

# Economic and financial profile of States/UTs headed for Elections

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Four states and one Union Territory are scheduled to have assembly elections in March-April. In this backdrop, we have mapped here the broad economic and financial profiles of these states/UTs and examined how they stand/compare on these fronts. Admittedly it is still not clear if the economic conditions have a major bearing on the voting patterns. Nonetheless it is useful to look at these profiles to understand the economic dynamics that exist in these regions.

Our assessment takes into account the economic structure and performance of the five states along with the governments' financial position. We also delve into the living conditions in terms of income level, prices, employment and wages.

The data used for our analysis is for the latest time period available. However, for some parameters we have not used the FY21 data given that it has been unusual year characterized by widespread distortions. We have thus restricted our assessment for some parameters to FY20.

Overview of State's Economy and Finances								
	Period	Unit	West Bengal	Tamil Nadu	Kerala	Assam	Puducherry	All-India
<b>State Economy</b>								
Size of economy	FY21	Rs crores	13,54,518	19,43,399	8,22,023	3,51,317	38,253^	
Share in National Economy	FY20	%	6.2	9.1	4.2	1.7	0.2	
GSDP Growth rate	Average: FY16-20	%	6.7	8.0	6.3	8.6	6.7	6.7
<b>Sectoral Composition</b>								
Agriculture	FY21	%	20	11	9	17*	4^	16
Industry	FY21	%	26	38	29	42*	51^	29
Service	FY21	%	53	51	63	41*	45^	55
Per capital income	FY20	Rs	1,15,748	2,18,599	2,21,904	90,692	2,22,514	1,34,226
<b>State Finances</b>								
Revenue Deficit (+)/ Revenue Surplus (-)	FY21	Rs crores	34,345	65,994	24,206	-1,804	-116^	
Self-reliance (States Own Revenue to Revenue Receipts)	FY21	%	42	68	58	38*	58	
Debt/GSDP	FY21	%	36	25	36	24	22	
Capital Outlay/TE	FY22	%	12	13	6	16	4~	
Inflation	Feb'21	%	5.3	7.2	4.9	6.5	8.0	5.0
Daily wages (non-agri labour)	FY20	Rs.	291	438	670	263	NA	293
Unemployment	Feb'21	%	6.2	4.8	4.3	3.4	5.8	6.9
Incumbent Government led by			All India Trinamool Congress	AIADMK	Left Democratic Front	BJP and AGP	President's Rule	BJP- NDA

Source: RBI, CMIE, State Budget Documents, PRS. All India cells left blank where we believe comparison is not relevant.

\* for FY19; ^ FY20 (RE); ~ FY21(BE)

## Size, structure, and growth of the economy

- In terms of size of the economy, Tamil Nadu's economy is the largest (3<sup>rd</sup> largest in India), followed by West Bengal (6<sup>th</sup>), Kerala (11<sup>th</sup>), Assam (17<sup>th</sup>) and Puducherry (26<sup>th</sup>).
- Together, they account for around 20% of India's economy
  - Tamil Nadu: 9% at Rs.19 lakh crs, West Bengal: 6% at Rs.13.5 lakh crs, Kerala: 4% at Rs.8 lakh crs, Assam:2% at Rs. 3.5 lakh crs and Puducherry: 0.2% at Rs.0.38 lakh crores.
- Barring Kerala, the economic growth of the other three states and the UT has been comparable or higher than the national average of 6.7% during FY16-20.
  - Assam has witnessed the highest average economic growth of 8.6% during the four-year period to FY20. Tamil Nadu's economic growth in this period averaged 8% while West Bengal, and Puducherry's economy grew at the same pace of the nation i.e. by an average 6.7%.
  - Kerala's economic growth at 6.3% was 0.4% lower than the country's average growth during FY16-20. The

lower growth rate of the state can in large part be attributed to the devastating floods of 2018 and 2019.

- Tamil Nadu, West Bengal and Kerala have a service led economy with the sector accounting for over half the state's economic output (in FY21). The service sector's share in the economy of Assam and Puducherry is 41% and 45% respectively
- Puducherry is the most industrialized among the five with half the economic output of the region being contributed by industry. Assam and Tamil Nadu too witness sizeable participation of the industrial sector in the state's economy with a share of 42% and 38% respectively. Kerala and West Bengal are the least industrialised states with the sector having a share of 29% and 26% respectively in their overall economy.
- West Bengal is more agrarian compared with the other four regions with the sector's contribution to the state's economy being 20%. This is followed by Assam with a share of 17%. Agriculture accounts for 11% of Tamil Nadu's economy, 9% of Kerala's and 4% in case of Puducherry.

### **Government's Financial Position**

- **Revenue Surplus:** Assam and Puducherry have been fiscally stronger having witnessed a revenue surplus in FY21 (revised estimates) and FY20 respectively. Puducherry is yet to announce the FY22 budget
- **Revenue Deficit:** The financial position of Tamil Nadu, Kerala and West Bengal is stressed. These three states' have sizeable revenue deficit in FY21. Tamil Nadu's revenue deficit is the largest at Rs.65,994 crs. West Bengal's revenue deficit in FY21 is Rs. 34,345 crs and Kerala's is Rs. 24,206 crs.
- **Self-reliance:** Assam and West Bengal have low self-reliance with only 38% and 42% of their income coming from own sources (tax and non-tax receipts). Tamil Nadu has high self-reliance with nearly 70% of its revenues being accounted from its own sources. Similarly, Kerala and Puducherry are fairly self-reliant given that own sources have been garnering nearly 60% of its total revenues.
- **Indebtedness:** West Bengal and Kerala have high debt burden with their debt (in FY21) being 36% of their economic output (GSDP). This is notably higher than the prudential and sustainable limit of 25% stipulated by the Finance Commission. Although Tamil Nadu has a high quantum of outstanding debt (Rs. 4.85 lakh crs in FY21), it is perceived as being sustainable as it is within the prudential limit of 25%. Assam and Puducherry too have sustainable debt liabilities at 24% and 22% of their GSDP.
- **Asset Creation:** Kerala and Puducherry have been allocating lower expenditure towards capital asset creation necessary for future economic growth. As a proportion of total expenditure, capital outlay of Kerala is 6% (for FY22) and that of Puducherry is 4% (in FY21 Budget Estimate). Capital outlay (FY22) is higher for Assam (16%), Tamil Nadu (13%) and West Bengal (12%).

### **Price levels**

- Apart from Kerala, inflation in the other four regions has been higher than the national average of 5% in February'21. In West Bengal it has been marginally higher (at 5.3%) than the all-India average.
- Price pressures have been acute in the case of Puducherry (8%), Tamil Nadu (7.2%) and Assam (6.5%) during this period.

### **Employment scenario**

- The unemployment rate in all the five regions in February'21 is lower than the national average of 6.9%. This could be on account of the state level measures being undertaken to provide employment opportunities to its population. The process has also been driven by the upcoming Elections when more effort is put to create jobs.
- Unemployment is the highest in case of West Bengal at 6.2% and the lowest in the case of Assam at 3.4% (Feb'21). In case of Puducherry, it has been high at 5.8%
- Tamil Nadu and Kerala's unemployment rate in the same period was 4.8% and 4.3% respectively.

### **Wages**

- There is a sharp variation in the average daily wages for non-agriculture labourer across these five regions.
- In FY20, the average daily wage rate in Kerala of Rs. 670 was more than double the national average of Rs. 294. Kerala has the highest wage rate in the country. Tamil Nadu, which has the third highest wage rate in the country, paid non-agricultural labourers Rs. 438/ day, which is nearly 50% over the national average. With a sizeable population residing as NRIs in other countries, drawing labour is a challenge which has kept wages higher.
- The wage rates in Assam and West Bengal were lower than the national average by 10% and 8.5% respectively in FY20.

### Affluence: Per-capita Income (FY20)

- The southern regions i.e. Kerala, Tamil Nadu and Puducherry are more affluent with their per-capita-income being higher than the national average (Rs.1.34 lakhs in FY20) by over 60%. The per-capita income of Puducherry and Kerala is Rs.2.22 lakhs each and that of Tamil Nadu is Rs.2.19 lakhs.
- Assam has the lowest per-capita income of Rs. 0.91 lakhs which is 32% lower than the national average.
- West Bengal's per capita income is 16% lower than the national average at Rs. 1.16 lakhs.

### Key observations

- The southern regions stand out in terms of better living conditions i.e higher wages, employment, and income levels.
- The majority of them have witnessed higher growth in the respective economies than the national average prior to the pandemic (FY16-20).
- The economy of these regions is predominantly driven by the service sector.
- The government in the southern states/UT are seen to be more self-reliant in terms of their incomes.

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