

North India's potential stymied by laggard states

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Uttar Pradesh and Rajasthan, with a large population, are pulling down other north Indian states in terms of the general well-being status of households.

There has been a subtle shift in the manner in which state governments have been conducting their business. Apart from Centre-driven reforms, states have adopted a competitive approach in a bid to attract capital, labour and technology, and thereby improve not just their development rankings, but also their electoral prospects. The focus on improving infrastructure has led to a positive impact on industrialisation and services sector for many states, and some like Bihar and Madhya Pradesh have made huge strides in terms of bettering their ranking across several development indicators. However, what has been the impact of this on the overall well-being of households? And how do they fare in terms of earning, spending and saving; basic amenities (bijli, paani, sadak aur shauchalaya); asset ownership (wealth); social, political and financial inclusion; and more importantly the financial optimism and quality of life?

To find this, we focus on how households in the states and Union Territories in the northern region—including Delhi, Chandigarh, Punjab, Haryana, Himachal Pradesh, Uttarakhand, Uttar Pradesh and Rajasthan—have performed on well-being measures, and where they are better off or lag behind when compared to the rest of India. For the purpose of this analysis, we have looked at the Census 2011 data as well as the findings that have emerged from the most recent PRICE's ICE 360° household survey data. We have considered a set of 25 indicators across five broad development measures of well-being, access to basic amenities, quality of housing, financial inclusion and household asset ownership.

It has been observed that states that are highly urbanised also tend to be higher up on the development ladder. Given that the share of urbanisation at the all-India level is only about 31.2%, north Indian states are pretty much at par with this rate (at 28.6%). While Union Territories Delhi and Chandigarh—which are primarily cities—would inevitably have an edge over the rest of northern states in terms of urbanisation, others like Punjab and Haryana too score higher than the all-India level (at 37.5% and 34.8%, respectively). Himachal Pradesh, however, has an urbanisation rate of just 10%. The bulk of northern states (apart from Rajasthan and Uttar Pradesh) score much higher than the national average on female literacy; access to electricity; toilets within household premises; access to tap water; and many more including indicators like share of graduate households, share of salaried households and share of rich households in each state and Union Territory. In fact, it is striking that the two states of Uttar Pradesh and Rajasthan, with huge populations, are pulling down other states in terms of general well-being status of households in the region.

We have to take a closer look at how households in north Indian states compare in terms of the major development indices against the average Indian household (all India score = 100). It is evident that, apart from Rajasthan and Uttar Pradesh—which have scores of less than the all-India score in terms of basic amenities, quality of housing, financial inclusion and durables ownership—most other northern states are relatively better off. Uttarakhand scores 146 on basic amenities, compared to 169 for Punjab and 227 for

Chandigarh. Himachal Pradesh is one of the top scorers for quality of housing (at 120, it is even higher than Delhi at 108). Consumer durable ownership ranges from 105 (for Uttarakhand) to 265 (for Chandigarh). Rajasthan and Uttar Pradesh lag way behind on this score as well, at 92 and 85, respectively.

Again, when the index score is 100 for the northern region, the states' performance is above average except for the two weak states of Uttar Pradesh and Rajasthan. In fact, when compared to other regions, northern states emerge as high scorers and are on a par with the three southern states of Karnataka, Kerala and Tamil Nadu, and others like Goa, Gujarat and Maharashtra. Eastern states of India are among the laggards.

North Indian states and development ←

(All-India score = 100)

States →	Well being →	Basic amenities →	Financial inclusion →	Household assets →	Overall development score →
Chandigarh →	214 →	227 →	120 →	265 →	220 ¶
Delhi →	243 →	230 →	142 →	234 →	218 ¶
Punjab →	125 →	169 →	97 →	171 →	148 ¶
Haryana →	139 →	159 →	127 →	138 →	139 ¶
Himachal Pradesh →	116 →	158 →	135 →	126 →	129 ¶
Uttarakhand →	145 →	146 →	128 →	105 →	124 ¶
Rajasthan →	77 →	93 →	93 →	85 →	87 ¶
Uttar Pradesh →	79 →	68 →	90 →	92 →	85 ¶
All India →	100 →	100 →	100 →	100 →	100

Overall, northern states have a share of little more than a quarter (25.6%) of total households in the country. The region's share of population is about 28.7%. As mentioned earlier, Uttar Pradesh and Rajasthan have the largest shares of population. In absolute numbers, Uttar Pradesh has a population of 189.6 million and Rajasthan about 84.6 million. Nearly 26.6 million people live in Punjab, whereas Chandigarh and Delhi have populations of 1.3 million and 18.3 million, respectively. The wide diversity of states in demographic terms is also reflected in income earning levels of households. At the top end of the spectrum are Delhi and Chandigarh, with average annual household incomes of R460,626 and R424,848, respectively. At the bottom end of the scale is Uttar Pradesh with an income of R181,662. Somewhere in the middle are the states of Haryana (R277,483), Rajasthan (R223,858), Punjab (R280,116) and Himachal Pradesh (R205,069). Consequently, Delhi, Haryana, Chandigarh also have above average saving rates of 46%, 38% and 32%, respectively, as against the average northern region saving rate of 28%.

Consider the occupations in which a majority of households are employed and the reason for the lower status of Uttar Pradesh and Rajasthan households becomes self-evident. For instance, for 37% and 26% of households in these two states, respectively, self-employment in agriculture is the main source of income. For Haryana and Himachal Pradesh, it is 14% and 10%, respectively. Even a traditionally

agriculture-oriented state like Punjab has 24% households earning their livelihood through farm-related self-employment, which is on a par with the northern region average of 25%. Significantly, however, 26% Punjab households are engaged in non-agricultural self-employment and another 26% earn their income from regular salaried employment. In contrast, only 9% Uttar Pradesh households earn their livelihood from regular wage income.

Overall income levels are low in Uttar Pradesh across all kinds of households. Those engaged in self-employed agricultural occupations have a much lower annual income (at R175,537) than those in Punjab (R248,155) and Haryana (R389,977). Uttar Pradesh's salaried households earn roughly about R298,104, whereas the annual income for similar households is R583,167 in Chandigarh and R368,845 in Punjab.

Uttar Pradesh and Uttarakhand have an overwhelming majority of households where the highest level of education is matriculation or below (62% and 83%, respectively), compared to 56% in Himachal Pradesh, 39% in Punjab and 31% in Delhi.

Clearly, then, there is a wide disparity in education, earning capacities, employment opportunities and general well-being indicators among northern states. Targeted policy measures aimed at bringing development to the laggard states would go a long way in strengthening the region as a whole, and raising their potential in terms of contribution to the state as well as national development.

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