Macro-Economic Dynamics of Selected Indian States

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1. INTRODUCTION

Indian economy has shown a robust growth rate in gross domestic product during 2004 to 2008 and same level of high growth rate have also recorded in key financial indicators of Indian economy. But this continuous increasing trend in growth rate got hindered by the North Atlantic financial crisis (NAFC) in the year 2008. However, the growth of Indian economy returns to normal level initially in response to large monetary and fiscal stimuli but the growth rate of Indian economy had slowed down significantly afterwards which result into a substantial widening of the current account and fiscal deficits during the period 2008-09. Inflation has also risen to an elevated level due to the crisis of 2008. India's potential growth rate has decreased significantly due to the deterioration in rate of domestic saving and investment (Mishra, 2013, IMF, 2013). Furthermore, studies of Acharya, 2013, Tarapore, 2013, Mody and Walton, 2013, have shown indication in their research that due to large twin deficits, there is a possibility that India may face a balance of payments crisis in the upcoming years. The alarming situation arises during June-August 2013 following the mention of tapering by the US Federal *Reserve* from the accommodative monetary policy. The global and domestic financial markets have also shown concomitant volatility which is also an alarming situation for Indian economy. But since the second quarter of 2013-14, significant correction in the current account deficit (CAD) has taken place which leads to lesser these concerns regarding Indian economy up to some extent only. There is also a view that the high growth phase of 2004-09 was a debt-led cyclical boom which was supported by extraordinary capital inflows in the world economy, corresponding with an outstanding growth phase in the world economy (Nagaraj, 2013). Thus, the increasing trend of growth rate of economy during this period can be due to this reason also. Government of India, planning commission, economists, investors and even the foreign countries have a keen interest in knowing the macroeconomic performance of India. Just as the performance of a system depends upon the performance of its components similarly, the macro economic performance of a country depends upon the performance of its states. Ultimately the GDP is total of goods and services produced by the nation people who are living in different states of India. Therefore, it is essential to measure the macro performance of the state's first, in order to have a deeper understanding and analysis of macroeconomic dynamics of a country as a whole. Macro-economic performance of a country can be improved at national level only when the financial performance at states level got improved. Thus, due to the importance of studying the Macro economic performance of Indian states, an attempt has been made through current study to measure the macroeconomic dynamics of the Indian states. It has been highlighted in the current study which states of India need to be focused for improving the overall macro-economic performance of India.

2. REVIEW OF LITERATURE

In this section the studies related to various macro-economic performance indicators and their relationship with the growth of the economy has been discussed. Various researchers have measured the relation between public debt and growth of GDP. Baum, Checherita and Rother (2013) also conducted a study which focus on the Euro Area alone, and found that public debt to GDP ratio has a non-linear effect on growth, leading to lower growth when it exceeds 95 percent. Herdon, Ash, and Pollin (2013), have shown a contrasting view and found that public debt does not affect the growth rate of an economy. Thus, both the fiscal and revenue deficit will lead to decrease in rate of saving and investment which will result into low growth rate of economy. The researcher also found a positive and significant relationship between banking development and growth of economy. Financial indicators have a direct impact on the growth of the economy. Credit deposit ratio is one of the best financial indicators which show that usage of financial service by the people. Higher level of credit deposit ratio shows the higher level of usage of banking services among the citizens and thus lead high growth rate of economy (Cetin, 2015). Researchers have also conducted study to find the relation between inflation and growth of the economy

From the literature review it is clear that majority of the study have performance at national level, or have made a comparison of various economies but very few studies are available where the macroeconomic performance at state level has been measured or analyzed by the researchers. Current study will be an attempt in the direction of filling this gap.

3. OBJECTIVE

Following is the main objective of the study:

- To measure the Macro performance Index of the different states of India.

4. RESEARCH METHODOLOGY

Current study is based on the secondary data derived from the website of National planning commission of India, Reserve bank of India, government of India, newspapers, and economic survey reports of the states and official websites of each of the selected states of India. The secondary data has been collected for a period of five years from 2009-10 to 2017-18. In this study whole India has been divided into six different regions such as, northern, northeastern, western, eastern, southern, and central region. From each region two states have selected for the purpose of study on the basis of their Gross state domestic product (GSDP). Two states from each region with highest amount of GSDP have been selected. The purpose behind dividing the whole India into different regions is to do an evenly study which can cover almost all the areas instead of focusing on only on major states. The sampling plan has been given in detail in the following section.

Table 1: Sampling Scheme

INDIA					
Northern Region	**North-Eastern Region**	**Eastern Region**	**Central Region**	**Western Region**	**Southern Region**
1. Haryana 2. Punjab 3. Himachal Pradesh 4. Rajasthan 5. Delhi 6. Chandigarh 7. Jammu & Kashmir	1. Assam 2. Manipur 3. Tripura 4. Meghalaya 5. Mizoram 6. Nagaland 7. Arunachal Pradesh	1. Bihar 2. Jharkhand 3. Odisha 4. Sikkim 5. West Bengal 6. Andaman & Nicobar Islands	1. Chhattisgarh 2. Madhya Pradesh 3. Uttar Pradesh 4. Uttarakhand	1. Goa 2. Gujarat 3. Maharashtra 4. Daman & Diu 5. Dadra and Nagra Haveli	1. Andhra Pradesh 2. Kerala 3. Karnataka 4. Tamil Nadu 5. Lakshadweep 6. Puducherry 7. Telangana

5. MACRO-ECONOMIC PERFORMANCE INDEX

This section deals with the macro economic performance index for the sample states taken in the current study using on the basis of Wroclaw Taxonomic Method developed by Florek et al. (1952) to obtain a statistical method for developing composite index. Wroclaw Taxonomic method to calculate the composite index is very popular method and vastly used method by the researcher to measure the socio-economic index especially, but here in the current study we have used this method for measuring the composite index of macro-economic performance index of the Indian states. The indicators which have been used to develop this financial-economic performance index of the Indian states are namely, growth rate of GSDP, growth rate of NSDP, growth rate of per capita NSDP, fiscal deficit to GSDP ratio, revenue deficit to GSDP ratio, public debt to GSDP ratio, total revenue to GSDP ratio, credit deposit ratio and consumer price index of the states.

Table 2: Macro-economic performance Index for the year 2017-18

State	Macro-Economic Performance index	Rank
Andhra Pradesh	0.227517	3
Assam	0.661642	10
Bihar	0.269452	5
Gujarat	0.664195	11
Haryana	0.405798	8
Madhya Pradesh	0.300241	6
Maharashtra	0.21243	1

Rajasthan	0.203525	2
Tamil Nadu	0.263821	4
Tripura	0.435349	9
Uttar Pradesh	0.319816	7
West Bengal	0.788572	12

Interpretation: Higher value of macro-economic performance index shows the low level of macro-economic performance of the corresponding state while lowest value of financial-economic index shows the high level of financial-economic performance of that particular state. It can be interpreted from the table 2 that Maharashtra state is leading in macro-economic performance Index followed by Rajasthan, Andhra Pradesh and Tamil Nadu respectively. Out of twelve major states from six different regions of India, West Bengal is having lowest macro-economic performance index value. This shows that macro-economic development is high in Maharashtra and lowest in West Bengal, which is also an indication of Imbalance regional growth in India.

6. CONCLUSION

It can be concluded from the current study that the macro-economic performance of selected states from different regions are different which clearly shows the regional imbalance in Indian economy. GSDP and NSDP both have shown increase in terms of amount thus it shows that development level of Indian states is increasing. Maharashtra has found to be top performing states among the selected states of India at financial-economic level while west Bengal has found to be the lowest performing state of India at macro-economic level. Therefore, government need to focus on this state and should also work for making a balanced growth of all the regions of India. Current study is relevant for the policy makers, central bank, government of India and the economist who have a keen interest in knowing the macro- economic performance of the different states of India in order to make prediction about the Indian economy, to frame different policies for the different states as per their level of development and also to strengthen the states which are economically weaker than other states.

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