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The Progress of Policy Reform and Variations in Performance at the Sub-National Level in India

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Abstract

The reform process in India has so far mainly concentrated at the central level. India has yet to free up its state governments sufficiently so that they can add much greater dynamism to the reforms. Greater decentralization of decision making from the center to the states will lead to greater competition among the states and therefore to higher efficiency and productivity in these regions. Policy making at the sub-national level is essential in order for the state governments to be able to follow development strategies suitable to their socio-economic, cultural, and geographic characteristics. Coastal states, for example, can follow a more focused export-led growth strategy, or states with a large pool of trained manpower, such as IT professionals in Tamil Nadu or Karnataka can lay more emphasis on IT and service sector.

A few of the Indian States have been more reform-oriented, such as Andhra Pradesh, Gujarat, Karnataka, Maharashtra, and Tamil Nadu, but states, such as Haryana, Kerala, Orissa, Madhya Pradesh, Punjab, Rajasthan and West Bengal have a lot to catch-up with. Of course, Bihar and Uttar Pradesh are even further behind. We analyze the state-level situation in fifteen major states based on the progress of state-level policy reform. Accordingly, we have divided these states into three categories of reformers. These are the reform-oriented states, intermediate reformers and the lagging reformers. We then examine the performance of these states in terms of SDP growth, foreign direct investment, industrial investment proposals, and software exports among other variables.

Real annual average growth rates of per capita gross state domestic product bear testimony to the fact that our group of reform-oriented states are the fastest growing states in India in the post-reform period. Also, these states have performed better in attracting both domestic and foreign investment, software exports, and in the areas of primary health and education.

JEL Codes: E65, H72

Key words: Indian States, Policy Reform, Sub-national Performance.

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Introduction

India embarked on a process of economic policy reforms in mid-1991 in response to a fiscal and balance of payments crisis. While the central government has undertaken a series of reform measures in the areas of fiscal policy; trade and exchange rate policy; industrial policy; foreign investment policy and so on, India's state governments have yet to implement a wide array of reform measures in order to attain high rates of State Domestic Product (SDP) growth. The reform process so far has mainly concentrated at the central level. India has yet to free up its state governments sufficiently so that they can add much greater dynamism to the reforms[1]. Greater freedom to the states will help foster greater competition among themselves. The state governments in India need to be viewed as potential agents of rapid and salutary change.

While some healthy competition is evident in India among the three southern states of Andhra Pradesh, Karnataka, and Tamil Nadu, however, much of the rest of Indian states are yet to begin competing with each other. Brazil, China, and Russia are examples where regional governments have taken the lead in pushing reforms and prompting further actions by the central government. In Brazil, it is Sao Paulo and Minais Gerais which are the reform leaders at the regional level; in China, it is the coastal provinces, and the provinces farthest from Beijing, in the lead; in Russia, reform leaders in Nizhny Novgorod and in the Russian Far East have been major spurs to reforms at the central level. Our focus in the present paper is to examine the status of the reform process at the state-level and to study the inter-state performance variations.

India's overall growth rate can be substantially stepped-up should the central government decentralize economic policy making and allow the states to make crucial economic decisions on their own. Crucial fiscal, infrastructure, and regulatory decisions on economic management remain at the central government level. Essentially what this centralized system of governance implies is that the states have very little jurisdiction in, or control over, policy and regulatory decisions that would make their states more attractive to prospective foreign investors. A gradual process of decentralization has begun as a result of the fact that regional political parties have been lending support in the formation and running of the government at the center. This is a healthy development. Greater decentralization of decision making will lead to greater competition among the states and therefore to higher efficiency and productivity in these regions. Coalition governments at the Center made up of regional parties representing different states can exercise a great deal of influence in policy-making at the Center.

[1] India's constitution was designed to give primary economic policy making responsibility to the central government. Key fiscal, infrastructure, and regulatory decisions on economic management are therefore taken by the central government. For instance, in most infrastructure areas, the central government remains in control, or at least with veto over state actions.

Policy making at the sub-national level is essential in order for state governments to be able to follow development strategies suitable to their socio-economic, cultural, and geographic characteristics. Coastal states, for example, can follow a more focused export-led growth strategy, or states with a large pool of trained manpower, such as IT professionals in Tamil Nadu or Karnataka can lay more emphasis on IT and service sector.

State of Reforms

The reforms at the state level in India have been rather slow moving. There are several reasons for it. Firstly, limited decentralization of decision-making has meant that states in India lack the authority to formulate and implement policies that are under the control of the central government. Second, unlike the central government, the state governments do not have sufficient institutional back up. Third, due to the short-terms of office that state governments have been holding, these governments are governed by short-term political considerations. Chief Ministers have changed frequently thereby leading to policy discontinuity (since 1967, Chief Ministers on average have been in office only 2.65 years). For instance the state of Uttar Pradesh has seen 27 governments in 44 years. Fourth, populist policies have always been preferred over harsh reform measures, that is, subsidies on rice; urban transport; water; electricity and so on are pursued with in order to advance the political interests of the party in power.

A few of the Indian States have been more reform-oriented, such as Andhra Pradesh, Gujarat, Karnataka, Maharashtra, and Tamil Nadu, but states, such as Haryana, Kerala, Orissa, Madhya Pradesh, Punjab, Rajasthan and West Bengal have a lot to catch-up with. Of course, Bihar and Uttar Pradesh are even further behind. We analyze the state-level situation in fifteen major states of India based on the progress of state-level policy reform (refer to Appendix I through V for details[2]). Accordingly, we have divided these fifteen states into three categories of reformers. These are the reform-oriented states, intermediate reformers and the lagging reformers. We then examine the performance of these states in terms of SDP growth, foreign direct investment, industrial investment proposals, and software exports among other variables. Of course, within the reform-oriented states, Andhra Pradesh and Tamil Nadu have implemented reforms on a wider scale relative to other states in that category. We must emphasize here that this classification is purely indicative, and fraught with varying degrees of unsettled questions. Primarily, the idea of this very tentative set of grouping is to indicate which of the Indian states are likely to attain and sustain higher rates of growth in the years ahead. These states are classified into three categories as follows:

- *Reform-oriented states* - Andhra Pradesh, Gujarat, Karnataka, Maharashtra, and Tamil Nadu.
- *Intermediate Reformers* – Haryana, Orissa, and West Bengal.
- *Lagging Reformers* – Assam, Bihar, Kerala, Madhya Pradesh, Punjab, Rajasthan, and Uttar Pradesh.

Real annual average growth rates of per capita gross state domestic product shown in Table 1 bear testimony to the fact that our group of reform-oriented states are also the fastest growing states in India in the post-reform period. Interestingly enough, amongst the Southern

[2] The appendix provides state-wise details on incentives, power sector reform, industrial policy reform, measures for infrastructure development, and reform of the tax system.

states, both in Karnataka and Tamil Nadu, per capita incomes began to surge and exceed the national average since 1991-92. On the other hand, amongst the lagging reformers, Bihar, Madhya Pradesh, and Uttar Pradesh, and to a certain extent Orissa, have lagged far behind the all-India average, as also in the growth of SDP per capita of other states.

With the initiation of economic reforms in 1991 the role of private investment has acquired a great deal of significance. States are now in competition with one another to attract private investment, both domestic and foreign. Within states, the flow of investments tends to be skewed in favor of a few regions. State-level data on FDI approvals (aggregate FDI approvals between 1991-97) and domestic investment proposals and disbursal of funds for investment (aggregate between August 1991and December 1996) shown in Tables 2 and 3 respectively suggest once again that the relatively fast moving reformers have tended to attract higher investments, both from foreign and domestic investors[3]. According to the data made available by the Secretariat of Industrial Approvals in the Ministry of Industry, the southern states accounted for more than 34 percent of the proposals that have been approved in 1998. In the period January-December 1998, a total of 428 approvals were given for investments in the states of Karnataka, Tamil Nadu, Andhra and Kerala. The West, accounting for around 21 percent of the total approvals throughout the country follows the Southern region. This investment is in the states of Gujarat, Maharashtra and Goa. On the other hand, the states in the North and the East are far behind, except for investments in Delhi.

Gujarat, a small state in terms of its population, received over a fifth of private investment proposals, whereas Bihar with a tenth of India's population barely managed a share of 5 percent of such proposals. Maharashtra and Gujarat account for 37 percent of total investment proposals, while Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh, taken together, were able to attract only 26 percent of investment proposals. Over the period August 1991 to December 1996 the bulk of investment proposals were concentrated in states with a relatively high level of human development to the detriment of states which have a low level of human development. The cumulative share of financial assistance disbursed by national financial institutions[4] during 1991-96 indicates a big gulf between the less developed and more developed states. Maharashtra alone received almost as much financial assistance as Bihar, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal put together. Bihar and Orissa have shares of financial assistance that are adversely disproportionate to their respective population shares.

With regard to FDI, Tamil Nadu has attracted several automobile manufacturers to the state, such as, Ford, Mitsubishi, and Hyundai. An auto-ancillary park, near Chennai is coming up that will help enhance the availability of world-class auto components to multinational manufacturers in Tamil Nadu and neighboring states. Karnataka and Andhra Pradesh have witnessed investments by software giants, such as Microsoft Corporation[5], Oracle, Novell, and Sun Microsystems as India is increasingly emerging as a major software development center, with more and more overseas companies setting up operations in India. These companies are operating in the Indian market either through 100 percent equity holding, joint ventures with

[3] On a nation-wide basis, the cumulative approvals for FDI for the period 1991-98 were $52.95 billion. Actual FDI inflows during the same period were $15.18 billion. It is not possible to get state-wise details of the actual inflows of FDI since this data is not centrally maintained.

[4] All India Financial Institutions include IDBI, IFCI, ICICI, UTI, LIC, GIC, IRBI and SIDBI.

[5] The first development center of Microsoft outside of the U.S. is being established in Andhra Pradesh.

Indian companies; or marketing or technical collaborations. In addition to IT companies, Andhra Pradesh has also been successful in attracting ABB, Rolls Royce, General Electric, Lurgi, and US First Boston. Similarly, Gujarat has the presence of AT&T, GE Plastics, Unilever, Sumitomo, and Siemens. Finally, Maharashtra has Coca-Cola, Enron, Mercedes Benz, Siemens, Proctor & Gambler, Unilever, and Unisys.

In the area of software exports, Karnataka, Maharashtra and Tamil Nadu are in the lead as shown in Table 1. While Bangalore in Karnataka and Mumbai in Maharashtra[6] were traditionally the choice locations of software companies, but the last few years have seen the emergence of Chennai in Tamil Nadu, Hyderabad in Andhra Pradesh, Pune in Maharashtra, and Gurgaon in Haryana as prominent software centers where both Indian companies and multinationals have located their operations. In addition, several foreign companies have located their back office operations in Bangalore, Chennai, and Pune. Abundant supply of labor, low wages, cheap satellite communications and the internet have been instrumental in the decision of foreign firms to establish their back office operations in India. These range from billing to payroll handling, from credit appraisal to airline reservations, and from inventory management to answering customer complaints. Data transcription and transmission for hospitals in the U.S. and telemarketing for U.S. and European firms is also being undertaken by Indian companies based in Chennai and other Indian metropolitan cities.

The state-wise distribution of 100 percent export-oriented units (EOUs) is also seen to be concentrated in the reforming states. As Table 4 shows, out of a total of 3281 EOUs all over India as many as 2228 or 68 percent were located in the five reform-oriented states.

Some of the social indicators for which state-wise data is available also indicate that our group of reform leading states are relatively better placed than the other states. Of course, Kerala is an exception with highest life expectancy at birth, and the lowest birth rate, death rate, infant mortality rate and the total fertility rate among all the Indian states (Table 5). On the other hand, states, such as Bihar, Orissa, Madhya Pradesh, Rajasthan and Uttar Pradesh have high infant mortality rates, and life expectancy that is below the national average. Literacy indicators too depict a similar trend among the states with Kerala once again ahead of them all as shown in Table 6.

Table 7 shows the year by which the total fertility rate in the different states is likely to come down to 2.1 percent, that is, the replacement level. Assuming there is no change in the trend decline in total fertility rate observed during 1981-93, the projected year by which replacement level TFR (2.1) will be reached in different states is shown in this table. While Kerala and Tamil Nadu have already reached replacement level TFR, only seven states are expected to attain that status by 2025. These are Andhra Pradesh, Assam, Gujarat, Haryana, Karnataka, Maharashtra, Orissa, and West Bengal. The TFR is expected to be much above the replacement level well beyond 2025 in Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh. Similarly, another set of projections to show the decades required to attain universal literacy are shown in Table 8. Data from the 1991 Census showed that in order to achieve universal literacy Kerala would require 1.2 decades, Madhya Pradesh 5.6 decades, Uttar Pradesh 7.1 decades, Rajasthan 7.3 decades, and Bihar 9.7 decades. Universal female literacy, according to Census

[6] In Mumbai, these were largely concentrated in the Santa Cruz Electronic Export Processing Zone (SEEPZ).

projections, would be attained in Kerala in 1.3 decades, but it would take 7.3 decades for Madhya Pradesh, 12.4 for Rajasthan, 9.2 for Uttar Pradesh, and 12.1 decades for Bihar.

Reform-oriented states and their Focus Areas

The **Andhra Pradesh** government has taken important measures to improve public finances and sector policies. In particular, it has increased the cost of subsidized rice from Rs. 2 to Rs. 3.5 per kg, and reduced per-family allocations by 25 percent. It has also raised power tariffs by 20-60 percent to non-agricultural consumers, and by 10-25 percent in the case of agricultural tariffs. Subsequently, facing strong opposition to these measures the government had to reduce these tariff levels by about 40 percent. While this was a significant reform initiative, the revised average tariffs for farmers still covers only 9 percent of production costs. Other measures include tax increases; the first steps toward the reform of the power sector and significant increases in irrigation charges along with important institutional reforms, such as the creation of a Water User Associations and the devolution of operation and maintenance to them. Additional measures being implemented include containment of the wage bill, further reduction of food subsidies, relaxation of prohibition, privatization of SoEs, further adjustments of water and power rates, and other revenue enhancement efforts.

The key fiscal objective is to achieve fiscal sustainability through a change in the composition of public expenditure. That is, a significant reduction of rice subsidies and employment in the state government and a corresponding increase in expenditure in social and infrastructure sectors particularly in primary education and health, nutrition, irrigation and road sectors. Fiscal reforms are being accompanied by significant changes in sector policies—restructuring of the power sector; improvement of service delivery in primary education, primary health and nutrition; strengthening of O&M management in roads and irrigation sectors, and acceleration of users participation in the management of public canal irrigation network. If successfully implemented the reform program would put Andhra Pradesh on a path of faster economic growth and social development. Several of the above mentioned initiatives of the state government are being supported by the World Bank which has approved a loan to the state government for policy reform at the state-level.

The **Gujarat** government is in the process of undertaking policy reform in several key areas of the state economy. The major components of this reform program are a) Reform of Gujarat's state-owned enterprises through privatization, divestment, closure, merger and restructuring. This component has been designed to reduce and rationalize the state government's role in a number of areas and to curtail the financial burden of the SOEs on the state government's budget and the banking system. b) Fiscal reforms that consist of measures to reduce the state's fiscal deficit, including tax and expenditure reforms. The key objective of this component is to support the fiscal adjustment through design and implementation of tax and expenditure restructuring and upgradation of the Finance Department's budget policy formulation, planning, management and control systems. c) Creating a policy environment for private sector participation in the development of infrastructure in the state. The primary idea in this segment is to enhance the capacity of the Gujarat Industrial Investment Corporation so as to promote infrastructure development and appraise, mobilize financing for, and supervise the implementation of infrastructure projects by the private sector, especially in the roads and transport and port and power infrastructure sub-sectors in the state; and d) Development of a core investment program to ensure that sufficient funds flow into key areas of the state's economy, i.e., the social and physical infrastructure sectors.

In the power sector, the state government is undertaking measures for tariff rationalization. This is extremely essential if domestic private and foreign investments are to be forthcoming in the power sector. Tariff and duty rationalization is also necessary if one has to improve the operational efficiency of the Gujarat State Electricity Board. The government proposes to set up an Independent Statutory Power Tariff and Regulatory Commission. The Commission will among other things call for relevant data from power utility companies to fix the tariff. It is anticipated that revenue so generated for the utilities should be adequate to sustain the operations and also to generate adequate surpluses for proper maintenance of plant and machinery. Utilities should run on commercial principle and earn adequate rate of return on capital investment. However, the state government plans to continue with subsidized tariff for agricultural and socially obligatory activities like drinking water and street lighting and lighting for urban and rural poor.

The **Karnataka** government has been pursuing a progressive industrial policy and provides an attractive package of incentives and concessions. The Industrial Policy--incentive package was formulated keeping in view the liberalization of industrial and trade policy initiated by the government of India in July 1991. Karnataka's liberal industrial policy has been in operation for several years now and has attracted substantial investment flows in the industrial sector. Industrial projects with large investments are under implementation in different locations. The government is focusing on upgrading of the industrial infrastructure in these locations. Improvement of transport and communication links, water and power supply, effluent treatment, and development of human resources are some of the key areas of the state government's focus. Private sector initiative for development of infrastructure in areas like power generation, express highways, industrial parks and townships, airports and ports is being encouraged to build good infrastructure. The government is working towards evolving a suitable policy to improve investment in these sectors. Due to accelerated industrial development, demand pressures on key resources viz. land, power and water have increased tremendously, and therefore the government is formulating a pragmatic policy for conservation and optimum utilization of these resources.

Karnataka has been termed as the ideal location for high technology industries, particularly in the fields of electronics, telecommunications and informatics sectors. The government's effort currently is to maintain its pre-eminent position in these sectors. The state government plans to further consolidate this resource and towards this end upgrade the skills of, and training in technical institutions. The involvement of the private sector in this important activity is being strongly encouraged by the government. Development of entrepreneurship among the local population in particular, in rural areas and among disadvantaged groups, viz. weaker sections of the society, including women is being strengthened. Since investment by the industry in research and development, quality upgradation, improvements in productivity etc. is far from adequate, the government is encouraging investments in these activities. The state is focussing towards increasing export of value-added goods and services. Presently, the share of the state in exports from the country is around 4 % and state is undertaking measures to increase its exports substantially. To achieve this, efforts towards improvements in productivity, research & development and quality upgradation are being encouraged by the private sector.

In order to maximize the potential of, and the entrepreneurial spirit prevailing in the state of **Maharashtra**, the government launched the New Industry, Trade and Commerce Policy, 1995. The guiding principles behind this policy are the integration of different sectoral development schemes into a cohesive plan for overall development and the evolution of a common and transparent framework of governance. The Government has recognized that for any large developmental activity to succeed, participation of the private sector is imperative. It is only through private initiative that the necessary financial and technical resources necessary for large-scale developmental activity can be mobilized. The new policy has therefore sought to accentuate the role of the private sector in development and a shift in the government's role to provide full support to private sector initiatives.

The state government is undertaking numerous measures for the empowerment of the people at all levels. The traditional approach of dependency and centralization of authority is sought to be replaced by dynamic empowerment inherent in such an approach. The government through this policy has made an attempt to realign its role from that of a controller to a facilitator in the process of all-round development. The policy explicitly states the intent to bring about a change in the mindset of people of Maharashtra so that they are not content merely with the current level of employment and entrepreneurship but extend these to new levels to meet the development needs of the State.

Since the process of liberalization began in July 1991, India has witnessed a steady flow of foreign direct investment and Maharashtra has been a significant beneficiary of this process. Of the total foreign direct investment proposals, amounting to Rs. 1291.35 billion cleared between August 1991 and August 1997. Maharashtra has attracted Rs. 155.98 billion. This represents a 12.07% share of the total foreign direct investment in India. In terms of total domestic industrial investment, Maharashtra remains in the forefront. Between August 1991 and October 1997, the estimated domestic investment was Rs. 7292.12 billion of which Rs. 1692.1 billion or 23.20 % was in Maharashtra. Indeed, Maharashtra continues to remain a favored destination among both foreign as well as domestic investors.

The government of **Tamil Nadu** has followed a very liberal and pragmatic industrial policy and hence the industrial climate in the state is rapidly attracting large numbers of foreign and domestic firms to locate their production facilities in Tamil Nadu. The state has moved to third place in its bid to attract foreign investment. Between August 1991 to January 1997, FDI approvals in Tamil Nadu involved Rs.54.7 billion in 812 projects. And given its favorable industrial climate, Tamil Nadu's importance as an investment destination will continue to attract attention. The success achieved so far is largely due to the fact that the state government has been focusing on strengthening its industrial and social infrastructure. Among these are measures to augment power generation, streamline transmission and distribution arrangements, improve road and rail network, bringing in technologically advance telecom facilities, opening new minor ports and developing existing minor ports and strengthening the technical training facilities.

The state government has given the single window clearance system additional powers by empowering the chief executives of the various industrial complexes, growth centers and industrial estates in the public and private sectors to grant all clearances which an industry would require without the need to go around seeking clearances from various government departments. Additionally, via a new law, *The Industrial Township Area Development Authority Act of 1997*, the government has granted powers of single window clearance to an authority in case of every industrial township and industrial park. Furthermore, in order to speed up the process of setting-up private industry, the government has permitted the private industry to go ahead with construction of its factory without waiting for the plan approval from the local body[7]. Acquisition of private land for major industrial projects was fraught with delays prior to the enactment of *The Acquisition of Land for Industrial Purposes Act of 1997* was passed by the state legislature. As expected, this has resulted in speedy and effective land acquisition for large projects and rule abiding entrepreneurs have gained in this process. These measures have made Tamil Nadu more investor-friendly and an attractive destination for FDI and domestic private investment.

Building on the state's inherent advantages -large reservoir of IT skills, low-cost of living, investor-friendly public policies, better-than-average infrastructure- the Tamil Nadu government has multiplied efforts to attract foreign investment into the local IT industry. In 1998, the state announced a far-reaching, industry-friendly IT policy and set up a state-level IT Task Force to implement it. All these efforts have paid off well: software exports have zoomed from nowhere to over US$300 million in 1998. The state's ambitious target for IT hardware alone for the year 2002 is set at US$1.25 billion[8]: if this target is reached, the region's contribution will represent about 30 percent of the entire Indian hardware production.

Three major factors have contributed to the emergence of Tamil Nadu as one of the front runners among Indian states. These are availability of relatively better all-round infrastructure in the state as against other Indian states[9]; a well-established industrial culture and a fair degree of political stability as compared to most other states.

Intermediate Reformers

Haryana, Orissa, and West Bengal are in the intermediate reformer category. While these states have not undertaken wide-ranging reforms, however, they have implemented a series of reform measures that have separated them from the others. Power sector reform, for example, is an area where Haryana and Orissa have undertaken numerous steps.

In June 1997, the Haryana state assembly approved the Haryana Electricity Reform Bill that lays down the legal basis to establish an independent regulatory commission and to unbundle The Haryana State Electricity Board (HSEB) into a generating company, a transmission company and a number of distribution companies. It is expected that the distribution network will fully privatized by 2002. These measures will also be accompanied by tariff adjustments, comprehensive financial restructuring, and the implementation of a large investment program (about US$ 1.8 billion spread over ten years) that includes transmission and distribution rehabilitation and expansion, generation plant modernization, demand side management and end-

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[7] This is allowed on the condition that a registered architect certifies compliance with the rules and the company commits to carry out corrective action, if it is later found that the rules have been violated.
[8] Government of Tamil Nadu (1997). Information technology Policy
[9] According to the CMIE's Relative Index of Infrastructure Development, Tamil Nadu ranks above states like Gujarat and Maharashtra.

use energy efficiency improvement. The World Bank has agreed to support Haryana's efforts to the extent of US$ 600 million over a period of 8 to 10 years, through a series of Adaptable Program Loans (APL), an new lending instrument approved in September 1997.

Haryana's power sector reform program involves the following: First, the unbundling and structural separation of generation, transmission, and distribution into separate services to be provided by separate companies. Second, the incorporation of the new companies under the Companies Act. Third, privatization of the distribution system. Fourth, private sector participation in generation and transmission utilities. Fifth, competitive bidding for new generation. Sixth, the development of an autonomous power sector regulatory agency. Seventh, supply and end-use efficiency improvements and enhanced environmental protection. Finally, reforming the electricity tariffs at the bulk power, transmission, and retail levels.

Additionally as part of the reform process, the state government has invited bids from private promoters – domestic and foreign – to set up small hydro-electrical power projects in the state. The state announced incentives for these producers which include exemption from electricity duty, sales tax exemption for plant and machinery purchased for the project and a Rs 2.25 per unit sale price to the HSEB with a five per cent annual escalation rate. The Haryana Sate Energy Development Agency has also come up with incentives for power projects based on non-conventional energy sources. The Haryana government is promoting private investment to harness non-conventional energy sources for generating electricity. The state government has identified biomass, waste recycling, mini hydel plants, wind and solar powered plants as approved power sources.

In 1992-93, the average tariff for agriculture was 25.5 paise/kWh. It has been raised over the years and was placed at 50.0 paise/kWh in 1997-98. In the Industrial sector, the average power tariff for 1992-93 was 171 paise/kWh and has been raised to 319.0 paise/kWh in 1997-98. Refer to Tables 10 and 11 for agricultural and industrial tariffs respectively.

Orissa has been the leader in power sector reforms at the state-level in India. The State government enacted an amendment to India's national electricity acts of 1910 and 1948: the Orissa Electricity Reform Act, which became effective on April 1, 1996. Subsequently the state government established the Orissa Electricity Regulatory Commission**,** India's first state-level regulatory commission in the power sector. The commission announced its first tariff decision and issued its licenses to the transmission and distribution company (GRIDCO) in March 1997. The Commission's Tariff Order inter alia authorizes GRIDCO to adjust its tariffs effective from April 1, 1997. The Commission restructured residential and agricultural tariffs so as to contain cross-subsidization**.**

Keeping in view the policy of the central government to attract private entrepreneurs, Orissa State has worked out an innovative policy to provide basic infrastructure projects including the buying of land through the Orissa Power Generating Corporation. The state's chronic power deficit is being tackled by nine hydro projects with a total generating capacity of more than 7,000 MW.

The Orissa reform legislation contains several reform features. These are: First, restructuring - The former OSEB has been corporatized and is designed to be managed on commercial principles in its new form GRIDCO. While the newly formed GRIDCO has been put in charge of transmission and distribution, the hydro power- generating stations owned by the government has been taken over by the Orissa Hydro Power Corporation (OHPC). Second, unbundling - The reform structure has incorporated principles of functional unbundling with regard to generation, transmission and distribution to be managed by separate corporations/companies. Privatization - The OER Act, 1995 aims at fostering private participation in generation and gradual privatization of transmission and distribution. Third, regulatory commission - An important component is establishment of the Orissa Electricity Regulatory Commission for ensuring achievement of objectives given in the Orissa Electricity Reform Act, 1995. Fourth, licensing - Government ownership and direct control has given way to a licensing system in respect of transmission and distribution activities. Finally, tariff - Determining tariff, which would ensure commercial rate of return for investment in the electricity industry while protecting rights of all categories of consumers with respect to cost, efficiency and quality of service.

The power tariff on agriculture in 1992-93 was 30.9 paise/kWh. In 1993-94 it was dropped to 21.2 paise/kWh. The subsequent year, 1994-95, the power tariff on agriculture rose to 53.1 paise/kWh and was raised to 55.0 paise/kWh in 1996-97. The average tariff for industry has also been increased. The 1992-93 tariff stood at 89.1 paise/kWh and was raised to 220.3 paise/kWh in 1996-97 (See Tables 10 and 11).

Concluding Remarks

Economic reforms at the state-level have a substantial unfinished agenda. While a handful of the states have demonstrated their commitment by implementing reforms in certain sectors of the state economy, a majority of them have still to initiate any significant policy changes. Of course, even the reform-oriented states have avoided taking on reforms in areas, such as fiscal reform in general and reduction of revenue deficits in particular, state-owned enterprise reform, and SEB reform, except in Haryana, and Orissa. The state governments have continued with several subsidy schemes in various sectors irrespective of whether or not the subsidies are reaching whom they are meant for. While Haryana and Orissa have undertaken some hard reform measures in the power sector, however, they have not initiated any major policy reform in other sectors of the economy.

Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh are in desperate need of reform. All of are land locked states thereby reducing their growth potential considerably. By contrast, all our reform-oriented states are coastal states, and hence can develop as major platforms for labor-intensive manufacturing exports.

Statistics bear testimony to the fact that reform-oriented states have performed much better whether we were to look at economic indicators, such as growth rates or foreign direct investment flows, or social indicators, such as birth/death rates, infant mortality rates or literacy rates.

Appendix I
Investment Incentive

	Infrastructure	*Ports*	*Roads*	*Telecom*	*Power Sector*	**Fiscal Incentives**	*Project Finance*	*Power Subsidies*	*Sales Tax Concessions*	*OtherTax Concessions*	**Thrust Industries**	*IT Industry*	*EOU's*
Andhra Pradesh		●			●		●	●		●		●	
Gujarat			●		●		●		●		●	●	
Karnataka					●		●		●	●	●	●	●
Maharashtra		●	●		●		●		●	●		●	●
Tamil Nadu					●		●		●			●	
Haryana					●		●		●		●	●	●
Orissa		●	●		●		●		●				
West Bengal					●		●		●	●			
Assam					●		●			●	●		
Bihar					●		●		●	●			
Kerala							●			●			●
Madhya Pradesh					●				●	●			
Punjab			●	●			●		●		●	●	●
Rajasthan													●
Uttar Pradesh										●			

http://www.midcindia.com/

Appendix I
Investment Incentive Definitions

Infrastructure	
Ports	Port development incentives offered include 100% foreign ownership and management, Automatic and streamlined approval processes. Government assistance in locating land and waterways. Additional privatization measures to encourage port development include building, operation and maintenance of container terminals and cargo handling facilities, setting up storage and warehousing facilities, pilotage services, dredging, and operation and maintenance of port equipment
Roads	Support for road infrastructure include initiatives to upgrade, expand and improve over-land vehicular transportation, to declaring roads and bridges an "industry" and offering them up to private ownership and investment. Further initiatives may include: Automatic approval for foreign equity participation up to 74% in the construction of roads and bridges; automatic approval for foreign equity participation up to 51% in land transport support services such as operation of highway bridges, toll roads and vehicles; land required for construction and operation of facilities will be made available by the government free from encumbrances; five-year tax holiday with subsequent deductions of 30% for the next five years.
Telecom	Specific reforms for the telecom sector include value-added services (VAS), including cellular mobile telephones, radio paging, electronic mail, voice mail/audiotex services, videotex services, data services, video-conference and credit card authorization services, were opened for private sector participation in 1992. Maximum foreign equity of 49% has been permitted in the case of basic services, cellular mobile, radio paging, VSAT and other wireless services. 51% foreign equity is allowable in other Value Added Services, including e-mail, voice mail, on-line information, database retrieval and data processing, enhanced / value added facsimile services.
Power Sector	To encourage development of the power sector, states offer several incentives ranging from capital subsidies for captive power generating sets, investment subsidies, and sales tax relief/exemption. These subsidies offered for new projects or expansion of existing facilities. Subsidies vary in amount generally related to total project cost. Additional incentives can be offered for investment in non-conventional energy generating sets. Generation and distribution power projects of any type and size are allowed. Foreign equity participation can be as high as 100%. Return on equity of up to 16% is assured at 68.5% PLF for thermal power plants (with the possibility of earning higher returns for higher PLF). Similar incentives are provided for hydroelectric power projects. A renewable license period of 30 years has been set. Import duty at the concessional rate of 20% has been set for import of equipment. The Government allows a 5-year tax holiday for power generating projects with an additional 5 years in which a deduction of 30% of taxable profits is allowed.
Fiscal Incentives	
Project Finance	Incentives offered include the establishment of venture capital funds, capital subsidies, interest subsidies, etc. Additional incentives can be offered for thrust areas.
Power Subsidies	Rebates and concessions available to industry for power bills, reduction or rebates for energy usage tariffs, etc..
Sales Tax Concessions	Most states have some form of sales tax incentive. These include sales tax deferment and exemption for various periods, in general seven years, and in various amounts up to 100% + of the eligible fixed capital investment amount.
Other Tax Concessions	The Central Government offers many incentives to investors in India with a view to stimulating industrial growth and development. States have also established incentives to stimulate growth in their thrust sectors. The incentives offered are normally in line with the government's economic philosophy, and are revised regularly to accommodate new areas of emphasis. Some of the important incentives offered, which significantly reduce the effective tax rates for the beneficiary companies include tax holidays for: power projects, and firms engaged in exports and new industrial units established, in electronic hardware/software parks. Additional concessions are available for Export Oriented Units and units in Free Trade Zones, also to firms engaged in providing infrastructure facilities. Additional tax incentives offered include tax deductions of up to 100 per cent of export profits; deduction of percentages net (total) income for various yearly periods for new industrial undertakings; deduction of foreign exchange earnings by construction companies, hotels and on royalty, commission etc. earned in foreign exchange; and deductions in respect of certain inter-corporate dividends to the extent of dividend declared.
Thrust Industries	Together with general incentives, additional incentives may be available for certain sectors identified as "thrust areas". Examples of thrust areas identified the states include Automobiles, Auto components, Agro-based industries, Electronics, Fish canning, Food processing, Leather, Life-saving drugs, Mineral-based, Readymade garments, Telecommunication, Sports goods, Silk White goods, Petrochemicals, Agri Implements. Criteria for eligibility include minimums of net investment, typically Rs. crore 1.
IT Industry	The Central government's industrial policy sets forth the special initiatives for development of the IT sector. Foreign investment up to 100 percent is welcome in electronics and software industries set up exclusively for exports. Units set up under these programes are bonded factories eligible to import, free of duty, their entire requirement of capital goods, raw materials and components, spares and consumables, office equipment etc. Deemed export benefits are available to suppliers of these goods from the Domestic Tariff Area (DTA). A part of the production from such units can be sold in the DTA depending upon the level of the value addition achieved. Special initiatives of states include the development of software/hardware industrial parks or zones under the overall initiative from the central government; venture capital funds; and investment subsidies. Specific incentives from the states include capital subsidies, turnover subsidies, and sales tax holidays. Including, as well, state established committees and managers of policy and streamlined approval processes.
EOUs	Subsidies are available for Export Oriented Units (EOUs) which can include additional capital subsidies, concessions on payment of entry tax on raw materials, exemption form power cuts and additional power oriented benefits including subsidies for power bills and tariff relief and sales tax deferral and exemption

Appendix II
Power Sector Reform

	Tariff Revision	Restructuring	Regulatory Commission	Unbundling	Seeking Private Investment	Licensing
Andhra Pradesh		●	●	●	●	
Gujarat [1]	●				●	
Karnataka	●	○	○		●	
Maharashtra	●				●	
Tamil Nadu					●	
Haryana	●	●	●	●	●	
Orissa	●	●	●	●	●	●
West Bengal	●					
Assam						
Bihar					●	
Kerala					●	
Madhya Pradesh [1]	●				●	
Punjab	●				●	
Rajasthan	●	●	●	●	●	●
Uttar Pradesh					●	

● Reforms already in place
○ Reforms proposed

1. Reform process currently under review in light of loan proposals to the Asian Development Bank

Tariff Revision — Determining tariff, which would ensure commercial rate of return for investment in the electricity industry while protecting rights of all categories of consumers with respect to cost, efficiency and quality of service. The unmetered flat rate of tariff

Restructuring — State SEBs are corporatized and designed to be managed on commercial principles.

Unbundling — The reform structure incorporates principles of functional unbundling with regard to generation, transmission and distribution to be managed by separate corporations/companies.

Seeking Private Investment — Reforms aim at fostering private participation in generation and gradual privatization of transmission and distribution.

Regulatory Commission — An important component of reform is establishment of a regulatory commission for ensuring achievement of objectives.

Licensing — Government ownership and direct control gives way to a licensing system in respect of transmission and distribution activities.

Appendix III
Industrial Policy Reform

	Promotion of private investment in Infrastructure, Industry & Mining sectors	Package of fiscal incentives	Taxation	Simplification of rules & procedures	Organizational arrangements to speed up decision making	Provision of quality infrastructure in select areas by setting up large industrial parks
Andhra Pradesh	●	●	●	●	●	●
Gujarat	●	●	●		●	●
Karnataka	●	●	●	●	●	●
Maharashtra	●	●	●	●	●	●
Tamil Nadu	●	●	●	●	●	●
Haryana	●	●	●	●	●	●
Orissa	●	●		●	●	●
West Bengal	●	●	●	●	●	●
Assam		●	●		●	
Bihar						
Kerala	●	●	●		●	●
Madhya Pradesh	●		●			●
Punjab	●	●		●	●	●
Rajasthan	●			●		●
Uttar Pradesh	●	●	●	●	●	●

Promotion of private investment in	Creation of Industrial Development Board
Package of fiscal incentives	Straightforward package of fiscal incentives for investment
Taxation	Concessions and incentives offered for investment and development
Simplification of rules & procedures	Reduction and simplification of forms and filing procedures, removal of ad hoc concessions and exemptions, etc.
Organizational arrangements to speed up decision making	Single window clearance, etc.
Provision of quality infrastructure in select areas by setting up large industrial parks	Industrial parks, Software/hardware parks. Provision of parks with modern infrastructure, Benefits for export oriented units (EOUs).

Appendix IV
Statewise Reform of the Infrastructure

	Telecom				Ports						Roads
	Universal coverage	Availability on demand	Value added services	Incentives/Privatization	Developing / upgrading port facilities	Promotion of export and port-based industries.	Attracting private sector investment in minor and intermediate ports, also new port locations	100% Foreign ownership & management	Automatic approval for all categories of vessels	Rules governing shipping laws (Cabotage) relaxed	Build Operate Transfer (BOT) schemes
Andhra Pradesh	●	●	●	●	●	●	●	●	●	●	●
Gujarat	●	●	●		●	●	●				●
Karnataka					●		●				●
Maharashtra	○	○	○	●			●		○	●	●
Tamil Nadu					●		●				●
Haryana	○	○									●
Orissa				●	●		●				
West Bengal					●						●
Assam											●
Bihar				●							○
Kerala							●				●
Madhya Pradesh		○	●	●							●
Punjab											
Rajasthan											●
Uttar Pradesh											●

● Reform in place
○ Reform under consideration
Indicates state is landlocked

Sources:
http://www.andhrapradesh.com
http://www,economictimes.com
http://bihar.hypermart.net/
http://www.gujaratindustry.gov.in
http://www.midcindia.com/
Economic Survey 1998-99; GOI
http://www.commercenetindia.com
http://www.orissa.org/
http://www.expressindia.com/

Appendix IV
Statewise Reform of the Infrastructure
(Ports, Roads, Telecom)

Telecom	
Universal coverage	Capacity provision for all business and individuals
Availability on demand	Immediate service availability
Value added services	Includes availability of electronic mail, voice mail, data services, audio text services, video text services, video conferencing, radio paging, and cellular mobile telephone
Incentives	Specific programs designed to stimulate investor interest in development of sector.
Ports	
Enhancing Share in EXIM Sector	Recognition that adequacy of port facilities is key to improving overall level of EXIM activity.
Developing / upgrading port facilities	Specific proposals and projects underway
Promotion of export and port-based industries.	Incentives / plans in place to stimulate development of contiguous industries e.g., shipbuilding/repair, containerization, dredging, and manufacture of port equipment, etc.
Attracting private sector investment in minor and intermediate ports, also new port locations	Program to attract private investment bringing much needed financial and brain capital to bear. Upgrade and expansion of existing facilities. Creation of new facilities.
100% Foreign ownership & management	Steps taken to protect and stimulate foreign investment capital. Equity position more likely to attract foreign investment and technology.
Automatic approval for all categories of vessels	Streamlined vessel entry/exit process
Rules governing shipping laws relaxed	Inefficient / inadequate regulations removed or amended
Roads	
Privatization / Build Operate Transfer	Several facets of legal framework for privatization of roads include assigning to the private entrepreneur responsibility for implementation and operation of projects for specified period by an agreement with the government, authorizing the entrepreneur to collect and retain user's fees/tolls, and authorizing entrepreneur to regulate traffic. Fiscal concessions and incentives available to investors including risk sharing. States have implemented BOT projects in the road sector. Actual projects underway have been indicated in the matrix.

Appendix V
Tax Reform

	Transition to VAT	Abolition of OCTROI	Base Broadening	Simplification of Procedures	Simplification of Sales Tax Rates	Agricultural Income Tax
Andhra Pradesh	○		○	○	○	
Gujarat				○		
Karnataka						
Maharashtra		○	●	●		
Tamil Nadu	○					
Haryana		○	●	●	●	
Orissa		○		○	○	
West Bengal					●	
Assam						
Bihar						
Kerala	○					
Madhya Pradesh					●	
Punjab				○	○	
Rajasthan		○				
Uttar Pradesh					●	

● Reform in place
○ Reform under consideration

Transition to VAT	Movement toward a Value Added Tax (VAT) to replace current sales tax
Abolition of OCTROI	Removal of inter-city/region/state levies. Some states have begun to consider removing or exempting from Octroi certain industries as an incentive. Reform is considered "under consideration" as no state has yet removed Octroi.
Base Broadening	Attempts to expand tax base are being addressed
Simplification of Procedures	Filing, payment, rates, etc.
Simplification of Sales Tax Rates	Reduction on numbers of various rates for sales tax within a given state. For example, 1991-92 data shows 6 different sales tax rates in the state of Orissa, while there were 22 in Gujarat. Simplification of this system would reduce a state's sales tax
Agricultural Income Tax	Part of base broadening, this variable deserves special attention. Not withstanding the tradition of India not to tax its agro sector, taxing agriculture would enhance revenue and motivate the agro sector toward more resource efficiency.

Sources:
http://www.maharashtra.gov.in/

Table 1: Selected Indicators of State Level Progress

State/UT	Growth Rate GSDP Per-capita 1981-91	Growth Rate GSDP Per-capita 1992-97	FDI (Rs. Mn.) Aggregate 1991-97 Approved	Software Exports 1995-96
Andhra Pradesh	2.9%	3.8%	25112.73	931.30
Gujarat	3.7%	8.4%	37625.42	55.10
Karnataka	3.5%	3.4%	54938.89	7278.40
Maharashtra	4.1%	7.4%	126763.87	7085.60
Tamil Nadu	4.6%	5.2%	54687.54	3116.70
Haryana	4.3%	2.6%	17884.02	629.90
Orissa	1.3%	1.5%	37907.90	--
West Bengal	2.3%	4.9%	52495.48	546.90
Assam	2.0%	1.0%	14.95	--
Bihar	2.9%	-0.7%	1307.46	--
Kerala	2.5%	4.9%	5209.17	38.70
Madhya Pradesh	2.9%	4.1%	52683.29	2.50
Punjab	3.6%	2.8%	8212.04	9.00
Rajasthan	5.2%	4.9%	6054.69	--
Uttar Pradesh	2.9%	1.8%	24445.19	--

Source: National Accounts Statistics of India

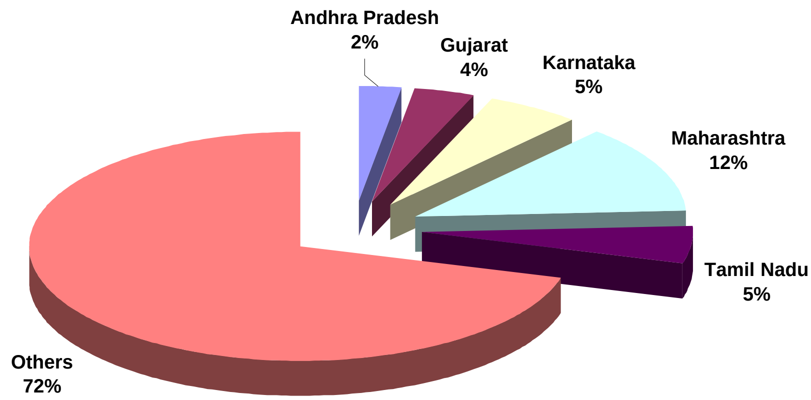
Secretatiat for Industrial Assistance (SIA) Newsletter, February 1997, Ministry of Industry, GOI

WWW Page: http://www.maharashtra.gov.in/english/invest/softw.htm, current as of 4 April 1999

Note: Above Growth Rate figures for Assam represent Net SDP per capita.

Table 2: State-wise Breakup of Foreign Collaboration & Foreign Direct Investment Proposals Approved

(During August 1991 to January 1997)



State	Number of Investment			Investment Approved	% of Total Approved
	Total	Tech	Fin		
Andhra Pradesh	439	144	295	25112.73	2.47%
Gujarat	548	297	251	37625.42	3.71%
Karnataka	689	255	434	54938.89	5.41%
Maharashtra	1355	523	832	126763.87	12.49%
Tamil Nadu	812	269	543	54687.54	5.39%
Haryana	414	146	268	17884.02	1.76%
Orissa	77	28	49	37907.90	3.73%
West Bengal	271	92	179	52495.48	5.17%
Assam	10	6	4	14.95	0.29%
Bihar	69	42	27	1307.46	0.13%
Kerala	104	38	66	5209.17	0.51%
Madhya Pradesh	192	82	110	52683.29	5.19%
Punjab	105	39	66	8212.04	0.81%
Rajasthan	193	65	128	6054.69	0.60%
Uttar Pradesh	395	176	219	24445.19	2.41%
Others	4686	2343	2343	509597.52	50.21%
Total	**10359**	**4545**	**5814**	**1014940.16**	**100.29%**

Source : Secretariat for Industrial Assistance (SIA) Newsletter, February 1997, Minister of Industry, GOI

Table 3: Investment Proposals and Disbursal of Financial Assistance for Investment

States	Percentage share of investment proposals between August 1991 and December 1996	Cumulative share of financial assistance disbursed by all Indian Financial Institutions (1991-96)	Cumulative financial assistance by State Financial Corporations (1991-96)
Andhra Pradesh	7.7	6.7	1488.1
Gujarat	20.1	12.7	1773.5
Karnataka	5.3	5.8	2688.6
Maharashtra	17.3	22.2	1861.5
Tamil Nadu	6.6	8.7	1858.0
Haryana	3.6	2.3	866.0
Orissa	1.9	1.7	697.8
West Bengal	3.2	4.0	460.3
Bihar	1.0	1.5	411.5
Kerala	1.1	1.5	735.8
Madhya Pradesh	7.6	4.9	589.2
Punjab	3.5	2.4	668.8
Rajasthan	4.2	4.3	1144.2
Uttar Pradesh	9.6	7.4	1894.3
All India	*100*	*100*	*17952*
	-634760	*-188462*	

Source :Annual Report, 1996-97, Ministry of Industry, Govt. of India Cited in Kurian (1998).

States share in investment flows Aug '91 to Dec '96

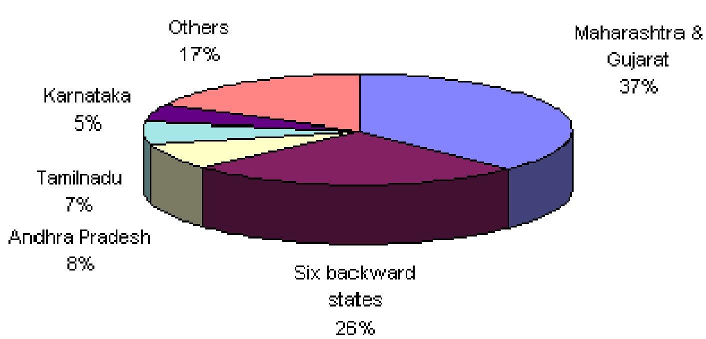


Table 4: State-wise Distribution of 100% Export Oriented Units (EOUs) *(August 1991-November 1998)*

State/UT	No.	Percent [1]	Investment *(Rs. Mn)*	Percent [1]	Employment *(Numbers)*	Percent [1]
Andhra Pradesh	391	11.16	93160	14.53	63955	10.76
Gujarat	443	12.65	82340	12.84	56672	9.54
Karnataka	358	10.22	34440	5.37	66403	11.18
Maharashtra	509	14.53	64880	10.12	78463	13.21
Tamil Nadu	527	15.04	76670	11.96	90743	15.27
Haryana	204	5.82	19580	3.05	30795	5.18
Orissa	40	1.14	81370	12.69	18907	3.18
West Bengal	96	2.74	28330	4.42	15749	2.65
Assam	2	0.06	360	0.06	647	0.11
Bihar	6	0.17	220	0.03	351	0.06
Kerala	66	1.88	8910	1.39	9217	1.55
Madhya Pradesh	129	3.68	49730	7.76	39483	6.65
Punjab	116	3.31	25190	3.93	31954	5.38
Rajasthan	198	5.65	23900	3.73	27751	4.67
Uttar Pradesh	196	5.6	19870	3.1	27902	4.7
Total	3281		608950		558992	

Source: Secretariat for Industrial Assistance (SIA) Newsletter, December 1998, Minister of Industry, GOI

Notes:

1: Percentage shown is proportionate to all of India

Table 5: State-wise Performance of Health Indicators

State/UT	Death Rate		Total Fertility Rate		Infant Mortality Rate		Birth Rate	
	1991	*1997*	*1991*	*1994*	*1991*	*1997*	*1991*	*1997*
Andhra Pradesh	9.7	8.3	3.0	2.7	73	63	26.0	22.5
Gujarat	8.5	7.6	3.1	3.1	69	62	27.5	25.6
Karnataka	9.0	7.6	3.1	2.8	77	53	26.9	22.7
Maharashtra	8.2	7.3	3.0	2.9	60	47	26.2	23.1
Tamil Nadu	8.8	8.0	2.2	2.1	57	53	20.8	19.0
Haryana	8.2	8.0	4.0	3.7	68	68	33.1	28.3
Orissa	12.8	10.9	3.3	3.3	124	96	28.8	26.5
West Bengal	8.3	7.7	3.2	3.0	71	55	27.0	22.7
Assam	11.5	9.9	3.5	3.8	81	76	30.9	28.2
Bihar	9.8	10.0	4.4	4.6	69	71	30.7	31.7
Kerala	6.0	6.2	1.8	1.7	16	12	18.3	17.9
Madhya Pradesh	13.8	11.0	4.6	4.2	117	94	35.8	31.9
Punjab	7.8	7.4	3.1	2.9	53	51	27.7	23.4
Rajasthan	10.1	8.9	4.6	4.5	79	85	35.0	32.1
Uttar Pradesh	11.3	10.3	5.1	5.1	97	85	35.7	33.5

Sources:

SRS Fertility an Mortality Indicators 1991, Office of the Registrar General, India Vital Statistics Division Ministry of Home Affairs, New Delhi

SRS Bulletin Oct 98 at http://www.censusindia.net

India: The Road to Human Developmen t ; Document of The United Nations Development Programme
New Delhi 1997 @ www.undp.org.in/REPORT/IDF97

Table 6: State-wise Social Indicators

State/UT	Literacy Rate *Females (1991*	Literacy Rate *Males (1991)*	Teacher/Pupil Ratio 1994-95 *(primary schools)*	Percentage Children 6-14 attending school *(1992-93)*	Drop-out Rates classes I-V primary stage (percent) *(1993-94)*
Andhra Pradesh	32.7	55.1	50	63.3	42.2
Gujarat	48.6	73.1	48	75.7	46.3
Karnataka	44.3	67.3	48	70.5	40.8
Maharashtra	52.3	76.6	38	81.5	27.6
Tamil Nadu	51.3	73.8	50	82.4	17.3
Haryana	40.5	69.1	46	81.3	3.9
Orissa	34.7	63.1	35	79.6	52.5
West Bengal	46.6	67.8	57	67.7	40.4
Assam	43.0	61.9	39	70.1	39.1
Bihar	38.5	52.5	55	51.3	63.4
Kerala	86.2	93.6	30	94.8	-4.2
Madhya Pradesh	28.9	58.4	44	62.3	28.4
Punjab	50.4	65.7	40	80.8	21.7
Rajasthan	20.4	55.0	51	58.8	48.9
Uttar Pradesh	25.3	55.7	59	61.3	19.9

Sources:

Census of India (1991)

International Institute for Population Sciences (1995)

India: The Road to Human Developmen t ; Document of The United Nations Development Programme
New Delhi 1997 @ www.undp.org.in/REPORT/IDF97

Table 7: Demographic Indicators of Major Indian States: Status and Projection

State/UT	Population as per 1991 Census *(in millions)*	Annual compound rate of growth of population *(1981-91)*	Year by which total fertility rate comes down to 2.1 – the replacement level
Andhra Pradesh	66.5	2.17	2002
Gujarat	41.3	1.92	2014
Karnataka	45	1.92	2009
Maharashtra	78.9	2.29	2008
Tamil Nadu	55.9	1.43	*1993
Haryana	16.5	2.42	2025
Orissa	31.7	1.83	2010
West Bengal	68.1	2.21	2009
Assam	22.4	2.17	2015
Bihar	86.4	2.11	2039
Kerala	29.1	1.34	*1988
Madhya Pradesh	66.2	2.38	Beyond 2060
Punjab	20.3	1.99	2019
Rajasthan	44	2.5	2048
Uttar Pradesh	139.1	2.27	Beyond 2100
All India	*846.3*	*2.14*	*2026*

Notes : (*) Kerala and Tamil Nadu have already achieved the TFR of 2.1.

Sources : Population and Growth Rates: 1991 Census Hand Book; Population Projections for India and States 1996-2001; cited in Kurian (1998) *Regional Disparities in India (mimeo)* .

Table 8: Decades required to attain universal literacy

States	Projection (1991)		
	Persons	Male	Female
Andhra Pradesh	6.6	5.4	7.9
Gujarat	4.3	3.2	5
Karnataka	4.5	3.8	4.9
Maharashtra	3.9	3.4	4.2
Tamil Nadu	4.5	4.6	4.5
Haryana	3.7	2.9	4.4
Orissa	6.3	5.6	6.9
West Bengal	4.7	4.1	5.1
Assam	NA	NA	NA
Bihar	9.7	8.1	12.1
Kerala	1.2	1.1	1.3
Madhya Pradesh	5.6	4.2	7.3
Punjab	4	3.3	4.6
Rajasthan	7.3	4.4	12.4
Uttar Pradesh	7.1	5.3	9.2
All India	*5.6*	*4.6*	*6.5*

Source: 1991 India Census cited in *Reflection Paper on Diversities and Disparities in Human Development*; United Nations Development Programme; New Delhi

Table 9: Trends in Development Expenditure *(Rs. In 1980-81 prices)*

State	Develop. expenditure per capita (Plan)	Non-develop. Exp. per capita (Non-Plan)	Dev. Exp. as a multiple of Non-Dev.	Dev. exp. per capita (Plan)	Non-dev. expenditure per capita (Non-Plan)	Dev.Exp. as a multiple of Non-Dev.Exp.
	(1980-81)			(1995-96)		
Andhra Pradesh	207.7	54.8	3.8	392	141	2.8
Gujarat	253	80.1	3.2	483.4	164.5	2.9
Karnataka	208.8	74.3	2.8	423.5	155.7	2.7
Maharashtra	259.8	104.8	2.5	491.2	178.9	2.7
Tamil Nadu	188.7	67.7	2.8	407	165.9	2.5
Haryana	314.3	79	4	522.5	396.1	1.3
Orissa	223.5	54.8	4.1	295.3	134.6	2.2
West Bengal	163.7	56.6	2.9	253.1	123.8	2
Assam	NA	NA	NA	NA	NA	NA
Bihar	128	43.5	2.9	160.5	100.1	1.6
Kerala	246.1	66	3.7	386.5	212.1	1.8
Madhya Pradesh	195.7	47.3	4.1	275.8	109.5	2.5
Punjab	283.7	94.1	3	445.5	391.3	1.1
Rajasthan	194.1	63.8	3	403.3	204.2	2
Uttar Pradesh	152.2	46.5	3.3	206.2	152.6	1.4
All States	*207.4*	*64.9*	*3.2*	*367.3*	*177.2*	*2.1*

Note : Special category states are not included.

Source: Planning Commission (1998): cited in Kurian (1998)

Table 10 AVERAGE TARIFF FOR AGRICULTURE

SEB	1992-93	1993-94	1994-95	1995-96	1996-97 (RE)	1997-98 (AP)
Andhra Pradesh	8.6	6.4	5.3	2.8	14.9	22.5
Gujarat	11	19	22	19	19	19
Karnataka	4.2	2.8	1.8	1.7	1.7	7
Maharashtra	15.2	22.7	18.2	16.5	24.4	25.5
Tamil Nadu	0	0	0	0	0	0
Haryana	25.5	29	45.5	51.9	50	50
Orissa	30.9	21.2	53.1	54.2	55	65.8
West Bengal	19.2	25.3	19.9	21.8	23.7	27.4
Assam	179	93.3	88	158.9	160.5	160.6
Bihar	10.5	14.8	15.2	16.2	16.2	16.2
Kerala	25.1	29.4	23.9	23.7	23.7	23.7
Madhya Pradesh	24.5	19.7	3.7	4.2	4.3	4.7
Punjab	10.8	19.5	34.5	38.5	32.6	0
Rajasthan	31	30.8	30.1	27.2	38	38
Uttar Pradesh	31.6	31.9	43.1	49.5	144.6	56.3

Source Ministry of Power, GOI

RE - Revised Estimate

Table 11 Average Tariff for Industry

SEB	1992-93	1993-94	1994-95	1995-96	1996-97 (RE)	1997-98 (AP)
Andhra Pradesh	177.5	214.7	221.8	236	293.4	310
Gujarat	188	220.2	220	235	251	330
Karnataka	185.4	221.6	231	262.2	265.7	372.9
Maharashtra	211.1	232.9	270.5	271.8	313.8	327.8
Tamil Nadu	167.2	202.4	245.1	270.5	278.9	306.9
Haryana	171	195.7	222.3	266.6	312	319
Orissa	89.1	111.3	170.8	193.6	220.3	284
West Bengal	125.9	149.5	183	209.3	223.1	250.1
Assam	99.1	132.8	129.7	195.3	195.3	195.3
Bihar	174.6	205	220.5	247.4	232.3	232.3
Kerala	82.5	92.8	101.1	104.2	104.2	104.2
Madhya Pradesh	183.9	211	238	268.3	274.1	315.7
Punjab	125.8	153.5	165.1	187.1	215	225.9
Rajasthan	156.9	178	204.1	234.6	269.8	283.3
Uttar Pradesh	210.9	225.2	240.8	272.1	289.8	313.5

Source Ministry of Power, GOI

RE - Revised Estimate