

## STATES UPDATE

15 February 2022

### State elections: Economic status of states

- With 5 states (13.2% of India's GDP) entering their Assembly elections, it is interesting to see how they stack up in relative terms on economic and social indicators. Understandably, the economic indicators may not quite have a bearing on voting patterns, but such a comparison will not only show the progress made between the last two Elections but point to the tasks on hand for the new government that comes to power. Notably, growth in larger States such as UP, Punjab have not picked up much.

**Madan Sabnavis**  
 chief.economist@bankofbaroda.com

Dipanwita Mazumdar | Sonal Badhan

We have done a comparative analysis of these States in terms of economic and social indicators. Indicators such as project announcements, capital outlay/total expenditure, and credit metrics show to an extent the impact of lockdown.

**Growth:** UP and Punjab have the highest share in overall GSDP at 8.2% and 2.5% respectively. A CAGR analysis have shown that UP recorded a lower growth of 1.9% between FY27-FY21 as against 6.9% between FY12-17. Sector wise, share of services has picked up for UP, Uttarakhand and Goa, while share of industry has fallen for all the states. Even the share of agriculture has fallen except for Manipur.

**Eliminating Covid-19 period:** Interestingly, if we compare the CAGR between FY17-20 with the same period in previous election cycle (FY12-15), we get similar results. Growth has been better in smaller states such as Goa (1.2% versus -1.8%) and Manipur (6.6% versus 5.7%), while it was constant at 5.4% for Punjab. In case of UP, it was at 4.9% against 4.8%.

**Inflation pressure reigns:** In FY21, CPI inflation in States such as Uttarakhand (8.1%), Goa (6.9%) have remained elevated (national average: 6.2%). In UP, it was at 6.1% in FY21. In FYTD22 as well, inflation has picked up in all States (except Manipur). It was at 6% in Uttarakhand, 5.2% in Goa, and 5.1% in Punjab and UP (national average: 5.2%).

**Investment:** Investment has been a cause of worry for States. New Project announcements have fallen in FY21 compared with FY17, due to the pandemic. The capital outlay to total expenditure ratio has fallen sharply for UP in FY21 to 16.4% from 22.2% in FY17. Notably, for FY22, all States are expected to witness an increase in capital outlay/total expenditure, which may be growth positive.

**Social indicators:** Except UP, unemployment ratio has increased in all States in FYTD22 against FY12. Per capita income rose the most for Goa followed by Uttarakhand, compared to FY17. Social spending have moderated across the board (except Manipur).



## States profile

The Assembly polls will be held in seven phases during 10 Feb – 7 Mar 2022. Various economic and social indicators have been analyzed here to get a view of the performance of various States. These five states account for around 20% of total population of India.

**Table 1. UP and Punjab have the major share in terms of population**

States	Seats	Population, in mn, FY21	Share in population
Uttar Pradesh	403	231	17.1
Punjab	117	31	2.3
Uttarakhand*	70	11	0.8
Manipur*	60	3	0.3
Goa	40	2	0.1

Source: RBI, elections.in, Bank of Baroda Research, Note: Population figures as per Bank of Baroda estimates

## Economic Indicators:

**Growth:** CAGR in real GDP has been computed considering the election years (FY22/17/12), to evaluate the performance.

It may be observed that 3 of the 5 states have witnessed lower CAGR in the FY17-FY21 period compared with FY12-FY17. UP has recorded a lower CAGR growth of 1.9% as against 6.9% recorded in the previous electoral cycle, while it was 2.3% for Punjab against 5.8% earlier. Uttarakhand had also registered lower growth in the current period though was still impressive at 6%. *Goa did very well in terms of CAGR between FY21-FY17 at a pace of 6.1% versus 3.9% between FY12-FY17.*

**Table 2. UP has recorded a lower CAGR in the past 5 years**

States	GSDP_Nominal, Rs tn	Real GSDP (YoY)	CAGR_Real GSDP (FY12/17)	CAGR_Real GSDP(FY21/17)
Uttar Pradesh	17.1	-6.4%	6.9%	1.9%
Punjab	5.3	-6.6%	5.8%	2.3%
Uttarakhand*	2.5	4.3%	7.8%	6.0%
Goa	0.8	22.4%	3.9%	6.1%
Manipur*	0.3	7.1%	5.8%	6.6%

Source: RBI, Bank of Baroda Research | \*Current data as of FY20

**Sector wise view:** *Services is the dominant sector for 3 of the 5 states with shares of above 50%. It was highest for Manipur at 68.9% though it had come down from 72.7% in the first phase. Notably, it increased for UP from 51.1% to 54.1% for UP. Goa is the most industrialized state with 58.8% of output originating from this sector. Uttarakhand also has a high share of 55.9% for industry. The share of agriculture is almost the same for 3 states - UP, Punjab and Manipur between 14-15%. The higher share witnessed between FY17 and FY21 for agriculture in UP and Manipur may be attributed to the migration and subsequent increase witnessed in agriculture and allied activities in FY21.*

**Table 3. Share of Net State Value Added\_const**

States	Agriculture		Industry		Services	
	FY17	FY21	FY17	FY21	FY17	FY21
Uttar Pradesh	13.6%	14.4%	35.3%	31.5%	51.1%	54.1%
Punjab	16.6%	16.4%	28.4%	27.5%	55.1%	56.1%
Uttarakhand*	3.7%	3.2%	56.8%	55.9%	39.5%	40.9%
Goa*	2.2%	1.9%	61.9%	58.8%	35.9%	39.3%
Manipur*	8.2%	15.1%	19.2%	16.0%	72.7%	68.9%

Source: RBI, Bank of Baroda Research | \*Current data as of FY20

**Credit:** While UP has the highest share in population at 17.1%, its share in credit in FY21 is only 5.1%. Punjab had a share in credit which is equivalent to that in population. There has been improvement in credit per branch ratio for all states. Interestingly, the credit per branch in UP is lower than that in Punjab, Manipur and Goa.

**Table 4. Credit dynamics of States**

States	Credit O/s, Rs tn		Share in overall credit		Credit/Branch, Rs mn	
	FY17	FY21	FY17	FY21	FY17	FY21
Uttar Pradesh	3.5	5.7	4.5%	5.1%	211	312
Punjab	2.3	2.6	2.9%	2.4%	359	393
Uttarakhand	0.4	0.6	0.5%	0.5%	193	274
Goa	0.2	0.2	0.2%	0.2%	231	323
Manipur	0.0*	0.1	0.0%	0.1%	189	353

Source: RBI, Bank of Baroda Research

**Investment:**

The share of capex in total expenditure of states is indicative of the investment push being provided by states. There has been a tendency for the share to increase on a point to point basis between FY12 and FY22. However, there have been varying patterns. UP and Uttarakhand have witnessed an increase continuously. For Goa, it has fallen in FY17 before rising to a high of 26.3% in FY22. The same was witnessed in Manipur and Punjab. Post covid all states have given a push to capex.

**Table 5. Share of Capital Outlay in total expenditure (development + non development)**

States	FY12	FY17	FY22BE
Goa	17.7%	12.6%	26.3%
Uttar Pradesh	15.3%	22.2%	23.0%
Uttarakhand	15.3%	17.1%	17.5%
Manipur	26.0%	12.9%	22.2%
Punjab	4.7%	4.0%	12.2%

Source: RBI, Bank of Baroda Research

In terms of new projects announcements across these states the pattern is interesting. Here the Covid induced laggard in investment is visible as new project announcements have fallen across the board. But between FY12 and FY20 there has not been a continuous increase in any of the states. FY17 was peak time for 4 of the 5 states. However, in FY20 the amount came down for all of them.

UP had the highest share in total new projects announced in FY21. Clearly none of these states are major destinations for investment which tends to be concentrated in states like Gujarat, Maharashtra, Karnataka, West Bengal and Tamil Nadu besides Odisha (especially for mining).

**Table 6. New Project Announcements**

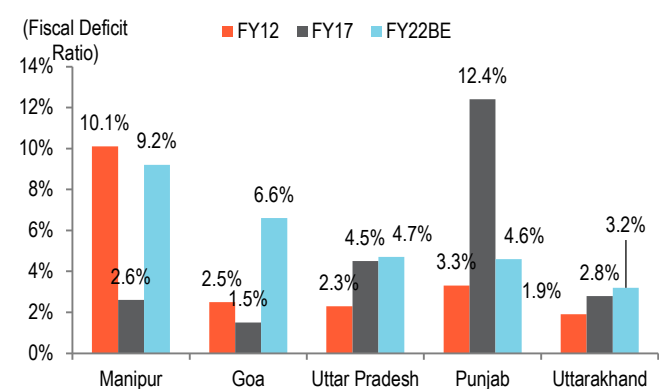
States	Share in New Projects, FY21	New Projects O/s, Rs bn			
		FY12	FY17	FY20	FY21
Uttar Pradesh	5.6%	775	906	544	461
Punjab	1.2%	154	261	121	96
Uttarakhand	0.2%	32	104	39	19
Goa	0.0%	20	56	2	1
Manipur	0.0%	10	7	24	1

Source: CMIE, Bank of Baroda Research

### Fiscal Indicators:

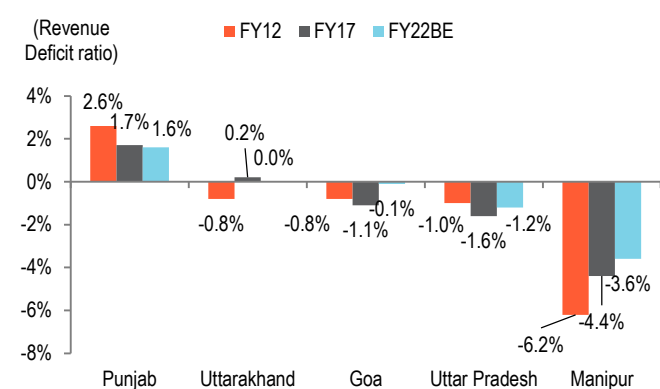
Figure 6 shows that Uttarakhand is the only state to rein in the fiscal deficit in all the three years represented here. Goa had low deficit in 2 of the 3 years though has projected a high 6.6% for FY22. UP has been conservative in FY12 but has witnessed higher deficit of 4.5% in FY17 and has pitched for 4.7% in FY22 which is higher than the 4% mark allowed as per FRBM. Punjab had witnessed an all-time high of 12.4% in FY17 which is to moderate in FY22. Manipur had higher rates in FY12 and FY22. Therefore, in general states have been quite liberal on the fiscal deficit side.

**Fig 1 – Manipur and Goa has the highest fiscal deficit ratio**



Source: RBI, Bank of Baroda Research

**Fig 2 – Punjab is the only state to have a revenue deficit in all the three years**



Source: RBI, Bank of Baroda Research

## Social Indicators:

In terms of per capita income, Goa' was the highest followed by Uttarakhand. It was lowest for UP. Clearly size does matter and the smaller states tend to have a higher per capita income. Per capita income increased for 3 states – i.e. UP, Uttarakhand and Goa by 24.2-25.4% between FY17 and FY21. However, for Manipur, it was highest at 42.8% though the base was small at Rs 59,345. The slowest growth was in Punjab at 17.5%.

With the exception of Manipur the crime rate increased in all states, which is disturbing. Goa had the highest crime rate of 218.5/lakh population. This will come as surprise considering that the per capita income is the highest here. Therefore relative prosperity is not a buffer against crime. The increase in crime rate was 50.2%. Punjab had the second highest crime rate among these states and witnessed an increase of 23.8%. UP was the third in pecking order with a crime rate of 155.1/lakh and had an increase of 11.3%. Uttarakhand with a crime rate of 122.1/lakh had witnessed growth of 2.3% and hence had the lowest growth.

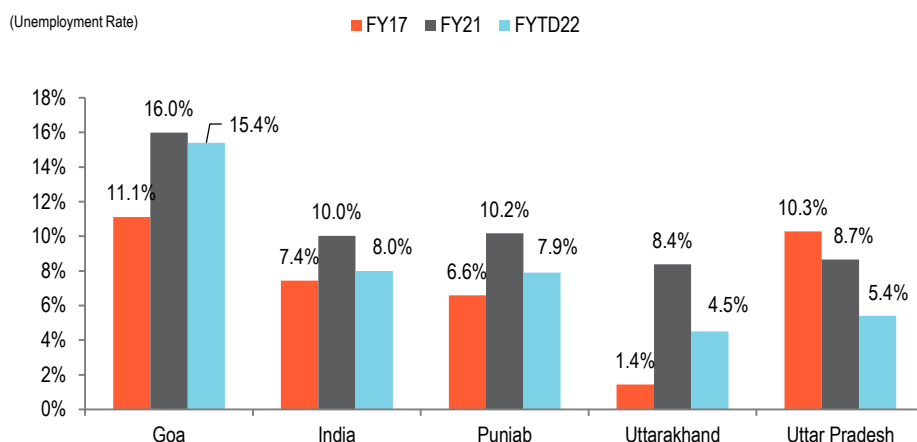
Social spending data reveals that smaller states tended to have a higher share in government spending. Punjab has cut this share sharply in FY22 by 18.9% points while Manipur has increased the same by almost 20% points.

**Table 7. UP underperforms in terms of social spending and Goa has highest crime rate**

States	Per capita NSDP, Rs		Crime Rate (Crime/one lakh population)		Social Exp**/ Total Exp	
	FY17	FY21	2017	2021	FY17	FY22BE
Uttar Pradesh	52671	65431	139.3	155.1	40.0%	39.2%
Punjab	128780	151367	133.4	165.2	45.9%	27.0%
Uttarakhand	161752	202895	119.3	122.1	46.0%	43.1%
Manipur	59345	84746	130.0	74.8	33.2%	53.1%
Goa	378953	472216	145.5	218.5	35.9%	39.0%

Source: NCRB, RBI, Bank of Baroda Research\* expenditure on social services, rural development and food storage and warehousing under revenue expenditure, capital outlay and loans and advances by the state governments.

**Fig 3 – Goa has the highest unemployment rate in FYTD22 followed by Punjab**



Source: CMIE, Bank of Baroda Research | FYTD22: Monthly average unemployment rate Apr-Jan

The unemployment rates have varied across states over the years. UP has witnessed a sharp decline in the unemployment rate and hence does well on this parameter. Uttarakhand witnessed high unemployment in FY21 but had recovered sharply in FYTD22. Both these states have unemployment rates which are lower than the national average of 8% in FYTD22. Punjab too had a rate lower than the national average at 7.7% though Goa has the highest rate of 15.4% and this has been the case in the past too. The high numbers in FY21 and FYTD22 may be attributed partly to the reverses suffered by the hospitality industry which is the main driving force of the state in terms of employment.

#### **Concluding Remarks:**

**Which states did best on GDP?** Goa did well in terms of real GDP growth in the current electoral cycle (FY17-21), while large States such as UP and Punjab have fared badly.

**Investment and capex:** New project announcements have fallen in these States as they are not major investment destinations like Gujarat, Maharashtra, Karnataka etc. Government capital spending on the other hand, is expected to pick up in FY22 for all these States, which would support growth.

**Social spending:** Smaller states have a higher share in social spending. For Punjab, social spending to total expenditure has fallen sharply in FY22.

**Credit:** Credit per branch ratio for all states has improved. However for UP, it is lower compared to smaller states such as Punjab, Manipur and Goa.

**Fiscal management:** States have been quite liberal on the fiscal deficit side. In FY22, except Uttarakhand, all States have exceeded the 4% mark of fiscal deficit allowed as per FRBM. UP which has been conservative in FY12 has witnessed subsequent increase in the ratio and has pitched for 4.7% in FY22.

## Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



For further details about this publication, please contact:

**Economics Research Department**

Bank of Baroda

chief.economist@bankofbaroda.com