaya), with district-level targets tied to the Aspirational Districts Programme.
4. Design a distinct labour-market intervention for high-literacy, high-unemployment states such as Kerala, Himachal Pradesh, and Jammu & Kashmir, focused on formal-sector job creation and skill-to-vacancy matching rather than basic literacy or vocational-training expansion, which these states have already achieved.
5. Establish a standing, quarterly-updated Regional Disparity Monitoring Index at NITI Aayog that integrates NSDP, NFHS, PLFS, and GST devolution data in one place, using the same distance-from-mean classification method applied in this study (Section 3.4), so that the Raghuram Rajan Committee's 2013 methodology is kept current rather than treated as a one-time exercise.

CONCLUSION

India's rise to become the world's fourth-largest economy has not been accompanied by a corresponding convergence among its states. On every indicator examined in this study — net state domestic product, per capita income, GST revenue collection, infant mortality, literacy, and unemployment — the same small group of states (Karnataka, Tamil Nadu, Maharashtra, Gujarat, Telangana, and Haryana) occupies the top tier, while Bihar, Uttar Pradesh, Jharkhand, and Madhya Pradesh occupy the bottom tier with striking consistency. This pattern is more consistent with Myrdal's (1957) cumulative-causation theory and Krugman's (1991) agglomeration economics than with the convergence prediction of neoclassical growth theory (Solow, 1956), and it has been confirmed independently by the Economic Advisory Council to the Prime Minister's (2024) six-decade review of state GDP shares.

The single most important qualification this study adds to the existing literature concerns fiscal federalism: the introduction of GST in 2017 has not, on the evidence assembled here, functioned as an automatic disparity-reducing mechanism, because GST collection mirrors existing economic geography rather than correcting it. Whatever redistribution occurs must therefore come from the devolution formula applied on top of GST and other central revenue — the mechanism the Finance Commission and the Raghuram Rajan Committee were specifically designed to govern. Making that devolution process more transparent, and tying it more tightly to the kind of multi-indicator monitoring demonstrated in this study, is accordingly the most direct policy lever available to Indian planners in the near term.

This study is descriptive rather than causal, and its findings should be read as an evidence base for, rather than a substitute for, future econometric work. Priority directions for further research include formal sigma- and beta-convergence testing of state per capita income panels, district-level (rather than state-level) disparity analysis using Aspirational Districts Programme data, and primary survey work in the lowest-performing districts identified in Table 3 to establish the specific local barriers — land, credit access, or governance capacity — that continue to separate India's fastest- and slowest-growing regions.

REFERENCES

- Ahluwalia, M. S. (2000). Economic performance of states in the post-reforms period. *Economic and Political Weekly*, 35(19), 1637–1648.
- Basu, K., & Maertens, A. (Eds.). (2010). *The Oxford companion to economics in India*. Oxford University Press.
- Bhattacharya, B. B., & Sakthivel, S. (2004). Regional growth and disparity in India: Comparison of pre- and post-reform decades. *Economic and Political Weekly*, 39(10), 1071–1077.
- Chakravorty, S. (2003). Industrial location in post-reform India: Patterns of interregional divergence and intraregional convergence. *The Journal of Development Studies*, 40(2), 120–152.
- Data For India. (2025). The economies of Indian states. <https://www.dataforindia.com/state-economies/>
- Datt, G., & Ravallion, M. (2002). Is India's economic growth leaving the poor behind? *Journal of Economic Perspectives*, 16(3), 89–108.
- Department of Revenue, Ministry of Finance, Government of India. (2025). Total revenue received under GST on the domestic supply of goods and services, April–December 2024–25 [Data set].
- Dholakia, R. H. (2003). Regional disparity in economic and human development in India. *Economic and Political Weekly*, 38(39), 4166–4172.
- Economic Advisory Council to the Prime Minister. (2024). Relative economic performance of Indian states: 1960–61 to 2023–24 (Working Paper). Government of India. <https://eacpm.gov.in>
- Government of India. (2013). Report of the Committee for Evolving a Composite Development Index of States (Raghuram Rajan Committee report). Ministry of Finance.
- Government of India. (2020). NITI Aayog SDG India Index 2019–20. NITI Aayog. <https://www.niti.gov.in>
- Government of India. (2021). Economic Survey 2020–21. Ministry of Finance. <https://www.indiabudget.gov.in>
- Government of India. (2025). Economic Survey 2024–25 (state volumes). Directorate of Economics & Statistics, respective State Governments.

- International Monetary Fund. (2025). World Economic Outlook, April 2025: A critical juncture amid policy shifts. <https://www.imf.org>
- Jalan, B. (1992). The Indian economy: Problems and prospects. Penguin Books India.
- Krugman, P. (1991). Increasing returns and economic geography. *Journal of Political Economy*, 99(3), 483–499.
- Kurian, N. J. (2000). Widening regional disparities in India: Some indicators. *Economic and Political Weekly*, 35(7), 538–550.
- Ministry of Health and Family Welfare, Government of India. (2021). National Family Health Survey (NFHS-5), 2019–21: India report. International Institute for Population Sciences.
- Ministry of Statistics and Programme Implementation, Government of India. (2024). Periodic Labour Force Survey (PLFS): Quarterly bulletins, July 2022–September 2024.
- Myrdal, G. (1957). *Economic theory and under-developed regions*. Duckworth.
- Office of the Registrar General of India, Ministry of Home Affairs. (2013). *Census of India 2011: Literacy rate, 1951–2011*.
- Office of the Registrar General of India, Ministry of Home Affairs. (2022). *Sample Registration System (SRS) statistical report 2020*.
- Planning Commission, Government of India. (2013). *Twelfth Five-Year Plan (2012–2017): Faster, more inclusive and sustainable growth*. SAGE Publications India.
- Reserve Bank of India. (2025). *Handbook of statistics on Indian states, 2024–25*. RBI.
- Sen, A. (1999). *Development as freedom*. Oxford University Press.
- Solow, R. M. (1956). A contribution to the theory of economic growth. *The Quarterly Journal of Economics*, 70(1), 65–94.
- United Nations Development Programme. (2022). *Human Development Report 2021/2022: Uncertain times, unsettled lives*. <https://hdr.undp.org>
- World Bank. (2021). *Poverty and shared prosperity 2020: Reversals of fortune*. The World Bank Group. <https://www.worldbank.org>