

SKOCH RATINGS

INDIA'S HONEST INDEPENDENT ASSESSMENT

MODI YEARS OF INCLUSIVE GROWTH
NO STATE LEFT BEHIND (2014-2023)

By Sameer Kochhar

In the run-up to the elections, the most trident debate is about economic outcomes. At SKOCH, our prism is the quality of growth. We define inclusive growth as spatially dispersed, job-generative, equitable, and now also sustainable growth.

Does High GDP Reduce Poverty?
We have a fascination with GDP growth numbers. In the public psyche we conclude that high GDP equals low poverty and more jobs. Unfortunately, there is no such correlation. In some of the highest growth years of the Indian economy, there was miniscule reduction in poverty and no growth in jobs.

Poverty reduction depends on the distribution of the growth and it is perfectly possible to have poverty-reducing or job-generative growth at a lower rate of GDP growth. The current argument on growth rates is irrelevant to both inclusive growth and poverty reduction.

Spatial Distribution
The second fascination we have is with the macroeconomic indicators. India's GDP CAGR over 2014-23 is 9.10%. The GDP does not reflect the spatial distribution of economic activity.

An analysis of the decadal National State Domestic Product (NSDP at current prices) of Indian states between 2014-23 shows that the states grew between a CAGR of 6.75% to 12.22%.

While Madhya Pradesh tops the list of states registering maximum growth, the second spot is bagged by Sikkim followed by Telangana. Jharkhand occupies the bottommost space.

In reduction in Multidimensional Poverty, #1 space is with Bihar (#18 CAGR NSDP); Kerala is at the lowest #33 (#23 CAGR NSDP).

There is a much faster decline in MPI in Aspirational Districts, down to 26% in 2019 vs 41% in 2015-16.[1]

When we talk about the spatial dispersal of NSDP, no state has been left behind.

Did Growth Kick-start Economic Activity?

Beyond spatial dispersal of growth, what is important is the job-generative and poverty-reducing economic activity that it brings along. For this, the first indicator would be Financial Deepening.

Financial Deepening

Financial Deepening denotes a wide array of changes in the financial sector accompanying economic development. These changes include loosening credit constraints, intensive use of external finance, fewer distortions in the credit market and a general increase in financial activity. India's Financial Deepening Index score went up from 19.71 in 2013-14 to 31.85 in 2021-22.[2] Two key parameters for spatial dispersal as well as deepening of the market are growth in Assets Under Management (AUM) and growth in insurance premiums.

The national CAGR of AUM for 2014-2023 is 14.39%. Mizoram has been on top with 28.98%, with Rajasthan at the bottom at 8.15%.

There has been an upward movement of insurance premiums collected during the period 2014-2023. Here Madhya Pradesh has done the best at 20.44% and Tripura the worst at 0.87%.

For Financial Deepening, all states have shown positive growth, no state has been left behind.

Credit Outreach Gap
The second indicator of inclusive growth activity is a reduction of the credit outreach gap.

In 2001, there were acute credit outreach gaps widespread across the country, with the overall credit outreach gap being 94.9%. Since then, only marginal progress was seen till 2015, with an overall decline of only 6.22%.

In 2005, the Rangarajan Committee Report showed that 255 districts faced a critical credit gap of 95%. As per SKOCH analysis, in 2022 that number reduced to 28.

There has been considerable progress since 2015. In 2022, the overall credit outreach gap has reduced to 76.68% - a decrease of 12.01%. The average for Aspirational Districts is 88.33%. The growth has been spatially dispersed and inclusive.[3]

Has this Economic Activity been Equitable?

The third fascination that we have is in defining poverty every time the question of inclusive growth comes up. Defining poverty is a very complex task more so defining and measuring it in money terms. Oxford and UNDP developed a Multidimensional Poverty Index against which all countries are rated and ranked.

SKOCH report shows that there has

been a reduction in MPI between 2015-16 and 2019-21. It says, Bihar has made maximum improvements and the change during the period has been -0.105, with Madhya Pradesh at #2, followed by Uttar Pradesh. Overall, the MPI of states reduced between -0.105 and -0.001 in 2015-16 and 2019-21 respectively.

There is a positive correlation between access to credit and growth in NSDP at 0.52. There is a negative correlation between growth in NSDP and reduction in MPI at -0.22. Similarly, the correlation with change in Poverty Headcount is -0.23.

The universal improvement in MPI denotes that what we are witnessing are bottom up approach and not trickle down, this is important for inclusivity.

Has this Growth Generated Jobs?

This perhaps is the most contentious debate and with statistics being what they are, we need to look at some proxies.

The number of SHGs formed moved up from 5.61 crore in 2018-19 to 8.53 crore till March 2023 (CAGR 8.74%). This number as on February 2024 has gone up to 9.16 crore. This denotes a net addition of 3.54 crore SHGs in the last five years (2018-23). Each SHG provides livelihood to 10-20 people.

PMMY has had a considerable job-generative impact. SKOCH report 'MUDRA Scheme: A Game Changer Initiative on Job Creation' released in 2017 showed that between April 2015-March 2017, there has been an incremental increase in the number of jobs to the tune of 1.7 cr.[4]

It showed, out of the total jobs created, 47.77 percent were created under the SC, ST and OBC sections.

The PMMY has, between 2015-23, disbursed Rs 23 lakh crore, averaging to an annual growth of 20.45%.

Several national-level schemes including PM SVANidhi Yojana, Ayushman Bharat, Atal Pension Yojana have had a deeper impact on poverty nationally.

Launched in June 2020, PM SVANidhi Yojana, a micro-credit scheme for urban vendors that aims to provide collateral-free loans up to Rs 50,000 has till 14 February 2024 benefited 6.08 crore beneficiaries. The total loan disbursed under the scheme stands at Rs 10,657.38 crore.

These proxies coupled with field visit of our own teams reassures us that there is job generation and no state is being left behind.

Social Sector Expenditure

The fifth fascination is with the growth in social sector expenditure. In the era of competitive federalism, this number itself is meaningless unless the outcome can be measured.

Quality of governance and social expenditure are important. As per SKOCH Social Sector Expenditure Report, which used 12 different indicators, between 2014-23, Telangana is #1 in terms of CAGR of 19.23% in social sector expenditure. Manipur bags the second spot and Jammu & Kashmir comes third with 17.93% and 17.39% respectively. Mizoram is lowest at 6.06%.

This data has to be looked at in conjunction with social sector outcomes. SKOCH Social Inclusion Index is the only national timeline study that captures social sector as well as governance outcomes using project level primary data.

What can be Measured Beyond Doubt?

SKOCH has a consistent history of measuring governance outcomes based on project-level studies and primary data. SKOCH has also been studying the impact of Social Sector Outcomes in making growth inclusive. This is done through project-level studies.

Current assessments have been based on a deeper study of 1,866 projects from states that were analysed between 2014-19 and 2,813 projects between 2020-2023. These projects were identified and submitted by respective governments.

In an era of data that is regularly questioned, SKOCH can bring to the table data and analysis that is considered honest, non-partisan and reliable.

[1] 'ESG Beyond Coffee Table,' Mint, 16 October 2023

[2] 'Modi Government Makes Great Stride in Financial Deepening,' Mint, 26 July 2023

[3] 'Credit Gap Falls 12.01%,' Mint, 31 January 2023

[4] <https://skoch.in/reports/2017/09/06/modi-government-generates-5-5-crore-jobs-through-mudra-loans/>

Available at skoch.in/feature/

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STAR STATES

- 1 ODISHA
- 2 UTTAR PRADESH
- 3 ANDHRA PRADESH
- 4 MAHARASHTRA
- 5 GUJARAT

PERFORMERS

- 6 TAMIL NADU
- 7 WEST BENGAL
- 8 KERALA
- 9 BIHAR
- 10 MADHYA PRADESH

CATCHING-UP

- 11 KARNATAKA
- 12 RAJASTHAN
- 13 JAMMU & KASHMIR (UT)
- 14 TELANGANA
- 15 CHHATTISGARH



S/N	State / UT	Σ 2014-23				2023				Governance Ranking over the years								SKOCH Credit Outreach Gap	NSDP Current Prices CAGR FY 14- FY23 (RBI)	Change in MPI 2015-16 & 2019-21 (NITI Aayog)	Change in Poverty Count 2015-16 & 2019-21 (NITI Aayog)	Social Sector Exp CAGR FY 14- FY23 (RBI)	SHG Formation CAGR from 2018 to 2024-24 (MoRD)	Insurance Premium CAGR FY 14- FY22 (IRDAI)	AUM CAGR FY 14- FY23 (AMFI)
		Governance		Social Inclusion		Governance		Social Inclusion		2022	2021	2020	2019	2018	2017	2016	2015								
		Rank	Score	Rank	Score	Rank	Score	Rank	Score																
1	ANDHRA PRADESH	3	283.96	2	128.3	3	39.7	2	26.65	4	1	1	4	2	10	9	13	66.79%	10.59%	-0.026	-5.7%	10.63%	13.96%	3.49%	11.83%
2	ARUNACHAL PRADESH	23	25.14	20	12.45	22	2.25	20	0.05	15	26	20	-	18	16	-	20	93.17%	8.50%	-0.056	-10.5%	10.33%	24.42%	14.82%	27.70%
3	ASSAM	17	38.96	15	17.05	17	4.4	15	1.2	11	9	23	14	27	23	14		85.44%	10.57%	-0.07	-13.3%	11.12%	6.98%	13.36%	22.60%
4	BIHAR	16	62.32	3	34.25	9	26.95	3	16.5	23	11	11	17	20	21		23	89.83%	8.93%	-0.105	-18.1%	12.29%	2.75%	4.04%	22.32%
5	CHANDIGARH (UT)	30	3.8	18	3.15	24	1.25	18	0.15	27	25	26	25	25	19	12	16	55.59%	6.97%	-0.009	-2.5%	-	-	4.13%	15.31%
6	CHHATTISGARH	14	67.27	7	34.45	15	9.2	7	8.95	14	14	21	18	6	14	13	22	90.69%	8.23%	-0.063	-13.5%	8.40%	13.28%	13.69%	21.70%
7	DADRA &	32	1.25	-	0.15	-	-	-	-	26	29	30	-	-	-	-	23	90.9%	-	-	-	-	-	-	-
8	DELHI	19	29.48	12	26.45	20	3.1	12	3.1	24	22	17	19	15	15	15	-	68.65%	8.60%	-0.006	-1.0%	11.28%	-	7.45%	13.88%
9	GOA	27	10.4	-	1.2	28	0.05	-	-	19	25	30	22	24	-	-	19	69.69%	6.94%	-0.012	-2.9%	11.80%	8.78%	4.90%	10.33%
10	GUJARAT	1	335.87	11	118.4	5	29.55	11	3.45	1	4	2	1	5	13	5	2	85.45%	9.80%	-0.033	-6.8%	7.35%	7.25%	9.56%	17.01%
11	HARYANA	12	101.17	16	13.85	16	8.5	16	1.1	13	12	14	9	14	4	10	8	77.59%	9.44%	-0.022	-4.8%	12.80%	14.89%	15.02%	10.35%
12	HIMACHAL PRADESH	18	37.46	20	6.15	27	0.1	20	0.05	22	10	16	15	19	18	10	10	84.89%	7.37%	-0.01	-2.7%	8.71%	22.68%	8.96%	26.88%
13	JAMMU & KASHMIR (UT)	22	26.65	14	8.15	13	10.5	14	2.25	12	13	25	23	-	-	-	-	80.4%	9.64%	-0.035	-7.8%	17.39%	13.60%	11.31%	22.53%
14	JHARKHAND	21	28.54	20	20.15	28	0.05	20	0.05	17	23	19	20	16	18	6	16	88.86%	6.75%	-0.071	-13.3%	12.24%	5.76%	9.32%	27.57%
15	KARNATAKA	11	108.7	12	23.65	11	17.55	13	2.45	9	16	10	8	11	11	11	7	70.72%	10.55%	-0.024	-5.2%	8.00%	9.85%	12.49%	13.90%
16	KERALA	13	96.91	9	30.2	8	27.35	9	7.4	16	19	15	13	9	17	7	5	63.51%	7.52%	-0.001	-0.2%	9.98%	2.28%	7.74%	18.63%
17	LADAKH (UT)	34	0.05	-	0.05	-	-	-	-	-	-	30	-	-	-	-	-	63.51%	-	-0.001	-0.2%	9.98%	-	-	-
18	MADHYA PRADESH	5	204.63	4	60.85	10	19.95	4	12.95	8	8	5	7	10	7	4	1	86.66%	12.22%	-0.083	-15.9%	11.60%	10.66%	20.44%	22.77%
19	MAHARASHTRA	4	226.55	6	52.4	4	33.5	6	9.5	7	5	7	2	8	3	3	4	55.7%	7.11%	-0.032	-7.0%	10.72%	14.03%	10.15%	13.41%
20	MANIPUR	31	3.1	-	0.05	-	-	-	-	28	18	29	-	-	-	-	-	92.75%	9.19%	-0.042	-8.9%	17.93%	33.19%	16.98%	21.92%
21	MEGHALAYA	25	11.63	-	0.1	26	0.15	-	-	-	-	29	-	21	22	16	17	91.56%	6.96%	-0.023	-4.8%	10.12%	27.38%	8.60%	18.00%
22	MIZORAM	28	7.26	-	2.15	-	-	-	-	-	28	-	23	22	-	14	-	87.96%	9.14%	-0.022	-4.5%	6.06%	15.02%	15.81%	28.98%
23	NAGALAND	29	6.85	-	1.15	19	3.15	-	-	-	24	28	24	-	-	-	-	92.81%	7.09%	-0.05	-9.7%	11.17%	13.59%	11.67%	23.87%
24	ODISHA	6	195.4	12	63.35	1	67.6	12	3.1	5	3	8	10	13	12	14	11	81.93%	10.80%	-0.066	-13.7%	12.82%	6.49%	13.11%	19.89%
25	PUDUCHERRY	33	1.1	-	1.15	-	-	-	-	-	-	22	-	-	25	-	-	57.05%	8.97%	-0.004	-0.9%	6.22%	7.80%	7.64%	17.62%
26	PUNJAB	15	63.28	14	30.45	18	3.7	14	2.25	21	20	12	16	7	5	8	19	78.36%	7.08%	-0.004	-0.8%	10.89%	32.67%	5.32%	17.00%
27	RAJASTHAN	10	160.44	5	69.25	12	16.65	5	10.8	3	15	18	12	4	1	14	6	86.23%	9.61%	-0.072	-13.6%	10.94%	12.84%	16.91%	8.15%
28	SIKKIM	26	11.51	19	11.3	25	0.2	19	0.1	25	29	27	24	23	20	17	21	86.57%	11.35%	-0.005	-1.2%	9.55%	20.25%	10.73%	17.78%
29	TAMIL NADU	8	177.92	8	76.45	6	27.7	8	7.65	2	17	4	5	17	6	2	14	51.38%	9.21%	-0.01	-2.6%	7.66%	5.94%	8.10%	14.89%
30	TELANGANA	7	178.34	17	44.05	14	9.85	17	0.35	6	6	9	6	2	2	1	18	-	11.21%	-0.033	-7.3%	19.23%	1.38%	10.27%	19.79%
31	TRIPURA	24	15.14	15	3.15	21	2.55	15	1.2	20	27	24	-	26	26	-	12	76.67%	10.57%	-0.019	-3.5%	10.17%	33.33%	0.87%	11.36%
32	UTTAR PRADESH	9	161.45	1	76.15	2	44.65	1	27.9	10	7	6	11	12	8	9	9	89.95%	9.15%	-0.076	-14.8%	12.30%	24.13%	10.80%	18.47%
33	UTTARAKHAND	20	28.85	18	7.65	23	1.4	18	0.15	18	21	13	21	-	14	15	88.56%	7.28%	-0.037	-8.0%	9.12%	17.33%	10.00%	25.88%	
34	WEST BENGAL	2	285.07	10	111.5	7	27.5	10	5.25	2	2	3	3	1	9	14	3	83.13%	8.85%	-0.047	-9.4%	10.87%	6.93%	9.24%	14.75%