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Disparities in Progress: Industrialization and Inter-State Variation within India

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Abstract

Industrialization is widely recognized as a critical driver of economic growth and structural transformation, particularly in developing nations. This study examines the evolution of industrial development in India during the post-reform period, focusing on state-level heterogeneities and long-term trends. Using secondary data from the Annual Survey of Industries (ASI), the analysis explores key dimensions such as fixed investment, output, employment, and structural shifts in the industrial landscape. The findings highlight the impact of the 1991 economic reforms in promoting private sector participation and boosting investment, evidenced by a consistent rise in the investment-to-GDP ratio and structural transformation of the economy. While Maharashtra initially dominated the industrial sector, states like Gujarat and Tamil Nadu have emerged as major players post the reforms. Conversely, some states, including Bihar and Karnataka, experienced significant decline in industrial contributions. The study underscores dynamic inter-state variations in industrial performance. By tracing these shifts, this paper provides valuable insights into the evolving industrial profile of India and the critical factors driving regional disparities in industrial growth.

Keywords: Industrialisation, Inequality, Economic reforms, Inter-State disparities, Indian Manufacturing Sector, Restructuring

Introduction

The importance of industrialization in developed and developing countries is wellacknowledged in literature (Kuznets, 1955; Kaldor, 1966). The successful industrialization facilitated developed and newly industrialized countries including China to come out of low-level income trap and move towards high growth. The long-term dynamics of growth suggest that the industrial sector, particularly manufacturing sector, has to be developed as it has strong forward and backward linkages with other sectors of the economy. It is established that there is a strong and positive relationship between growth of manufacturing sector and growth of country's gross domestic product (Kaldor, 1966; Szirmai, 2012) observed a positive correlation between the degree of industrialization and the per capita income growth. Thus, the industrial sector in general and manufacturing sector in particular is termed as an engine of economic growth.

Given the vital role of industrialization in the process of economic growth and systematic structural transformation, underdeveloped and developing countries have been taking various policy measures to develop a vibrant and dynamic industrial sector. The efforts towards

industrialization by the national and sub-national governments in India since independence can be seen in terms of a series of policies and programme aimed at developing industrial sector (Pingle, 1999; Subrahmanian, 2003; Das, 2011; Singh, 2019). Besides imposing quantitative restrictions on the imports of raw material and final goods, a large number of industries were strictly reserved for the public the sector investment. Thus, state intervention attempted to influence the pace and pattern of industrialization in India (Veeramani and Nagraj, 2016). These developments facilitated India to build an industrial sector but also gave birth to some undesirable practices (Ahluwalia, 1985; Narayana, 1989; Narayanan, 1999; Pingle, 1999). Realizing the inefficiencies, India cautiously started shifting its development strategy wherein focus was to provide free hand to the private players for establishing strong industrial sector. A significant change in the industrial policy was witnessed with the onset of 1991 reforms wherein private investment was encouraged at a large scale and restrictions related to monopolies practices, imports of capital goods were fully or partially eliminated.

In this context, this paper attempts to analyze industrialization in India in the post reforms period. More specifically, the analysis is carried-out

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at state-level. It facilitates in understanding the heterogeneities in industrial development across states.

Data Source:

For the analysis secondary data is used. The data is sourced from **Annual Survey of Industries** (**ASI**), conducted by Central Statistical Office (CSO) of Ministry of Statistics and Programme Implementation (MOSPI). It is the principal source of Industrial statistics in India. It covers all factories registered under Sections 2(m)(i) and 2(m)(ii) of the Factories Act, 1948.

Structural change of Indian economy

Table 1 presents the structural changes in the economy in terms of transition in contribution of different sub-sectors to gross domestic product. It is well established that in the long run the importance of traditional sector (agriculture sector) declines and it is to be balanced by the expansion of secondary and tertiary sectors. During this period (1980-81 to 2017-18), the share of primary sector has significantly declined whereas secondary and tertiary sectors have picked up. The share of primary sector in India's GDP has decreased from 39.64 per cent in 1980-81 to 26.18 per cent in 2000-01 and further to 18.18 per cent in 2017-18. In contrast, the respective shares of secondary and tertiary sectors have risen from 24.36 per cent and 35.99 per cent to 23.51 per cent and 50.31 per cent and further to 28.38 per cent and 53.44 per cent (Table, 1).

Year	Base Year	Primary	Secondary	Tertiary	Overall
1980-81	1980-81	39.64	24.36	35.99	100
1985-86	1980-81	36.3	25.93	37.76	100
1990-91	1980-81	32.91	28.03	39.06	100
1995-96	1993-94	30.59	25.47	43.94	100
2000-01	1999-2000	26.18	23.51	50.31	100
2004-05	2004-05	21.89	25.06	53.05	100
2011-12	2011-12	21.7	29.3	49	100
2015-16	2011-12	18.43	28.53	53.04	100
2016-17	2011-12	18.32	28.4	53.28	100
2017-18(P)	2011-12	18.18	28.38	53.44	100
2018-19(Q)	2011-12	17.32	28.38	54.3	100

 Table 1 Sector-wise distribution of GDP at constant prices in India (% share)

Source: Singh and Kumar, 2020 Note: P- Provisional; Q-Quick estimates.

The structural transformation is also reflected in terms of change in the structure of workforce engaged in these sectors. Table 2 outlines the changes in the structure of workforce engaged across three sub-sectors during 1983 to 2017-18. It is evident as around 44 per cent of total workforce at

the national level is still finding employment in the

primary sector. For instance, the share of primary sector has declined from 69.03 per cent in 1980-81 to 60.41 per cent in 1999-2000 to 44.10 per cent in 2017-18. At the same time, shares of secondary and tertiary sectors have increased from 13.67 per cent and 17.21 per cent, respectively, in 1980-81 to 24.80 per cent and 31.00 per cent in 2017-18.

Table 2: Sectoral Distribution of Employment in India (% share)

Year	Primary	Secondary	Tertiary
1983	69.03	13.67	17.21
1993-94	64.67	14.83	20.50
1999-00	60.41	16.85	22.74
2005-06	58.00	18.80	23.20
2011-12	49.44	23.72	26.84
2017-18*	44.10	24.80	31.00

Source: Singh and Kumar, 2020

The growth trends have also been analysed across three major sub-sectors of the economy. It is observed that growth of Punjab economy was largely driven by the high growth of primary and secondary sector during 1980s (Table 3). The growth of secondary sector in India remained fluctuating from 7.59 per cent to 4.53 per cent during 1980s. The situation has changed after 1990. The growth of India increased above 7 per cent in 1995-96 (Table 3).

 Table 3: Sector-wise growth rates: India (at constant prices)

	0		L /		
Year	Base year	Primary	Secondary	Tertiary	Overall
1981-82	1980-81	6.2	7.59	4.96	6.10
1985-86	1980-81	0.52	4.53	7.41	4.08
1995-96	1993-94	0.35	12.47	10.31	7.31
1999-2000	1993-94	0.57	4.95	10.06	6.07
2000-01	1999-2000	(-)0.02	6.75	5.65	4.35

2005-06	2004-05	4.64	10.68	10.91	9.48
2010-11	2004-05	8.32	7.64	9.67	8.91
2015-16	2011-12	2.10	9.50	9.40	8.00
2016-17	2011-12	7.30	7.50	8.50	8.30
2017-18(P)	2011-12	5.80	6.50	6.90	7.00
2018-19(Q)	2011-12	1.00	6.00	7.70	6.10

Source: Singh and Kumar, 2020 Note: P- Provisional; Q-Quick estimates

Inter-state comparison

In this section, a comparison is drawn among Indian states, for the period 1980-81 to 2017-18, in terms of industrial development on the basis of various parameters such as number of factories in each state, investment in industrial sector. employment, and value addition.

Comparison on the basis of share in number of factories in each state is shown in Figure 1. In 1980-81, Maharashtra was the top state in terms of its share in total number of factories in India (16.14 per cent). One-half of the total factories (49.98 per cent) in India were located in these four states, namely, Maharashtra, Gujarat, Andhra Pradesh and Tamil Nadu. In the latest year 2017-18, Tamil Nadu has replaced Maharashtra as the top state with a share of 15.90 per cent in total number of factories. It is followed by Andhra Pradesh (13.28 per cent), Gujarat (11.19 per cent) and Maharashtra (11.10 per cent) in that order. These four states account for 52.1 per cent of total number of factories in the country. In case of share of number of factories, the highest percentage point difference from 1981-82 to 1991-92 (i.e.) prior to reforms is shown by Bihar and the biggest dip is reported by Karnataka in same time period. Whereas, from 2001-02 to 2018-19 (the recent time period) the maximum increase in terms of share of number of factories is reported by Assam and in decline in this regard in this time period is seen in Madhya Pradesh.

Figure 1: State-wise percentage point difference in share of registered factories (in %)





In the first time period (1980-81 to 1989-90), Himachal Pradesh is the state which shows highest growth rate in terms of number of factories (table 5) i.e., 5.08 per cent. It is followed by Andhra Pradesh, Uttar Pradesh with a growth rate of 3.68 and 3.27 per cent respectively. Whereas, in this time period Jammu & Kashmir was the slowest growing state with a negative growth rate of -3.54 percent. Based on calculation of quartiles of CAGR (Table 4), the states have been organized into four categories of CAGR (Low, Medium-low, Medium and High) in Table 5. In the recent time period, Haryana rose up to the state with highest growth rate in terms of number of factories with a growth rate of 8.94 per cent. Followed by Assam (7.9 per cent), Karnataka (3.19 per cent) and Gujarat (2.94 per cent). Even Jammu and Kashmir rose up from lowest growth rate in first time period to medium growth category. On the other hand, all the top states of first time period showed a decline in growth rate to lower categories.

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Table 4: Quartile Value of Compounded Annual Growth Rate of number of factories (%)

-	-			
Quartile	1980-81 to 1989-90	1991-92 to 1999-00	2001-02 to 2009-10	2010-11 to 2018-19
Q 1	-0.25	0.39	1.44	1.43
Q 2	0.32	2.00	2.54	2.26
Q 3	2.17	3.55	3.95	2.89
Q 4	5.08	6.36	13.35	8.94

Source: Author's calculation based on data sourced from Annual Survey of industries

Table 5: C	alegorisation of states ba	sed off CAGK of Nulli	ber of ractories
Year	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19
	States	States	States
	Jammu & Kashmir	Bihar*	Delhi
Low	Bihar*	Andhra Pradesh*	Maharashtra
	West Bengal	Assam*	Punjab
	Odisha	Odisha	Tamil Nadu
	Gujarat	Uttar Pradesh*	Kerala
	Delhi	Delhi	Uttar Pradesh*
Medium-Low	Maharashtra	Madhya Pradesh*	West Bengal
	Madhya Pradesh*	West Bengal	Rajasthan
	Assam*	Punjab	Bihar*
	Karnataka	Karnataka	Odisha
	Punjab	Maharashtra	Andhra Pradesh*
Medium	Kerala	Tamil Nadu	Himachal Pradesh
	Rajasthan	Kerala	Madhya Pradesh*
	Haryana	Gujarat	Jammu & Kashmir
	Tamil Nadu	Rajasthan	Gujarat
Iliah	Uttar Pradesh*	Haryana	Karnataka
nign	Andhra Pradesh*	Himachal Pradesh	Assam*
	Himachal Pradesh	Jammu & Kashmir	Harvana

Source: same as Table 4

Figure 2: State-wise distribution of fixed capital (in %)



Source: Same as Figure 1

Table 7 analyses the state-wise distribution of fixed capital during the period 1980-81 to 2017-18. In 1980-81, the state of Maharashtra accounted for the highest percentage share of fixed investment, its share stood at 15.97 per cent. Followed by Bihar (11.44), Uttar Pradesh (10.35) and Gujarat (9.02). In contrast, the states of Himachal Pradesh, Assam and Jammu and Kashmir accounted for the lowest shares of less than 1 per cent. In the latest year, 2017-18,

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Gujarat has replaced Maharashtra as the top most state with a share of 20.47 per cent in fixed investment (Table, 5). It amounts to roughly onefifth of total fixed investment in India. Maharashtra ranks second with a share of 10.91 per cent, it has observed a decline in its share during the reference period. Odisha has made a huge progress as it comes at top-third position. Its share has increased from 2.51 per cent in 1980-81 to 10.32 per cent in 2017-18. Based on calculation of quartiles of CAGR

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(Table 6), the states have been organized into four categories of CAGR (Low, Medium-low, Medium and High) in Table 7. From being at the top second rank Bihar's share in fixed investment declined to meagre 0.61 per cent. In case of share of fixed capital, the highest percentage point difference from 1981-82 to 1991-92 (i.e.) prior to reforms is shown

by Madhya Pradesh and the biggest dip is reported by Uttar Pradesh in same time period. Whereas, from 2001-02 to 2018-19 (the recent time period) the maximum increase in terms of share of number of factories is reported by Kerala and a decline in this regard in this time period is seen in Andhra Pradesh.

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Table 6: Quartile V	alue of	Compounded A	Annual Growth	Rate of fixed c	apital (%)

	1	1	
Quartile	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19
Q 1	2.72	-2.35	2.65
Q 2	4.14	1.04	3.96
Q 3	5.73	4.02	7.38
Q 4	11.11	12.21	10.86

Source: *same as Table 4*

Table 7: Categorisation of states based on CAGR of Fixed	Capi	ta
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Year	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19
	States	States	States
	Jammu & Kashmir	Punjab	Himachal Pradesh
Low	Delhi	West Bengal	Punjab
LOW	Bihar*	Odisha	Delhi
	Kerala	Andhra Pradesh*	Andhra Pradesh*
	Rajasthan	Assam*	Uttar Pradesh*
	Karnataka	Bihar*	Maharashtra
Medium-Low	Haryana	Kerala	Bihar*
	Assam*	Uttar Pradesh*	Karnataka
	West Bengal	Delhi	Tamil Nadu
	Gujarat	Himachal Pradesh	West Bengal
	Punjab	Madhya Pradesh*	Rajasthan
Medium	Uttar Pradesh*	Maharashtra	Jammu & Kashmir
	Maharashtra	Tamil Nadu	Odisha
	Madhya Pradesh*	Haryana	Gujarat
	Andhra Pradesh*	Jammu & Kashmir	Haryana
Uiah	Tamil Nadu	Rajasthan	Assam*
nign	Himachal Pradesh	Gujarat	Kerala
	Odisha	Karnataka	Madhya Pradesh*

Source: same as Table 4

UP includes Uttarakhand, Andhra Pradesh includes Telangana, Bihar includes Jharkhand, Assam Includes Arunachal Pradesh, Madhya Pradesh includes Chhattisgarh

During 1980-81 to 1989-90, in terms of fixed capital (table 6), highest growth rate was registered by Odisha (11.11 per cent), followed by Himachal Pradesh (8.21 per cent) and Tamil Nadu (7.03 per cent). Whereas lowest and negative growth rate is registered by Jammu and Kashmir (-13.04) and Delhi (-7.27 per cent). On the other hand, in the recent time period (2010-11 to 2018-19), Madhya Pradesh registered highest growth rate in terms of fixed capital i.e., 10.86 per cent. Followed by Assam (8.66 per cent) and Gujarat (7.46 per cent). Whereas, lowest growth rate in terms of fixed capital was registered by Himachal Pradesh (-1.48 per cent), Punjab (0.04 per cent) and Delhi (1.46 per cent). Interestingly, Himachal Pradesh decelerated from high growing state to low growth category. In case of fixed capital, the highest percentage pint difference from 1981-82 to 1991-92 (i.e.) prior to reforms is shown by Bihar and the biggest dip is reported by Karnataka in same time period. Whereas, from 2001-02 to 2018-19 (the recent time period) the maximum increase in terms of CAGR of number of factories is reported by Assam and in the a decline in this regard in this time period is seen in Madhya Pradesh.



Source: same as Figure 1

Figure 3 presents information on state-wise share in total output in India during 1980-81 to 2017-18. In line with the previous tables on statewise share in total number of factories and fixed capital, Maharashtra again showed highest share (23.50 per cent) in total output as well. Gujarat ranked second with an output share of 11.68 per cent which is much lower than the top state i.e., Maharashtra, which has more than double share. They are followed by Tamil Nadu with a share of 10.82 per cent in the same year. The ranking has changed just a little bit only in 2017-18. Top three states remain the same with Gujarat replacing Maharashtra as the state with highest share in total output. Gujarat's share stood at 16.85 per cent, Maharashtra's at 14.86 per cent and Tamil Nadu had a share of 10.70 per cent in the year 2017-18. In case of share of total output, the highest percentage point difference from 1981-82 to 1991-92 (i.e.) prior to reforms is shown by Haryana and the biggest dip is reported by Andhra Pradesh in same time period. Whereas, from 2001-02 to 2018-19 (the recent time period) the maximum increase in terms of share of number of factories is reported by Assam and a decline in this regard in this time period is seen in Andhra Pradesh. Based on calculation of quartiles of CAGR (Table 8), the states have been organized into four categories of CAGR (Low, Medium-low, Medium and High) in Table 9.

Table 8: Quartile Value of Com	npounded Annual Growth Rate of total output (%)
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Quartile	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19	
Q 1	4.03	0.65	2.00	
Q 2	5.52	3.10	3.71	
Q 3	7.08	4.00	5.13	
O 4	10.15	7.98	10.59	

Source: same as Table 4 Table 9: Categorisation of states based on CAGR of Total Output

Year	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19	
	States	States	States	
	West Bengal	Odisha	Delhi	
Low	Kerala	West Bengal	Punjab	
LOW	Delhi	Bihar*	Himachal Pradesh	
	Gujarat	Uttar Pradesh*	Maharashtra	
	Maharashtra	Assam*	Jammu & Kashmir	
	Bihar*	Delhi	West Bengal	
Medium-Low	Jammu & Kashmir	Jammu & Kashmir	Bihar*	
	Tamil Nadu	Punjab	Andhra Pradesh*	
	Karnataka	Karnataka	Assam*	
	Haryana	Andhra Pradesh*	Tamil Nadu	
	Andhra Pradesh*	Tamil Nadu	Gujarat	
Medium	Rajasthan	Rajasthan	Karnataka	
	Assam*	Maharashtra	Uttar Pradesh*	
	Punjab	Kerala	Rajasthan	
High	Odisha	Madhya Pradesh*	Madhya Pradesh*	
	Madhya Pradesh*	Gujarat	Kerala	
	Uttar Pradesh*	Himachal Pradesh	Haryana	
	Himachal Pradesh	Haryana	Odisha	

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Source: *same as Table 4*

In reference to total output (table 9), during the period 1980-81 to 1989-90, Himachal Pradesh registered highest growth rate (10.15 per cent). Followed by Uttar Pradesh and Madhya Pradesh with growth rate at 9.62 and 7.86 per cent respectively. Whereas, West Bengal, Delhi and Gujarat were the lowest growing states with growth rate of total output standing at 0.04, 3 and 3.71 per cent respectively. Interestingly Himachal Pradesh showed the highest deceleration in terms of growth **Figure 4: State-wise distribution of net value added (in %)**

of total output as in the recent time period (2010-11 to 2018-19) as it shifted to low growth category from high growth in the first time period. Rather, in this time period, Odisha took over with highest growth rate of output (10.59 per cent). Haryana and Kerala followed to be high growing states in terms of total output (8.89 and 7.88 per cent respectively). During the recent time period, Delhi is the only state showing negative growth rate of total output at -4.33 per cent.





The state-wise information on net value added is presented in table 9 for the period 1980-81 to 2017-18. Maharashtra has continuously remained at the top in terms of percentage of net value added across states in India. Its share stood at 24.57 per cent in 1980-81, 21.25 per cent in 2010-11 and 18.19 per cent in 2017-18. The share of Maharashtra is continuously declining over time but it still ranks first in terms of net value-added share. Second rank is taken by West Bengal in 1980-81 with a share of 11.31 per cent in net value added but after that Tamil Nadu replaced it in 1990-91 with a share of 11.25 per cent. Since 2000-01 Gujarat is the state which ranks second across all states with a share of 11.74 per cent in 2000-01 and 14.89 per cent in Table 10: Ouertile Value of Compounded Appual 2017-18 (Figure 4). Tamil Nadu ranks third with a share of 11.14 per cent in 2017-18. In case of share of net value added, the highest percentage point difference from 1981-82 to 1991-92 (i.e.) prior to reforms is shown by Delhi and the biggest dip is reported by Andhra Pradesh in same time period. Whereas, from 2001-02 to 2018-19 (the recent time period) the maximum increase in terms of share of number of factories is reported by Assam and a decline in this regard in this time period is seen in Karnataka. Based on calculation of quartiles of CAGR (Table 10), the states have been organized into four categories of CAGR (Low, Medium-low, Medium and High) in Table 11.

Fable 10: Quartile V	alue of Compounded	Annual Growth Rate	of net value added (%)
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Quartile	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19
Q 1	3.45	0.21	0.75
Q 2	4.69	2.17	4.29
Q 3	5.71	3.59	5.15
Q 4	10.72	9.70	10.23
		G (511) (

Source: *same as Table 4*

Year	1980-81 to 1989-90	1991-92 to 1999-00	2010-11 to 2018-19	
	States	States	States	
	West Bengal	West Bengal	Delhi	
Low	Haryana	Uttar Pradesh*	Maharashtra	
LOw	Jammu & Kashmir	Odisha	Andhra Pradesh*	
	Gujarat	Kerala	Punjab	
	Delhi	Assam*	Bihar*	
	Maharashtra	Tamil Nadu	Himachal Pradesh	
Medium-Low	Rajasthan	Karnataka	Uttar Pradesh*	
	Karnataka	Delhi	Tamil Nadu	
	Kerala	Bihar*	West Bengal	
	Andhra Pradesh*	Punjab	Gujarat	
	Tamil Nadu	Himachal Pradesh	Assam*	
Medium	Madhya Pradesh*	Andhra Pradesh*	Karnataka	
	Punjab	Madhya Pradesh*	Madhya Pradesh*	
	Bihar*	Jammu & Kashmir	Odisha	
	Himachal Pradesh	Rajasthan	Kerala	
High	Uttar Pradesh*	Maharashtra	Jammu & Kashmir	
Ingn	Odisha	Haryana	Rajasthan	
	Assam*	Gujarat	Haryana	

Source: same as Table 4

In terms of net value addition (table 11), during the first time period (1980-81 to 1989-90) highest growth rate of net value added was registered by Assam. Odisha and Uttar Pradesh i.e., 10.72, 9.36 and 9.11 per cent respectively. The states which showed the least growth rate in terms of net value added in this time period are West Bengal (-3.25 per cent), Haryana (1.56 per cent) and Jammu and Kashmir (2.06 per cent). In the recent time period (2010-11 to 2018-19), Haryana showed highest growth of net value added at 10.23 per cent. Rajasthan and Jammu Kashmir too showed high growth rate of net value added with growth rate standing at 7.98 and 6.02 per cent respectively. Whereas, the lagging states in this time period are Maharashtra, Andhra Pradesh and Punjab in terms of net value-added growth rate. Inequalities among states

Interestingly, top four states of India account for nearly half of the share of fixed capital and total output of manufacturing industries (Table 12). Additionally, the share of top states have shown an increasing trend. In 1980-81, the top four states accounted for 46.78 per cent share of fixed capital of manufacturing industries. This increased to 50.15 per cent share of fixed capital in 2017-18. Importantly, the composition of the states falling the category of top states have been changing throughout the period (1980-81 to 2017-18). In 1980-81, the states having the largest combined share in terms of fixed capital were, namely, Maharashtra, Bihar, Uttar Pradesh and Gujarat. While in 2017-18, these top states (in terms of fixed capital) were, Gujarat, Maharashtra, Odisha and Tamil Nadu.

	Fixed C	Fixed Capital Total Output		Fixed Capital Total Output		Output
Years	Top states	Bottom states	Top states	Bottom states		
1980-81	46.78	3.51	55.77	3.14		
1990-91	48.48	2.34	50.22	4.01		
2000-01	53.48	2.88	52.24	3.23		
2010-11	50.57	2.11	52.66	3.89		
2016-17	49.88	2.68	51.97	3.19		
2017-18	50.15	2.63	51.74	3.23		

Table 12 Share of top and bottom states in India (in %)Source: same as Table 4

Throughout the mentioned period, Maharashtra and Gujarat have been consistently in the category of highest share states in terms of fixed capital. Whereas, Tamil Nadu consistently stayed in

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the list of top states since 2000-01 to 2017-18. Though, total output shows a decline of share of top four states from 55.77 per cent in 1980-81 to 51.74 per cent in 2017-18, but the decline is negligible and

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the top four states still have a noticeable share of total output throughout the period (1980-81 to 2017-18). Similar to the fixed capital, in case of total output share also the composition of top states have changed in the said period. During 1980-81, Maharashtra, Gujarat, Tamil Nadu and West Bengal were the states with highest combined share in terms of total output. Whereas, in 2017-18, the states with highest combined share are Gujarat, Maharashtra, Tamil Nadu and Uttar Pradesh. The consistent states to be in the category of highest share of total output

throughout the period are Maharashtra, Gujarat and Tamil Nadu.

On the other hand, the bottom four states have a very small share in terms of fixed capital and total output (Figure 5). The share of these states in fixed capital was 3.51 per cent in 1980-81, which further declined to 2.63 per cent in 2017-18. In case of total output, the meagre share of the bottom four states has remained consistently low (3.14 per cent in 1980-81 and 3.23 per cent in 2017-18).





Source: same as Figure 1

In addition to this, the gap between the top four states and bottom four states have increased from 1990-91 to 2017-18 both in terms of fixed capital and total output. In 1990-91 the gap stood at 46.14 per cent and 46.21 per cent for fixed capital and total output respectively. This gap increased to 47.52 per cent and 48.51 per cent for fixed capital and total output respectively in 2017-18. In the year 2000-01 the gap between top and bottom states was maximum in this period (1990-91 to 2017-18) i.e., it peaked at 50.79 per cent and 49 per cent in terms of fixed capital and total output respectively.

Figure 6: Difference between average of Fixed capital and total output per worker of top 4 states and bottom 4 states



Source: same as Figure 1

Conclusion

The broader objective of this paper is to provide an overall profile of industrial development in India from different perspective during the last four decades. In addition to this the paper addresses the inequalities among the Indian states in terms of manufacturing aggregates. On the basis of empirical analysis undertaken in this chapter, following are the major observations to be drawn. The changes in policies announced in 1991 and afterwards helped India to increase investment. It is evident as the

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investment to GDP ratio at national level has consistently increased since 1993-94. Change in sectoral shares in GDP over the reference period suggests that the long-term structural transformation is observed in India. The change in the structure of the economy was also confirmed by the change in employment structure across sub-sectors.

The inter-state comparison of industrial development in India from 1980-81 to 2017-18 highlights significant regional shifts across key

parameters, including the number of factories, fixed investment, total output, and net value addition. Maharashtra, which initially dominated in terms of share of factories, fixed capital, and total output, saw its leadership erode over time, with Gujarat and Tamil Nadu emerging as major industrial players. Gujarat, in particular, replaced Maharashtra as the top state in both fixed investment and total output by 2017-18. Odisha and Assam demonstrated exceptional progress, with Odisha achieving the highest growth in fixed investment and total output in recent years, while Assam recorded notable growth in the number of factories. Conversely, states like Bihar and Karnataka saw significant declines in their industrial shares.

Growth rates reveal a dynamic landscape, with states such as Himachal Pradesh, Odisha, and Haryana excelling during different periods. For instance, Odisha and Assam led in net value addition during the earlier and recent decades, respectively, while Haryana achieved the highest recent growth in this metric. Notably, Maharashtra retained the top position in net value addition despite a continuous decline in its share. These trends underscore the evolving industrial landscape shaped by regional policy initiatives, infrastructure development, and broader economic reforms, emphasizing the shifting balance of industrial growth across India's states.

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