NORTH VS. SOUTH INDIA

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A COMPARATIVE ANALYSIS OF ECONOMIC, SOCIAL, AND HUMAN DEVELOPMENT

Credits & Acknowldegement

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Abstract and Introduction

This report, titled "North vs South India: A Comparative Analysis of Economic, Social, and Human Development", presents a comprehensive exploration of the growing divergence in development trajectories between India's northern and southern states. It specifically investigates the claim that southern states such as Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala have significantly outperformed northern states like Uttar Pradesh, Bihar, Madhya Pradesh, and Rajasthan in recent decades.

Focusing on the period from Independence in 1947 to the year 2000, the report traces the evolution of regional development across more than five decades of post-colonial governance, planning, and reforms. This timeframe allows for a meaningful historical analysis of trends, turning points, and policy impacts that have shaped the North–South divide as observed in the contemporary era.

At its core, the report seeks to examine whether these disparities are recent or long-standing, and whether they represent a broader failure of regional convergence — a principle often anticipated by economic theory. While prior academic work has addressed inter-state disparities using econometric approaches, few have specifically isolated the North-South divide or delved into the non-economic underpinnings of such a division. This study fills that gap by adopting a multidisciplinary methodology, drawing from economics, sociology, political science, history, and public administration to understand both proximate and foundational causes of divergence.

The primary aim of this report is to assess performance across multiple dimensions - economic (e.g., per capita income, poverty rates, agricultural productivity), social (e.g., literacy, health indicators, access to services), and governance-related (e.g., law and order, political stability, institutional quality). It goes beyond surface-level comparisons by distinguishing between direct performance indicators and deeper enablers of development, such as social mobilisation and administrative capacity. Recognizing the complexity of measuring development, particularly across time and non-quantitative domains, the report relies on both empirical data and historical context to offer a wellrounded analysis.

Understanding this divide requires a grasp of India's federal structure, which provides the institutional context in which regional development unfolds. India operates under a quasi-federal system, wherein powers are divided between the Centre and the States through the Constitution's Seventh Schedule, which defines the Union, State, and Concurrent Lists. While the framework is designed to accommodate diversity and regional autonomy, in practice, it often skews towards central dominance — a feature that has sometimes hindered the capacity of states to implement context-specific solutions.

In this context, the report also pays attention to sectorwise policy approaches adopted by the two regions. It examines how southern states have invested heavily and consistently in key sectors like education, healthcare, and public infrastructure, often through decentralised and welfare-oriented governance models. For instance, Tamil Nadu and Kerala have historically emphasised strong public health systems and nearuniversal access to schooling, which have had compounding effects on human capital formation. Similarly, states like Karnataka and Andhra Pradesh have actively promoted technological innovation and industrial development, fostering ecosystems conducive to growth in sectors like IT, pharmaceuticals, and manufacturing.

In contrast, northern states have seen fragmented or inconsistent sectoral strategies, often hindered by governance challenges, political instability, and weak institutional frameworks. Agricultural stagnation, underinvestment in human development, and delayed industrialisation compounded have regional disadvantages. This report evaluates how these policy particularly divergences in critical sectors agriculture, education, public health, and industry have contributed to the long-term developmental gaps between the two regions.

The historical backdrop of this divergence makes the subject even more intriguing. In the early decades post-Independence, northern states like Uttar Pradesh and Bihar were often considered administrative models. Southern states, by contrast, were seen as economically weaker, with many of their residents migrating to northern and western cities for employment. Anecdotal evidence from the 1950s and 60s depicts the South as lacking in opportunities and lagging in development. Today, the narrative has flipped, but there has been little rigorous analysis of this shift or its causes.

This report therefore not only attempts to validate or challenge the perceived southern advantage, but also to trace its origins, examine the persistence of regional disparities, and identify actionable policy lessons. It stresses that while emulating better-performing regions may seem appealing, policy transfer must be grounded in contextual realities. Ultimately, the goal is to foster a more equitable model of development within India's diverse federal framework by leveraging regional insights rather than imposing uniform solutions.

The chapters ahead are structured to first review the existing literature on regional disparities, then explore the deeper economic, social, and institutional roots of the North–South divide, followed by region-specific analyses and a concluding section that offers policy implications. Appendices include detailed state profiles and data tables to support the analyses. Through this integrated approach, the report aims to contribute meaningfully to the discourse on regional development in India.

SIZE, POPULATION, & GROWTH DRIVERS

Introduction

In the decades immediately following independence, northern states such as Uttar Pradesh and Bihar were widely regarded as administrative and economic frontrunners.

Assessments from the 1950s often highlighted the relative strength of governance in these regions, and the migration patterns of the time pointed to the South as a land of limited economic opportunity. Many people from southern states moved to northern and western cities in search of employment, occupying lower-tier jobs in both public and private sectors.

However, beginning in the 1970s and accelerating through the 1980s and 1990s, a notable shift began to take shape. Southern states—Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala—started outperforming their northern counterparts in key development metrics, particularly in health, education, and economic growth.

This transformation was not the result of chance, but of deliberate and sustained investments in human capital, institutional reforms, and evolving development priorities.

By the early 2000s, the southern states had not only surpassed many northern states in critical social indicators, but they had also become more effective in attracting private investment and generating economic momentum. Meanwhile, several northern states continued to grapple with deficiencies in public service delivery, population control, and infrastructure, deepening the developmental divide.

To truly understand the reasons behind this divergence, it is necessary to examine the structural, demographic, and policy-based drivers that shaped the trajectories of these regions from 1947 to 2000.

This includes a comparative look at state size, population dynamics, governance models, economic strategies, and infrastructural investments—factors that interacted within the broader context of India's federal framework.

Since independence, India has struggled with pronounced regional disparities, particularly between its northern and southern states.

While colonial legacies, geography, and cultural diversity set the stage for different development paths, the significant divergence visible by the early 2000s can largely be attributed to post-independence policy decisions and governance styles.

This report focuses on six northern states—Uttar Pradesh, Rajasthan, Haryana, Punjab, Delhi, and Himachal Pradesh—and four key southern states— Tamil Nadu, Karnataka, Andhra Pradesh, and Kerala. Maharashtra has been intentionally excluded to maintain a clear North-South lens.

Size and Population Distribution

In terms of landmass, northern states like Rajasthan and Uttar Pradesh dominate, with Rajasthan accounting for 10.8% of India's area and UP following at 7.6%. Among southern states, Andhra Pradesh is the largest, followed by Karnataka. Kerala is the smallest in both area and population.

However, population dynamics diverge sharply. Uttar Pradesh, with 16.2% of India's population, remains the most populous state, while Kerala has maintained low population growth despite high density. Between 1991 and 2001, the population in most northern states grew at rates exceeding the national average of 1.9% per annum—2.6% in UP, 2.5% in Rajasthan, and 2.3% in Haryana. Southern states, in contrast, recorded significantly lower growth: Kerala (0.9%), Tamil Nadu (1.1%), and Andhra Pradesh (1.3%).

WHY DID THE SOUTH SUCCEED IN POPULATION CONTROL?

The success of southern states in managing population growth is largely attributed to their long-standing emphasis on public health, female education, and family planning:

- Kerala led the way with early investments in primary education, especially for girls, alongside a robust public health system. High female literacy (over 87% in 2001), late marriages, and high contraceptive use contributed to the state's replacement-level fertility by the 1990s.
- Tamil Nadu adopted aggressive family planning campaigns from the 1970s, including the use of incentives, community-based outreach programs, and early adoption of institutional delivery and maternal healthcare.
- Andhra Pradesh combined health infrastructure expansion with education reforms and awareness campaigns that normalized smaller family norms. Though lagging behind Kerala in literacy, it achieved a dramatic decline in fertility over two decades.

Northern States:

- Punjab and Haryana had higher life expectancies (68 and 64 years respectively) compared to the national average, thanks to better agricultural income and decent health infrastructure in urban zones.
- Other states like Uttar Pradesh and Rajasthan had alarmingly high IMRs (above 80 per 1000), driven by poor maternal care, malnutrition, and lack of access to basic health services.

Social Indicators of Northern States

State	HDI Value 1981 (Rank)	HDI Value 1991 (Rank)	HDI Value 2001 (Rank)	Literacy Rate 1991	Literacy Rate 2001	Life Expectanc y 1981-85	Life Expectanc y 1993-97
Haryana	0.36	0.443	0.509	55.85	68.59	60.3	64.1
Himachal Pradesh	n.a	n.a	n.a	63.86	77.13	64.3	70.5
Punjab	0.411	0.475	0.537	58.51	69.65	63.1	67.2
Rajasthan	0.256	0.347	0.424	38.55	60.41	55.3	60
Uttar Pradesh	0.255	0.314	0.388	41.6	57.36	54.6	57.6
Delhi	n.a	n.a	n.a	75.29	81.82	n.a	n.a

State	Per Capita Income (Rs.) 1980-81	Per Capita Income 1989-90	Per Capita Income 2000-01	Sex Ratio 1991	Sex Ratio 2001	Poverty Ratio (%) 1993-94	Poverty Ratio (%) 1999-00
Haryana	2370	6233	23742	23742 865 861 2		25.05	8.74
Himachal Pradesh	1704	6375	18920	976	970	28.44	7.63
Punjab	2674	7624	25048	882	874	11.77	6.16
Rajasthan	1204 6241 11		11986	910	922	27.41	15.28
Uttar Pradesh	1278	3087	9721	876	896	40.85	31.15
Delhi	4030	20199	38864	827	821	11.69	5.75

Health and Mortality Rates

Southern States:

- Kerala's comprehensive primary healthcare network ensured near-universal access to immunization and maternal care. The state's infant mortality rate (IMR) dropped below 15 per 1000 live births—on par with developed countries by the early 2000s.
- Tamil Nadu integrated maternal health with its family welfare schemes and invested in trained birth attendants, reducing both infant and maternal mortality.
- Karnataka and Andhra Pradesh invested in mobile medical units and rural health centers. Though less effective than Kerala, they still achieved IMRs and life expectancy levels better than most of India.

Gender Development and Sex Ratio

Southern States:

- Gender indicators in the South were vastly better. Kerala's sex ratio (1058 females per 1000 males) reflected societal value placed on women's health and education.
- Tamil Nadu and Andhra Pradesh also promoted girlchild education through conditional cash transfers and early interventions.

On the other hand, northern states like Haryana (861) and Punjab (874) had the most skewed ratios due to deep-rooted patriarchal norms and high rates of female foeticide.

Human Development Index (HDI)

Southern states consistently outperformed northern ones on HDI between 1981 and 2001. Kerala led the nation in every HDI ranking due to high literacy, low infant mortality, and long life expectancy. Tamil Nadu climbed from 7th to 3rd between 1981 and 2001, reflecting sustained progress in education and healthcare. Karnataka and Andhra Pradesh improved more slowly, but their trajectories still surpassed most northern counterparts.

In contrast, Punjab remained the only northern state with consistently high HDI (2nd place), due to its prosperity in agriculture and early investments in healthcare. Haryana followed close behind, buoyed by its proximity to Delhi and industrial development. However, Uttar Pradesh and Rajasthan consistently ranked among the lowest, with minimal gains over two decades.

Education and Literacy

Southern States:

- Kerala treated education as a right long before it became a national priority. Missionary efforts, caste reform movements, and early investment in public schooling created a literate population. Adult literacy campaigns and school enrollment drives were key in sustaining literacy rates above 90% by 2001.
- Tamil Nadu's innovative schemes like the **Mid-Day Meal Program** (which later became national policy) drastically improved school attendance. Launched in the early 1980s under the leadership of Chief Minister M.G. Ramachandran, the scheme aimed to provide nutritious cooked meals to schoolchildren in government and aided schools. It not only addressed classroom hunger but also acted as a

strong incentive for parents to send their children to school, particularly in economically weaker households. Free textbooks, uniforms, and scholarships for girls contributed to universal elementary education.

• Karnataka and Andhra Pradesh focused on expanding rural school infrastructure and community schooling models, especially in the 1990s. Though slower than Kerala and Tamil Nadu, they consistently outperformed northern states.

Northern States:

- Himachal Pradesh is a noteworthy exception. The state made impressive strides in literacy (77% by 2001) through sustained investment in school infrastructure and teacher outreach even in hilly regions.
- Rajasthan had the lowest literacy among southern and northern counterparts in 1991 (39%) but showed the fastest growth in the 1990s—rising to 61% by 2001—due to large-scale campaigns like the Shiksha Karmi Project and Lok Jumbish Abhiyan, which improved access for girls and marginalized communities.

Life expectancy followed a similar pattern: Kerala topped with over 72 years, while Tamil Nadu and Andhra Pradesh hovered around the national average. Uttar Pradesh (58 years) and Rajasthan (60 years) remained at the bottom due to persistent malnutrition, poor health access, and high infant mortality.

Economic Indicators

- Per capita income in Punjab and Haryana was initially high due to Green Revolution benefits but stagnated later. States like Uttar Pradesh and Rajasthan never caught up and saw their income gap with the national average widen.
- Southern states, especially Karnataka and Tamil Nadu, attracted significant private and foreign investment during the 1990s tech boom due to better infrastructure, industrial policy, and urban development.
- Between 1995 and 2003, southern states attracted average investment inflows of ₹4.74 trillion—nearly triple the ₹1.7 trillion seen by northern states.

This disparity reflected a range of structural advantages that were more prevalent in the southern states of India. These included stronger and more accountable institutions, a relatively well-educated and skilled workforce, and better governance practices, all of which contributed to more consistent economic development, improved public service delivery, and higher overall standards of living

Social Indicators of Southern States

		Andhra Pradesh		Karnataka		Kerala		Tamil Nadu	
	Year	Quantity	Comments	Quantity	Comments	Quantity	Comments	Quantity	Comments
1. Human Developme nt Index	2001	0.416	10th rank	0.478	7th rank	0.638	1st rank	0.531	3rd Rank
2. Literacy Rate (%)	2001	61.1	Lowest in South	67	Not high	90.9	Highest	73.5	6th Highest
3. Per Capita NSDP at current prices (Rs.)	2000-01	16373	Lowest in South	18041	_	21046	Highest in South	19889	
4. Life Expectanc y at Birth	1993-97	62.4	Lowest in South	63.3	Not high	73.3	Highest	64.1	4th Highest among major states
5. Infant Mortality Rate (per 1000)	1999	66	Highest in South	58	6th Iowest	14	Lowest	52	3rd Lowest among major states
6. Sex Ratio (Females per 1000 Males)	2001	978	4th highest	964	7th highest	1058	Highest	986	2nd Highest
7. Poverty Ratio (%)	1999-00	15.8	9th Iowest	20	11th Iowest	12.7	6th Iowest	21.1	Highest in South

Social Indicators of Southern States

Southern states like Kerala and Tamil Nadu have consistently performed better on key social indicators, with high literacy rates, low infant mortality, and higher life expectancy compared to the national average. Kerala, in particular, stands out for its exceptional achievements in education and health. While economic growth is visible across the South, states like Andhra Pradesh and Karnataka show that higher income levels do not always ensure equally strong social outcomes. Sex ratios are generally more balanced in the South, reflecting better gender equity, though poverty remains a challenge in states like Tamil Nadu.

State	Human Developme nt Index (2001)	Literacy Rate (%) (2001)	Per Capita NSDP (2000-01)	Life Expectancy at Birth (1993-97)	Infant Mortality Rate (per 1000) (1999)	Sex Ratio (Females per 1000 males) (2001)	Poverty Ratio (%) (1999-00)
Andhra Pradesh	0.416 (10th rank)	61.1 (Lowest in South)	16373 (Lowest in South)	62.4 (Lowest in South)	66 (Highest in South)	978 (4th highest)	15.8 (9th lowest)
Karnataka	0.478 (7th rank)	67.0 (Not high)	18041	63.3 (Not high)	58 (6th lowest)	964 (7th highest)	20.0 (11th lowest)
Kerala	0.638 (1st rank)	90.9 (Highest)	21046 (Highest in South)	73.3 (Highest)	14 (Lowest)	1058 (Highest)	12.7 (Lowest)
Tamil Nadu	0.531 (3rd rank)	73.5 (6th highest)	19889	64.1 (4th highest among major states)	52 (3rd lowest among major states)	986 (2nd highest)	21.1 (Highest in South)
All-India	0.472	65.4	16707 (NNP)	61.1	70	933	26.1

Disparities in Investment Opportunities

We assess disparities in economic opportunity between the northern and southern Indian states by examining actual private investment flows—both Foreign Direct Investment (FDI) and domestic capital investments. These flows, though available only from relatively recent periods, are significant indicators of economic disparity.

Unlike conventional development indicators such as per capita income or literacy, investment flows offer a dynamic and forward-looking measure of opportunity: they signal job creation, rising incomes, and sustained economic momentum. Just as importantly, they reflect the underlying strength of local ecosystems—such as physical infrastructure, the ease of doing business, governance efficiency, and availability of skilled labor which directly influence a firm's decision to invest in a region.

From 1995 to 2003, the divergence in investment between the two regions became strikingly apparent. The southern states attracted an average of ₹4.74 trillion in actual investments, significantly outpacing the northern states, which received a mere ₹1.7 trillion.

When adjusted for population, the gap remains stark. Southern states like Tamil Nadu, Karnataka, and Andhra Pradesh emerged as major investment hubs, while states such as Uttar Pradesh, Rajasthan, and Bihar struggled to gain investor confidence.



This discrepancy did not arise in a vacuum—it is a result of deliberate policy differences. Southern states, particularly from the late 1980s onwards, implemented proactive economic reforms aimed at creating investment-friendly climates. Tamil Nadu, for instance, aggressively developed Special Economic Zones (SEZs), implemented power sector reforms, streamlined single-window clearance systems, and consistently ranked high in the ease of doing business. Karnataka invested heavily in the IT sector, attracting multinational corporations with infrastructure projects like the Bangalore IT Corridor and policy incentives under the Millennium IT Policy (2000). Andhra Pradesh followed suit with its Vision 2020 plan under Chief Minister Chandrababu Naidu, emphasizing e-governance, rural infrastructure, and industrial parks.

In contrast, many northern states lagged in formulating and implementing such reforms. Structural inefficiencies, bureaucratic hurdles, poor law and order, and limited infrastructure development hindered their ability to attract large-scale private investments. For example, Uttar Pradesh's industrial policy remained relatively stagnant through the 1990s, and despite periodic announcements, real improvements in logistics, land acquisition processes, and power supply were minimal.

States like Bihar and Rajasthan suffered from political instability, irregular electricity supply, and underdeveloped industrial clusters, which deterred private players.

Moreover, the disparity is not just interregional but intraregional. Even within northern India, investments have been disproportionately concentrated in Delhi and its adjoining areas, whereas hinterland states remained underdeveloped. This low-level equilibrium in northern India—marked by slow reforms, weak institutions, and underwhelming private sector engagement perpetuated a cycle of low investment, few job opportunities, and stagnant income growth.

If these trends persist, northern states risk deepening economic isolation, leading to rising unemployment, income inequality, and large-scale migration to more prosperous southern states.

Such migration, while offering short-term relief for individuals, often results in urban overcrowding, strain on public services, and social tensions in receiving states. Furthermore, persistent interregional disparities could fuel political unrest and erode national unity.

This economic divergence aligns with findings reported by Kurian (2000), who highlighted growing regional imbalances in India's development narrative.

To reverse the tide, northern states must urgently pursue structural reforms, invest in human capital, improve governance capacity, and foster an environment conducive to enterprise and innovation.

Understanding and addressing these fundamental differences is not merely a question of equitable development—it is essential for the long-term economic and social stability of the country.

UNDERSTANDING THE ECONOMIC STATUS

Introduction

The economic landscape of India reflects significant regional disparities, particularly between the northern and southern states. These differences are shaped by varying historical, political, and socio-economic factors that have influenced growth patterns, labor markets, and government policies. Understanding these economic dynamics is crucial for identifying regional strengths and challenges, and to uncover the factors driving economic performance and regional disparities across India.

In this section, we have measured the economic status of these regions using a set of key indicators that capture both economic output and social development. These include GDP contribution, per capita income, and living standards to assess overall economic well-being. Additionally, we study labor market dynamics through employment trends, as well as government fiscal behavior, focusing on tax collection, public spending, and investments in areas such as social welfare and infrastructure. These aspects help in understanding the role of economic and policy factors in shaping regional disparities.

By comparing these indicators, we aim to highlight not only the absolute performance of different regions but also the relative gaps that persist between them. This analysis also considers how institutional capacity, governance models, demographic trends, and access to resources influence regional outcomes.

GDP Contribution

India's story is one of contrasts, a tale of two regions with different growth trajectories and development patterns. The economic divide between the two reflects not only differences in industrial composition and policy choices but also historical and social factors. While southern states have emerged as hubs of industrialization and technological innovation, the northern states thrive in the agriculture and traditional economic sectors.

GSDP or Gross State Domestic Product is the total economic output of a state within a given financial year and represents the value of all goods and services produced within that state. Essentially, GSDP is the state-level counterpart of the country's GDP (Gross Domestic Product).

The Gross State Domestic Product (GSDP) varies significantly between northern and southern states, showing the vast difference in the economic structures. Several factors explain this divergence. Southern states invested early in education, public health, and infrastructure, creating favorable conditions for investment. State-level industrial policies, especially post-liberalization, helped attract IT and manufacturing firms to cities like Bengaluru, Hyderabad, and Chennai. In contrast, northern states remained more reliant on agriculture, with slower urbanization, lower literacy rates, and governance challenges that limited the speed of transformation. Stronger institutional frameworks and better implementation in the South further widened the gap over time.

Rank	State/UT	GSDP 2023-24 (₹ Bn)	GSDP 1960-61 (₹ Bn)	% of India's GDP in 2023-24	% of India's GDP in 1960-61	Growth Rate
1	Uttar Pradesh	25479	25.38	9.16	14.4	12.84%
2	Rajasthan	15284	7.76	5.5	4.4	12.56%
4	Haryana	10955	3.35	3.94	1.9	11.33%
5	Punjab	7449	5.64	2.68	3.2	9.34%
6	Jammu & Kashmir	2226	Not listed	0.8	Not listed	11.89%
7	Himachal Pradesh	2032	Not listed	0.73	Not listed	11.40%

Northern States

Gross Domestic Product by Sector

State/UT	Agriculture (%)	Industry (%)	Services (%)
Uttar Pradesh	27	27	46
Rajasthan	27	28	45
Haryana	18	30	52
Punjab	26	28	47
Jammu & Kashmir	20	18.3	61.7
Himachal Pradesh	14.74	39.98	45.28

Growth Drivers

Uttar Pradesh

Agriculture, which accounts for 27% of the state's Gross State Domestic Product, is the backbone of Uttar Pradesh's economy. With 33.61 million tonnes of wheat produced in 2023, the state is India's top producer of both sugarcane and wheat. It is the largest milk producer as well. With the goal of lowering post-harvest losses and raising farmers' incomes, the state government's Food Processing Industry Policy 2023 provides a 35% capital subsidy (up to ₹5 crore) for the establishment of food processing facilities.

Traditional industries like leather and textiles with hubs in Kanpur and Agra are the main drivers of the industrial sector, which also accounts for 27% of the GSDP. With 46% of the GSDP coming from the services sector, more than 300 Software Technology Parks of India (STPI)-registered IT businesses in the state employ around 3.55 lakh people. Tourism also plays a significant role, with the state attracting 318 million visitors in 2022, representing 18.3% of India's domestic tourist footfall.

However, the state's share in India's GDP dropped from 14.4% in 1960-61 to 9.16% in 2023-24. This decline reflects structural shifts in India's economy. While southern states rapidly industrialized and developed fast growing service sectors post-1991 liberalization, Uttar Pradesh remained heavily reliant on agriculture, which continues to account for 27% of its GSDP, significantly higher than the national average of 18%.

Rajasthan

Agriculture contributes 27% to Rajasthan's Gross State Domestic Product , with the state being India's top producer of mustard, and wool. It also ranks second in oilseeds and milk production.

The industrial sector accounts for 28% of the GSDP, driven by mining, cement, and textiles. Rajasthan is India's largest cement producer, owing to its vast limestone reserves. The state is also rich in minerals like zinc, lead, and copper, with Hindustan Zinc operating major facilities. Textile hubs in Bhilwara and Pali contribute significantly to the state's exports.

Services contribute 45% to the GSDP, with tourism playing a major role. In 2023, Rajasthan attracted 180 million domestic and 1.7 million international tourists. The state has granted industry status to tourism, facilitating investments in infrastructure and hospitality Rajasthan's share in India's GDP rose modestly from 4.4% in 1960-61 to 5.5% in 2023-24.

RIICO (Rajasthan State Industrial Development and Investment Corporation) to promote industrial estates, provide infrastructure, and attract industrial investments, particularly in mining, cement, and textiles and a well-developed tourism economy which was granted an industry status in 1989 allowed Rajasthan to maintain a decent growth rate even as other northern states lagged behind.

Haryana

Agriculture contributes 18% to Haryana's Gross State Domestic Product in 2024-25. The state is a significant producer of wheat and rice. Dairy also plays a major role, with Haryana being a leading milk producer.

The industrial sector accounts for 30% of Gross State Domestic Product , driven by manufacturing and construction. Haryana hosts major automobile manufacturing hubs in Gurugram andR Manesar, with companies like Maruti Suzuki and Hero MotoCorp operating large facilities.

Services contribute 52% to Gross State Domestic Product, with significant growth in IT, real estate, and financial services. Gurugram has emerged as a major IT and corporate hub, attracting numerous multinational companies.

Haryana's share in India's GDP grew from 1.9% in 1960-61 to 3.94% in 2023-24. This sharp rise reflects a structural transformation from an agrarian base to a service and manufacturing based economy. The development of Gurugram through Haryana Urban Development Authority (HUDA) Act and IT policies as a global IT and corporate center is the single most transformative driver behind Haryana's rise.

Punjab

Agriculture remains a major chunk of Punjab's economy, contributing 26% to the state's economy in 2023-24. The state is known for its large-scale wheat and rice cultivation.

The industrial sector contributes 28% to the state's economy in 2023-24. Ludhiana stands out as a major hub for textile and hosiery production, earning it the nickname "Manchester of India." with other leading industries including agriculture, agro-based industries, and light engineering.

Services account for 47% of PuRnjab's economy. It has seen growth in information technology and education. Cities like Mohali and Chandigarh have developed IT parks and attract software companies, fostering employment and technological advancement.

Punjab's economic influence has declined, with its share in India's GDP falling from 3.2% in 1960-61 to 2.68% in 2023-24. While agriculture still dominates, its overdependence on traditional crops and slow growth in sectors like IT and advanced manufacturing has limited its economic momentum.

Rank	State/UT	GSDP 2023-24 (₹ Bn)	GSDP 1960-61 (₹ Bn)	% of India's GDP in 2023-24	% of India's GDP in 1960	Growth Rate
1	Tamil Nadu	27216	15.33	10.03	8.7	13.71%
2	Karnataka	25007	8.64	9.21	4.9	10.16%
3	Andhra Prade	14397	13.57	5.31	7.7	10.44%
4	Kerala	11461	5.46	4.22	3.1	11.97%

Southern States

Gross Domestic Product by Sector

State	Agriculture (%)	Industry (%)	Services (%)
Tamil Nadu	11.18%	37.15%	45.90%
Karnataka	13.04%	20.24%	66.72%
Andhra Pradesh	37%	23%	40%
Kerala	10.80%	24.90%	64.20%

Growth Drivers

Karnataka

Agriculture contributes 13.04% to Karnataka's GSDP. The state is known for its production of coffee, spices, and horticultural crops.

Industry makes up 20.24% of the GSDP. Major industries including aerospace, biotechnology, and heavy machinery. The state's Industrial Policy 2025-30 aims to foster an investor-friendly ecosystem aiming to attract ₹7.5 lakh crore in investments, generate 20 lakh jobs, and achieve 12% growth in manufacturing. The policy also emphasizes MSME growth through 25–30% capital subsidies for MSMEs. Key areas include establishment of 12 new investment zones across 30,000 acres.

Service sector dominates with 66.72% of the GSDP. Bengaluru, dubbed the "Silicon Valley of India," hosts numerous IT and startup companies.

Karnataka's share surged from 4.9% to 9.21%, thanks to the rise of Bengaluru's ecosystem.

The Karnataka Electronics Policy of 1997 and the earlier formation of the Software Technology Parks of India (STPI) in Bengaluru helped make the state a tech powerhouse. Government steps like land banks, publicprivate IT parks, and investments in institutions like IISc and IIM Bangalore built the roadmap for the state's IT revolution.

Tamil Nadu

Agriculture contributes 11.18% to Tamil Nadu's GSDP. The state is a major producer of rice, sugarcane, and bananas.

Industry accounts for 37.15% of the GSDP. Tamil Nadu is a significant automobile manufacturing hub, housing companies like Hyundai, Ford, and Ashok Leyland. It also has a strong presence in textiles, electronics, and leather industries.

Services contribute 45.90% to the GSDP. Chennai is a major IT and financial services center, hosting companies like TCS, Infosys, and Wipro

Tamil Nadu's GDP share rose from 8.7% in 1960-61 to 10.03% in 2023-24, driven by strong industrial and services sectors. The Tamil Nadu Industrial Policy of 1992 was among the first to liberalize FDI norms at the state level and encourage private investment through single-window clearances and power tariff concessions.

Karnataka



IT & Startups : Bengaluru's tech ecosystem,
Early Policy Support

Industries : Aerospace, biotech, heavy machinery; strong MSME incentives

Tamil Nadu



Policy : Early FDI liberalization, singlewindow clearances

Industries : Automobile, textiles, electronics, leather; Chennai as a manufacturing and IT hub

Andhra Pradesh

Agriculture is a significant sector, contributing 37% to the GSDP. The state is a leading producer of rice, maize, and pulses.

Industry accounts for 23% of the GSDP. Andhra Pradesh has a strong presence in pharmaceuticals, textiles, and food processing industries. The state's Industrial Development Policy 2020-23 offers incentives for industrial growth.

Services contribute 40% to the GSDP. Visakhapatnam has emerged as a major IT and financial services hub, attracting companies like IBM and HSBC.

Andhra Pradesh contributed 7.6% to India's GDP in 1960-61, but its share declined to 4.95% in 2023-24, largely due to the bifurcation in 2014. Vision 2020, launched by CM N. Chandrababu Naidu in the late 1990s, was a roadmap and one of the key factors in modernizing Andhra Pradesh. It focused on boosting IT, infrastructure, education, and governance through initiatives like HITECH City, e-governance, and publicprivate partnerships.

Kerala

Agriculture contributes 10.8% to Kerala's GSDP. The state is known for its production of spices, coconut, and rubber. Government policies like Kerala Climate Resilient Agri-Value Chain Modernization (KERA) Project and KERALAGRO Resource Centres (KARCs) focus on sustainable agriculture and value addition.

Industry accounts for 24.9% of the GSDP. Kerala has a presence in food processing, coir, and handloom industries.

Services contribute 64.2% to the GSDP. Tourism, education, and healthcare are significant contributors.Kerala attracted over 20 million domestic and 1.2 million international tourists. The state has granted industry status to tourism, boosting investments in infrastructure and hospitality.

Kerala's share grew modestly (from 3.1% to 4.22%) with a strong services sector. The People's Planning Campaign (1996) decentralized governance and promoted bottom-up development. The Kerala Industrial Policy (2001) focused on SMEs and traditional industries like coir and handlooms. Investments in education and healthcare since the 1980s have helped Kerala achieve strong growth.

Andhra Pradesh



Agriculture : Major producer of rice, maize, pulses

Industries : Pharmaceuticals, textiles, food , processing; policy incentives.

Kerala



Services : Tourism, healthcare, education dominate

Sustainable Agriculture : Focus on value addition and climate resilience

Per Capita Income and Living Standards

To understand the economic disparities between Indian states, particularly the growing north-south divide, it's essential to look beyond aggregate growth figures. One key metric that captures regional prosperity at the individual level is per capita income.

Per capita income is a measure of the amount of money earned per person in a nation or geographic region. Per capita income is used to determine the average perperson income for an area and to evaluate the standard of living and quality of life of the population. It is a measure of the average economic well-being of a state's residents, thus painting a clear picture of the north-south divide. The higher per capita income in southern states reflects their diversified economies and higher levels of industrialization.

In this section, we will examine the per capita income levels of key northern and southern states, analyzing the trends and disparities between them. We will also explore the underlying factors contributing to these differences, including economic structure, education levels, investment patterns, and policy effectiveness.

Rank	State/UT	Per Capita Income	Poverty Rate (2023	National Rank
1	Haryana	₹3,25,759	5.30%	7th
2	Himachal Pradesh	₹2,35,199	3.88%	16th
3	Punjab	₹1,95,621	4.35%	19th
4	Rajasthan	₹1,67,964	10.77%	21st
5	Jammu & Kashmir	₹1,42,138	2.81%	27th
6	Uttar Pradesh	₹1,04,126	17.40%	32nd

Northern States

State-wise Analysis

Uttar Pradesh

With a per capita income of ₹1,04,126, Uttar Pradesh ranks among the lowest in India. Despite having one of the largest state economies in terms of total output, its vast population dilutes income distribution, leading to lower individual prosperity. The state's economy remains heavily reliant on agriculture, with limited diversification into high-value industries and services. This is reflected in the state's poverty rate, which stands at 17.4%, significantly higher than both national and regional averages. Limited access to quality healthcare, education, and urban employment opportunities result in a higher poverty rate. Furthermore, rural-urban divides, infrastructure deficits, and underdeveloped social welfare systems worsen the economic challenges faced by the population.

Rajasthan

Rajasthan faces significant poverty challenges due to its arid geography, which severely impacts its agriculture-dependent population, contributing to a poverty rate of 10.77% in 2023-24. With a per capita income (PCI) of ₹1,67,964, the state ranks 21st nationally. Rajasthan has made efforts to address these issues through policies such as the Mukhyamantri Jal Swavlamban Abhiyan, a water conservation initiative aimed at improving rural water availability. Additionally, the Indira Rasoi Yojana provides affordable meals to the poor, while the Bhamashah Yojana ensures financial inclusion by providing direct cash transfers to women. Despite these schemes, the state's rural areas, which contribute to its national poverty rank, still face significant challenges.

Punjab

With a relatively low poverty rate of 4.35% in 2023-24, with a per capita income (PCI) of ₹1,95,621, ranking 19th nationally. The state's agricultural base is supported by schemes like PM-KISAN, Subsidized Electricity for Farmers, and Procurement at Minimum Support Price (MSP), which help provide financial support to farmers. However, the state faces agrarian distress due to issues like declining soil health, water scarcity, and outdated farming practices. The lack of focus on developing the service and manufacturing sectors, limits the state's economic diversification and growth opportunities.

Jammu and Kashmir

With a relatively low poverty rate of 2.81% in 2023-24, with a per capita income (PCI) of ₹1,42,138, ranking 27th nationally. Over the years, the state has implemented several policies to support its population. One of the key early initiatives was the Naya Kashmir manifesto (1944), which laid out plans for land reforms and social welfare programs aimed at improving the lives of the people.

The Panchayati Raj Act of 1989 introduced local selfgovernance through Halqa Panchayats and Block Development Councils, aiming to decentralize administration and foster rural development. Additionally, the Resettlement Act of 1982 facilitated the return and resettlement of individuals who had migrated after 1947. Despite these efforts, the region continues to face challenges in fully addressing its socio-economic issues.

Haryana

With a PCI of ₹3,25,759, Haryana leads the north and is among the top ten nationally. A strong industrial base, especially in automotive manufacturing combined with a thriving services sector in Gurugram, contributes significantly. Reflecting these advantages, the state's poverty rate stands at just 5.3%, indicating a relatively higher standard of living compared to its northern counterparts. Policies like the Haryana Industrial Development Policy, 1999 and Land Reform Policies, laid the foundation for industrial growth and agricultural development.

Himachal Pradesh

Himachal Pradesh has a per capita income (PCI) of ₹2,35,199 and a poverty rate of 3.88% in 2023-24, reflecting a relatively better socio-economic status compared to many other states. The state's low poverty rate is partly due to the successful implementation of the MGNREGA program, which has provided employment opportunities, and Ayushman Bharat, which has expanded health coverage for vulnerable populations.

Additionally, the State Livelihood Mission has empowered self-help groups, particularly women in rural areas, helping improve their socio-economic conditions. Despite these successes, Himachal Pradesh's economic growth is constrained by its limited industrial capacity, with much of its economy still relying on agriculture and tourism.

Rank	State/UT	Per Capita Income(2023-24)	Poverty Rate (2023-24)	National Rank
1	Karnataka	₹3,32,926	5.67%	6th
2	Tamil Nadu	₹3,15,220	1.43%	8th
3	Kerala	₹2,81,001	0.48%	11th
4	Andhra Pradesh	₹2,42,479	4.19%	15th

Southern States

Kerala

Kerala, with a per capita income of ₹2,81,001 and the lowest poverty rate in the country at just 0.48%, benefits from its emphasis on human development indicators such as education, healthcare, and gender equality. Schemes like the Kudumbashree Mission, which promotes women-led self-help groups and livelihood initiatives, and the Karunya Health Scheme, offering financial assistance for critical illness treatment, have significantly contributed to poverty reduction and inclusive growth. However, the state still faces challenges such as high unemployment among educated youth and dependence on remittances.

Karnataka

With a high per capita income of ₹3,32,926, Karnataka is supported by a thriving IT sector and industrial base. Rajiv Gandhi Rural Housing Corporation Scheme, which focuses on providing affordable housing to economically weaker sections in rural areas, and The Arogya Karnataka Scheme ensuring healthcare services to underprivileged families, offering free medical treatments, has helped it control poverty, keeping the poverty rate at 5.67%. Despite these, disparities remain between urban areas like Bengaluru and rural parts of the state.

Tamil Nadu

Tamil Nadu stands out with both a high PCI of ₹3,15,220 and a very low poverty rate of 1.43%, thanks to its diverse economy, which includes а strong manufacturing and service sector. Key state schemes like Kalaignar Insurance Scheme, which provides healthcare coverage to low-income families, have helped the state in reducing disparities.

Higher per capita income in southern states comes from greater economic diversification, higher levels of education, and better infrastructure. The northern states, in contrast, lag behind in attracting investments and creating non-agricultural employment opportunities due to policy restraints and lack of governance.

Andhra Pradesh

Andhra Pradesh, with a per capita income of ₹2,42,479 and a poverty rate of 4.19%, has made notable strides through its focus on welfare schemes and infrastructure development. Initiatives like the Navaratnalu program, which includes sub-schemes such as YSR Rythu Bharosa (income support to farmers) and Aarogyasri (free healthcare for BPL families), have played a crucial role in improving living standards. While urban areas have seen economic growth, rural parts of the state continue face challenges in to employment diversification and industrial development.



North vs South: Per Capita Income vs Poverty Rate

Employment and Labour Market

India's labor market reveals contrasts that mirror the broader economic divide between the northern and southern regions. Key indicators such as labor force participation rate (LFPR), unemployment rate solidify this regional imbalance. Southern states have made a marked shift toward industrialization and service-led growth, resulting in more formal job creation and improved job quality. Conversely, northern states continue to rely predominantly on agriculture and informal work, with lower LFPRs and higher levels of underemployment. These dynamics not only affect individual income and livelihood security but also reflect structural gaps in education, skill development, and economic diversification across regions. A closer look at gender dimensions within this divide further highlights disparities in access to employment. Women in southern states tend to participate more actively in the workforce, particularly in urban and service-oriented roles, while in the north, social norms and limited employment avenues continue to restrict female labor force participation. This gendered pattern reinforces existing inequalities and limits the broader potential of the labor market to contribute to inclusive economic growth The Labor Force Participation Rate (LFPR) measures the proportion of the working age population that is either employed or actively seeking employment. This metric varies across India's states, reflecting regional economic structures, educational development, and social norms.

State	Overall LFPR (%)	Male LFPR (%)	Female LFPR (%)
Himachal Pradesh	74.3	82	67
Rajasthan	59.1	79	41
Punjab	56.9	81	29
Uttar Pradesh	52.7	80	25
Haryana	51.4	78	21
Jammu & Kashmir	Not Available	Not Available	Not Available

Northern States

State	Unemployment Rate (%)
Rajasthan	23.8
Uttar Pradesh	24
Haryana	22.9
Punjab	7
Himachal Pradesh	9.2
Jammu & Kashmir	23.2

Among the northern Indian states, Himachal Pradesh exhibits a notably high Labour Force Participation Rate (LFPR) of 74.3%, with a substantial female LFPR of 67%. The state's unemployment rate stands at a moderate 9.2%, indicating a relatively balanced labour market. In contrast, Rajasthan has implemented significant labour reforms, including amendments to the Industrial Disputes Act and the Factories Act in 2014, aiming to attract investment and enhance productivity. While these reforms have led to increased plant productivity, studies indicate a decline in direct employment, particularly affecting permanent workers . To counteract urban unemployment, the state launched the Indira Gandhi Shehari Rojgar Guarantee Yojana in 2022, providing 100 days of guaranteed employment in urban areas with an allocation of ₹800 crore . Despite these efforts, Rajasthan's unemployment rate remains high at 23.8%, suggesting that the benefits of these policies are yet to be fully realized.

Jammu & Kashmir underwent significant policy changes with the abrogation of Article 370 and the introduction of new domicile laws in 2020, allowing residents who have lived in the region for 15 years to apply for government jobs . While this policy aimed to broaden employment opportunities, the region continues to face a high unemployment rate of 23.2%, indicating that the intended benefits of these reforms are yet to materialize fully. Punjab presents a mixed scenario with an overall LFPR of 56.9%, characterized by a high male LFPR of 81% and a low female LFPR of 29%. The state has introduced the 'Ghar Ghar Rozgar' initiative to facilitate employment, particularly for the youth. These efforts have contributed to a relatively low unemployment rate of 7%, indicating effective absorption of the active workforce, though gender disparities persist. Uttar Pradesh with the aim of 'Zero Poverty', aim to uplift the families poorest by providing employment opportunities. Notably, the state facilitated the establishment of an electric bus manufacturing plant by the Hinduja Group, creating approximately 12,000 jobs for individuals from economically disadvantaged backgrounds . Despite these initiatives, the state grapples with a high unemployment rate of 24% and a low female LFPR of 25%, highlighting ongoing challenges in job creation and gender inclusion.

In Haryana, the 'Saksham Yuva Yojana' was launched to provide unemployment allowances and skill training to educated youth. However, the state's female LFPR is the lowest among the six states at 21%, and the unemployment rate remains elevated at 22.9%. These figures suggest that while the policy addresses youth unemployment, broader structural issues, including gender disparities, need to be addressed.

State	Overall LFPR (%)	Male LFPR (%)	Female LFPR (%)
Andhra Pradesh	63.6	83	46
Tamil Nadu	60.6	82	42
Kerala	56.8	78	39
Karnataka	60.5	80	38

Southern States

State	Unemployment Rate (%)
Andhra Pradesh	4.6
Tamil Nadu	4.1
Kerala	5.8
Karnataka	10.65

Among the southern states, Andhra Pradesh leads with an impressive Labour Force Participation Rate (LFPR) of 63.6%, including a male LFPR of 83% and a notably high female LFPR of 46%, reflecting robust engagement across sectors. The state has introduced the Regularisation of Services of Contract Employees Act, 2023, aimed at improving job security for contract workers by formalizing their status. This reform supports workforce stabilization and benefits, contributing to an overall unemployment rate of 4.6%, indicating moderate employment health bolstered by proactive policy initiatives.

Kerala, despite having the highest literacy rate and strong social infrastructure, has a comparatively lower LFPR of 56.8%, with male LFPR at 78% and female LFPR at 39%. This reflects structural challenges in translating educational achievements into adequate employment. The state's youth unemployment rate stands at 29.9%, the highest the country, with in women disproportionately affected. In response, Kerala has implemented the Industrial Policy 2023 to foster growth in "sunrise" sectors and introduced the Labour Policy Perspective Series 2023 via KILE to shape forwardlooking employment strategies. The overall unemployment rate remains at 5.8%, suggesting that policy traction is ongoing but yet to fully resolve deeprooted employment mismatches.

Tamil Nadu with an LFPR of 60.6%, including male LFPR at 82% and female LFPR at 42%, showcasing significant workforce inclusion. The state benefits from a strong industrial and IT services backbone and has introduced the Draft Tamil Nadu Employment Policy 2032. This policy focuses on expanding job accessibility, reducing income inequality, and boosting inclusive growth. With these initiatives, Tamil Nadu has maintained a relatively low unemployment rate of 4.1%, reinforcing the effectiveness of its policy direction in supporting employment.

Karnataka, with a total LFPR of 60.5%, a male LFPR of 80%, and a female LFPR of 38%, is another southern powerhouse, primarily driven by its dominant IT and manufacturing sectors. The state reported an unemployment rate of 10.65%, relatively high due to disparities between urban and rural job markets. In a bid to promote regional inclusivity, Karnataka has proposed a Job Reservation Bill, mandating 50% of managerial and 75% of non-managerial private sector jobs be reserved for locals. While this move aims to prioritize Kannadiga employment, its long-term impact on private sector flexibility and competitiveness is still being evaluated.



Labor Force Participation Rate by State

Government Expenditure and Revenue Generation

Effective fiscal management forms the backbone of economic development, influencing a state's ability to invest in infrastructure, social programs, and long-term growth. In India, distinct patterns of government revenue generation and public expenditure divide the northern and southern states along developmental lines. Southern states tend to mobilize higher own-source revenues due to diversified economies, stronger administrative systems, and better tax compliance. These states channel significant spending toward health, education, and welfare, resulting in better human development indicators. In contrast, many northern states rely heavily on central transfers and focus their spending on basic infrastructure and immediate consumption needs, often constrained by limited internal revenue and weaker fiscal discipline.

This divergence in fiscal strategies has contributed to disparities in development outcomes across the regions, with southern states outperforming their northern counterparts in terms of terms of social development, economic growth, and public service delivery, contributing to ongoing regional differences in development outcomes.

Revenue generation refers to the process by which a state collects funds through taxes and other sources to finance its expenditures. Key indicators include tax collection, which measures how much the state collects through taxes, and the tax-to-GSDP ratio, which compares tax revenue to the state's economic output (GSDP). A higher ratio indicates better revenue mobilization.

Revenue Generation by Northern States

State	Tax Revenue (₹ crore)	% of Tax on Total Revenue (%)	Total Revenue Receipts (2023-34) (₹ crore)
Uttar Pradesh	193,129	41.50%	465,801
Haryana	73,527	69.30%	106,117
Rajasthan	114,169	48.80%	233,988
Punjab	56,659	57.30%	98,852
Jammu & Kashmir	13,000	18.80%	68,976
Himachal Pradesh	13,026	34.30%	38,000

Uttar Pradesh

As the largest state in the region, has led with an impressive ₹1.93 lakh crore in tax revenue, contributing to only 41.50% of the total revenue of ₹4.66 lakh crore. The state's tax-to-GSDP ratio of 7.6% reflects the low effectiveness of its tax collection system, which not only sustains public infrastructure but also funds various welfare initiatives aimed at uplifting its large and diverse population. Uttar Pradesh's economic base, which spans agriculture, manufacturing, and services, enhances its capacity to generate taxes and support developmental projects. Still the state relies on central government transfers for the majority of its expenditure indicating an inability in the tax collection system compared to southern states

Haryana

Haryana has also shown a solid fiscal performance, with estimated tax revenue of ₹73,527 crore for the 2023-24 fiscal year, contributing 69.3% to its total revenue of ₹1.06 lakh crore. Haryana's economy is heavily driven by industry, particularly automobile manufacturing, which is one of the largest sectors contributing to its tax base. The state is home to major automobile manufacturers like Maruti Suzuki. In addition to industry, Haryana benefits from its agricultural base contributing to the GST. Haryana's proximity to Delhi has also spurred growth in the real estate sector, further contributing to its tax base. The state's tax revenue plays a crucial role in financing its infrastructure development, including the expansion of highways, industrial corridors, and urban infrastructure.

Rajasthan

With an estimated ₹1.14 lakh crore in tax revenue for 2023-24, accounting for 48.8% of its total revenue of ₹2.34 lakh crore. Rajasthan's diverse economy, which includes agriculture, mining, manufacturing, and tourism, provides a strong foundation for its tax collection but the state relies on central transfers for the majority of its budget. Additionally, the tourism sector, which capitalizes on the state's rich history and culture, significantly contributes to the state's GST collections. The government has prioritized infrastructure projects, such as expanding road networks and investing in tourism infrastructure, all of which are funded through tax revenue.

Himachal Pradesh

Himachal Pradesh, although smaller in terms of tax revenue, continues to rely on its tax base to fund its development initiatives. The state is estimated to generate ₹13,026 crore in tax revenue for 2023-24, which accounts for 34.3% of its total revenue of ₹38,000 crore. Himachal's economy, which is largely based on agriculture, tourism, and small industries, generates a steady flow of tax revenue. Major agricultural products such as apples, vegetables, and tea contribute to both state and central taxes, particularly through the GST system. Tourism is another key revenue source, with the state being a popular destination for eco-tourism and adventure tourism.

Jammu and Kashmir

Due its smaller economic size, Jammu and Kashmir remains heavily dependent on non tax revenue for its fiscal health. In 2023-24, the state raised ₹13,000 crore in tax revenue, which only constituted a mere 18.8% of its total revenue of ₹68,976 crore. Jammu & Kashmir's economy, which is driven primarily by agriculture, handicrafts, and tourism, forms the core of its tax base. The region's famous handicrafts, including Pashmina shawls and carpets, contribute to export revenue, which in turn helps boost tax collections. Tourism also plays a significant role in the state's economy, with the picturesque landscapes of Kashmir attracting both domestic and international tourists.

Punjab

Punjab's fiscal performance in 2023-24 showed and impressive tax revenue, with estimated own tax revenue of ₹56,659 crore, accounting for 57.3% of its total revenue receipts of ₹98,852 crore. he state's economic base, which includes agriculture, manufacturing, and services, plays a significant role in generating this revenue. The state's fiscal health is further boosted by its industrial sector, with textiles, auto components, and chemicals forming key industries that contribute to tax revenue.

Revenue Generation by Southern States

State	Tax Revenue (₹ crore)	Percentage of Tax Revenue on Total (%)	Total Revenue Receipts (2023-24) (₹ crore)
Tamil Nadu	178,000	65.90%	270,515
Karnataka	172,000	72.10%	238,410
Kerala	96,072	77.20%	124,486
Andhra Pradesh	85,922	41.70%	206,224

Tamil Nadu

Tamil Nadu leads in state tax revenue generation, with total tax receipts of ₹1.78 lakh crore in 2023-24, which represents 65.9% of the state's total revenue receipts of ₹2,70,515 crore. This high percentage indicates a significant reliance on tax revenue as the main source of income, highlighting the effectiveness of the state's tax system in supporting its fiscal needs. Tax revenue plays a crucial role in funding infrastructure, welfare programs, and industrial development. The state's tax-to-GSDP ratio stands at 6.1%, reflecting the ability of its diverse economy to generate substantial tax receipts. Notably, Tamil Nadu accounts for over 9% of India's total factory output, which contributes heavily to its tax base.

Kerala

Kerala's total tax revenue for 2023-24 amounted to ₹96,072 crore, contributing 77.2% to the state's total revenue receipts of ₹1,24,486 crore. This exceptionally high percentage highlights Kerala's highly effective tax collection system. Despite a smaller industrial base, Kerala has successfully harnessed its service sector and remittance inflows to generate significant tax revenue.

Karnataka

Karnataka reported ₹1.72 lakh crore in tax revenue for 2023-24, accounting for 72.1% of the state's total revenue receipts of ₹2,38,410 crore. This high percentage demonstrates the state's effective tax mobilization and the ability to effectively support public services and infrastructure. The state's fiscal strength is significantly boosted by Bengaluru's role as an IT hub, which generates over 35% of Karnataka's total tax revenue due to its thriving IT sector and high-value services. The high percentage of tax revenue in total receipts reflects Karnataka's strong tax base, which supports continued growth in technology and manufacturing sectors.

Andhra Pradesh

Andhra Pradesh generated ₹85,922 crore in tax revenue for 2023-24, which accounts for 41.7% of the state's total revenue receipts of ₹2,06,224 crore. This relatively lower percentage compared to other major states indicates a higher dependence on central transfers and grants to fund its expenditure. While tax revenue remains an important part of the fiscal framework, the state continues to rely significantly on financial support from the central government.

Infrastructure Investment by Northern States

State	Capital Outlay (₹ Crore)
Haryana	₹14,442 crore
Punjab	₹4,862 crore
Himachal Pradesh	₹5,202 crore
Uttar Pradesh	₹1,47,492 crore
Rajasthan	₹38,061 crore

Rajasthan

Rajasthan has significantly invested in infrastructure development, allocating ₹38,061 crore for the fiscal year 2023–24. The state has projects aimed at improving connectivity, such as the Rajasthan State Highways Project, which aims to enhance road networks across the state. Furthermore, Rajasthan is making strides in the renewable energy sector. Major projects like the Bhadla Solar Park, one of the largest solar parks in the world, and the Jaisalmer Wind Power Project are boosting Rajasthan's renewable energy capacity. These projects not only contribute to the state's energy security but also support its green energy goals, reinforcing Rajasthan's position as a key player in India's renewable energy landscape.

Uttar Pradesh

Uttar Pradesh, with an impressive capital outlay of ₹1,47,492 crore in 2023–24, continues to lead infrastructure development across the country. The state's focus is on improving connectivity, with major projects like the Ganga Expressway, a ₹36,000 crore initiative to enhance east-west connectivity, and the Purvanchal Expressway linking the eastern parts of UP to the rest of the state. In addition, urban infrastructure by porject like the Lucknow Metro Phase II and the Kanpur Metro projects aimed at improving urban mobility. Though, there is an ongoing need to invest more in rural infrastructure to balance the state's development across all regions.

Haryana

Haryana has invested ₹14,442 crore for capital expenditure in the fiscal year 2023–24, with a strong emphasis on enhancing infrastructure across the state. Key projects include the Trans-Haryana Expressway and the Haryana Orbital Rail Corridor, which are aimed at improving connectivity and reducing travel time across the state. The Western Peripheral Expressway (KMP Expressway), which forms part of Delhi's outer ring road, is another infrastructure project that will help divert heavy traffic from the national capital. Haryana's infrastructure development also focuses on boosting the transportation sector and improving urban infrastructure to support the growing population and economy.

Himachal Pradesh

Himachal Pradesh's capital outlay for 2023–24 is ₹5,202 crore, with investments focused on improving connectivity and promoting tourism. The state is investing heavily in strategic projects such as the Bhanupli–Leh Railway Line, which will connect Leh to the Indian railway network, and the Atal Tunnel, a crucial project for reducing travel time to the Lahaul-Spiti valley. These infrastructure projects are expected to boost tourism and improve connectivity in remote areas of the state. The government is also focusing on expanding the state's energy infrastructure to harness renewable energy potential, particularly through hydroelectric projects.

Punjab

For the fiscal year 2023–24, Punjab invested ₹4,862 crore crore for capital expenditure, focusing on urban infrastructure development.

The state has been actively investing in projects like the Punjab Urban Environment Infrastructure Programme (PUEIP), which aims to improve local infrastructure in cities, including roads, street lighting, parks, and bus stands. The Smart Cities Mission is also a key initiative in cities like Amritsar, Ludhiana, and Jalandhar, which will undergo urban renewal and retrofitting projects to improve their livability and economic competitiveness.

The significant investments in infrastructure for the fiscal year 2023–24 reflect a strong commitment to enhancing connectivity, boosting urban mobility, and expanding renewable energy capacities.

Key projects such as major expressways, metro systems, and green energy initiatives are set to drive long-term economic growth, improve regional integration, and elevate the quality of life. With a focus on sustainability, these investments aim to balance the needs of both urban and rural areas, ensuring holistic and inclusive development.

Infrastructure Investment by Southern States

State	2023–24 Capital Outlay (₹ crore)
Tamil Nadu	42,563
Andhra Pradesh	23,330
Kerala	14,606
Karnataka	51,231

Tamil Nadu

Tamil Nadu invested ₹42,563 crore in capital outlay for the fiscal year 2023–24. Major projects include the Chennai Peripheral Ring Road, designed to ease traffic by connecting key economic zones around the city, and Chennai Metro Phase II, which will add over 100 km to the metro network, improving mobility. The state is also pushing ahead with the development of auto and electronics manufacturing hubs in Oragadam and Sriperumbudur, reinforcing its position as an industrial powerhouse. In addition, port modernization and renewable energy projects are helping Tamil Nadu attract large-scale investments.

Karnataka

Karnataka allocated ₹51,231 crore for capital expenditure in 2023–24. The Bengaluru Metro Phase II is a major project aimed at extending connectivity across, while the Bengaluru Suburban Railway Project, a ₹15,767 crore venture, is expected to reduce traffic co and offer affordable daily commuting options. The state is also developing hubs like the Bangalore Logistics Park, Tumkur Industrial Park, and various electronics manufacturing clusters. These efforts aim to boost Karnataka's already thriving IT and industrial ecosystem

Andhra Pradesh

Andhra Pradesh invested ₹23,330 crore for capital outlay in 2023–24, targeting multi-sector infrastructure development. A key focus has been on port-led industrialization, with the Machilipatnam Port and Bhavanapadu Port under development to improve trade. The Nadu-Nedu program aims to revamp public school infrastructure across the state, while the Kadapa Steel Plant and Krishnapatnam Industrial Node are designed to attract manufacturing investments. With a special emphasis on regional connectivity, the state is upgrading road networks and rural linkages, while also expanding renewable energy initiatives, especially in wind and solar sectors.

Kerala

Kerala invested ₹14,606 crore in capital outlay for 2023–24, with a strong focus on sustainable infrastructure. The state is progressing with the SilverLine semi-high-speed rail corridor, which aims to reduce travel time and improve intercity connectivity. Urban infrastructure is being enhanced through projects under the AMRUT and Smart Cities Mission, particularly in Thiruvananthapuram and Kochi. Kerala is also advancing its Kochi-Bengaluru Industrial Corridor, targeting improvements in logistics and manufacturing.

URBANIZATION AND INFRASTRUCTURAL POLICIES IN INDIA

Introduction

Think about this: Though they are in the same nation, urban development across the two areas is quite disparate. In states such as Tamil Nadu and Karnataka in southern India, thriving metropolises blend intentional planning with modern infrastructure. Rapid urban sprawl at times overtakes necessities such as housing and water in the north of Rajasthan or Uttar Pradesh. What accounts for this difference? The key is years of government policy, historical residues, and even policy choices. Let us take a look at why some locales do better than others at dealing with urbanization.

Policy Context

These population trends are the result of decades of unplanned versus planned urbanization. Planned industrial belts in the 1980s (Hosur–Chennai belt) and occasional master plan updates, along with forwardlooking zoning, allowed Tamil Nadu to absorb urbanization in an organized manner—its 52.2% urban population attests to it. Karnataka also gained from decentralized district planning that was initiated during the late 1970s Janata regime.

On the other hand, the relatively small urban share (23%) and middle-of-the-road growth rate of Uttar Pradesh reflect its traditional emphasis on rural constituencies and behind-the-curve urban planning systems.

Even in the 1980s, the majority of urban local bodies in the state did not have spatial development plans, facilitating unorganized growth. Rajasthan, along the same pattern, was plagued by rigid revenue systems and under-financed ULBs.

Urbanization Trends

Urbanization in India after Independence followed divergent paths across states, depending on historical legacies, governance structures, and policy priorities.

Southern states like Tamil Nadu and Karnataka experienced more structured urban development, supported by early adoption of town planning acts and investment in infrastructure.

Tamil Nadu, for example, revised the Madras Town Planning Act as early as 1947, leading to stronger urban institutions and better capacity to manage growth.

In contrast, states like Uttar Pradesh and Rajasthan remained predominantly rural-focused for decades. Urban development here was often fragmented, with bodies like the DDA (Delhi Development Authority) struggling with centralized planning and limited coordination.

As a result, urbanization tended to be more organic, marked by unplanned expansion, minimal zoning regulation, and strained infrastructure.

By the 1980s and 1990s, industrialization and economic liberalization further accelerated urban growth in the South. Tamil Nadu's focus on manufacturing hubs and Karnataka's development of tech corridors like Bengaluru helped foster higher urbanization rates compared to northern counterparts.

Today, the contrasts remain visible — urbanization in the South is characterized by relatively better spatial planning, higher service delivery standards, and stronger governance structures, whereas parts of the North still grapple with urban sprawl and infrastructure deficits.

State/UT	Urban Population (%)	Urban Growth Rate (2011-21)
Tamil Nadu	52.2	3.1
Karnataka	43.4	3.3
Kerala	47.7	2.9
Uttar Pradesh	23	2.6
Rajasthan	25.1	2.5
Delhi	97.5	2.4

Infrastructure Development

Southern states made infrastructure development more proactive and decentralized since the 1960s. Tamil Nadu established its city and regional transport corporations during the 1970s and commissioned fullfledged traffic studies during the 1980s. Proactive landuse planning was facilitated by Karnataka's early GISbased planning tools (during the 1990s).Notably, the cities in the south benefited directly from outside agencies (e.g., World Bank's TNUDP in 1988), with the resulting modernization of urban service delivery.

Conversely, the North suffered from centralized land acquisition law (1894 Act in practice till 2013), poor ULB autonomy, and poor state-urban coordination. Even the mega projects like Delhi's metro were conceived in the 1960s but began only in the late 1990s due to legal, financial, and land litigation. Much of the Southern lead in metro and multimodal transport is a result of administrative structures seeded in the 1970s–90s.

Tamil Nadu and Karnataka's early investment in state transport corporations and urban-suburban rail networks gave the foundation for metro growth in the 2000s and 2010s. Delhi's Metro, while large today, was held up by decades of policy stagnation, with initial plans going back to the 1969 MTPU report.

The Southern model also focused on balanced intermodal freight transport, such as Chennai's road-rail integration in the 1980s and Karnataka's GIS-based planning of infrastructure in the 1990s. Land conflicts and North-centric power usually held up or diverted infrastructure development.

Infrastructure	Northern States	Southern States
Metro Rail Length (2024)	Delhi: 392 km, Lucknow: 23 km	Bengaluru: 74 km, Chennai: 54 km
Major Expressways	Yamuna, Delhi–Meerut, Eastern Peripheral	Bengaluru–Mysuru, Hyderabad ORR
Urban Air Traffic (Passengers per year)	Delhi IGI: 70 million+	Bengaluru: 37 million+, Chennai: 22 million+

Smart City Mission: Execution Gaps

The high completion rates in Tamil Nadu and Karnataka are not coincidental but are a function of institutional capacity built up during TNUDP (1988 onwards) and municipal reforms in the 1990s. Both the states had already experimented with public-private partnerships, performance monitoring, and integrated urban finance during the pre-2000 period. The northern states, though more populated with more Smart Cities, have a poorer delivery because they have poorer legacy institutions, less decentralization (ULBs still in the grip of the state), and bureaucratic holdovers of the past decades who never reformed enough.

State	Smart Cities	Projects Completed (2024)	Fund Utilization (%)
Tamil Nadu	12	487	85%
Karnataka	7	302	79%
Uttar Pradesh	13	289	62%
Rajasthan	4	112	58%

The Secret Sauce?

Southern states such as Kerala and Karnataka had already deviated from the centralized, top-down model of planning of the post-independence years much before their northern counterparts. Although both had been under the same national Five-Year Plans and administrative apparatus, the South, by the 1980s, had already realized the shortcomings of centralized control in responding to rapid urbanization. It was this transformation that provided the foundation for participatory and decentralized models of planning years before they became obligatory with the 73rd and 74th Constitutional Amendments of 1992.

The People's Plan Campaign of Kerala in 1996 was a logical sequel to this early orientation. Basing itself on the constitutional entitlements, the state brought 35–40% of plan funds directly to the local governments, so that people could select schools, roads, and basic amenities as per ground realities. Its strength lay in having systematic capacity-building programs for the local members — a culture not very prevalent in the North to a large degree.

Similarly, Karnataka's reforms were spurred by Bengaluru's civic unrest in the 1980s and 1990s. The state embraced GIS-based urban planning tools and engaged land-use management years ahead of others. Bengaluru's Outer Ring Road planning in the early 2000s, for instance, included pre-emptive resettlement of families displaced by it — an exercise rarely seen in North Indian cities.

Northern states like Uttar Pradesh and Rajasthan, however, remained tied to hierarchical, centralized patterns of decision-making. Even post-1992 amendments, these states were not ready to devolve powers to Urban Local Bodies (ULBs) and resisted decentralizing funds or powers. Megaproject infrastructure like Delhi's Yamuna Expressway was conceived without people's participation, leading to legal suits, delays, and public protests — a direct result of inherited patterns of centralized governance and weak local institutions.

Moreover, southern states invested consistently in institutional strengthening at the local level. Tamil Nadu and Kerala pioneered state-level urban development agencies that provided financial, legal, and technical handholding to municipalities, enabling them to take ownership of projects. In the North, ULBs often remained underfunded and heavily dependent on state governments, lacking autonomy or expertise to plan and execute projects independently.

While Karnataka and Kerala experimented with participatory slum upgrading and livelihood integration programs by late 1990s, northern states continued to view slums largely as illegal encroachments to be removed. This divergence in approach- one rooted in inclusion, other in exclusion- further widened regional disparities in urban governance quality over decades.

Housing and Real Estate Policies

Independent India viewed housing primarily as a social welfare concern, but approaches varied sharply across regions. Governance models, land use policies, and political priorities all shaped how housing developed differently in the South and North.

In the South, states like Tamil Nadu and Andhra Pradesh took an early, institution-driven approach. The Tamil Nadu Housing Board (1947), one of India's earliest, aimed not only to construct affordable homes but also to integrate housing into broader urban planning and zoning. Similarly, the Andhra Pradesh Housing Board (1960) was established to deliver mass housing for lower-income groups while managing urban expansion.

By the 1970s and 1980s, Tamil Nadu was pioneering vertical housing linked to transit routes, long before it became a national model. DMK-led governments notably pushed equity-focused housing by using surplus government and ceiling-surplus land to build for lower-income groups. The Self-Financing Housing Scheme (1975) further innovated by allowing middleincome families to pay in installments toward home ownership, expanding affordable housing without heavily burdening the state budget. Tamil Nadu also created the Slum Clearance Board (1970), which championed in-situ slum improvement rather than eviction-based clearance—a progressive model later adopted in national urban missions.

Andhra Pradesh mirrored many of these innovations. The Weaker Sections Housing Programme (1979), for instance, provided free or heavily subsidized housing to marginalized communities.

In contrast, northern states like Uttar Pradesh and Rajasthan leaned toward a bureaucratic, revenuecentered housing model. Bodies like the U.P. Housing and Development Board (1965) largely functioned to develop plots or pre-built houses for allotment, often favoring government staff and politically connected individuals.

Rajasthan's Housing Board (1970) and Urban Improvement Trusts (UITs) similarly emphasized building standardized colonies, often located on city outskirts with poor infrastructure connectivity.

By the 1990s, when India liberalized, southern states were quicker to adapt to public-private models and market-driven housing, whereas northern models remained tied to older, slower state-supply mechanisms, increasingly unsuited to the demands of rapid urban growth.

Thus, regional differences in housing policy were not just administrative variations—they reflected deeper political, institutional, and social priorities: proactive, welfare-oriented approaches in the South versus bureaucratic, revenue-focused methods in the North.

PMAY-Urban: Delivery Comparison

State	Houses Sanctioned	Houses Completed	Completion Rate (%)
Andhra Pradesh	16 lakh	12.8 lakh	80%
Tamil Nadu	9.2 lakh	7.3 lakh	79%
Uttar Pradesh	17.5 lakh	11.1 lakh	63%
Rajasthan	8.3 lakh	5.4 lakh	65%

The 79% and 80% completion rates of Tamil Nadu and Andhra Pradesh, respectively, are the outcomes of long-term institutional stability and land availability arrangements made between 1950 and 2000. Tamil Nadu's experience of using "land banks" state-owned land near transport nodes and modular high-rise construction provided a good model for PMAY delivery. Uttar Pradesh and Rajasthan, having approved more houses, lag behind due to land disputes, outdated land records, and ineffective ULBs. The 40% legal dispute rate in Jaipur's PMAY plots in 2022 is a direct result of the lack of digital land systems and cadastral reforms that never made it to the agenda of the decades that decided the country's fate post-1947.

The inequality is not only new but also structural, deep within the character of how each region approached land, government, and the role of the urban poor in its housing policy in the 20th century.

Water and Sanitation Policies

Following independence, water supply and sanitation had been regarded as primarily state activities, handled by Public Health Engineering Departments (PHEDs). A few states in the south, such as Tamil Nadu and Kerala, started incorporating urban water management in their plans from as early as the 1960s.

Tamil Nadu, for instance, implemented the TWAD Board (Tamil Nadu Water Supply and Drainage Board) in 1971 with piped water, groundwater recharge, and subsequently rainwater harvesting requirements.

Kerala's grass roots movement was influenced by reforms in public health in the 1970s and then the People's Plan Campaign (1996), which moved sanitation planning to grass roots levels. By contrast, most northern states enjoyed highly centralized control of the water boards. Uttar Pradesh's Jal Nigam (founded in 1975) had very little autonomy at the city level, and sanitation was largely in the hands of low-budget municipal governments with few technical staff.

Planning focused on engineered solutions and not on behavior modification or public participation—leading to implementation failure and reliance on unaccountable tanker systems.

In addition, implementation of practices like rainwater harvesting arrived late in the North, while in the states like Tamil Nadu policy experiments were initiated in the 1980s and subsequently legislated mandates in 2003 following a drought in 2001.

Water Supply and Conservation

The northern states lacked such decentralized arrangements. Despite massive investment in toilet construction in the late 1990s, it was revealed in a 2002 WHO survey that the majority of public toilets in UP and Rajasthan were out of order due to no maintenance grants and ownership—due to the administrative neglect and weak decentralization of past decades.

Kerala's improved sanitation outcomes are a by-product of the people-driven infrastructure enabled through the People's Plan Campaign (1996–2001).

This created a situation where sanitation infrastructure and awareness were owned by local self-help organizations (e.g., Kudumbashree).

Therefore, existing performance deficits in sanitation are not economic but lost institutional reforms between 1947-2000, particularly in citizen ownership and municipal accountability.

Parameter	North India	South India
Cities ODF+ Certified	78% avg	94% avg
Waste Segregation at Source	35–45%	65–75%
Scientific Waste Disposal Rate	~40%	~72%

The North's use of ad hoc government (e.g., tanker mafias, emergency water trains) is a direct result of decades of a lack of long-term hydrological planning and of disempowered urban utilities constructing their systems.

Urban Sanitation Management

The South's far higher urban water coverage (90–95%) was a result of decades of early piped supply network investment, preventive planning (e.g., TWAD's aquifer mapping), and coordinated city-level administration. Tamil Nadu's nationally famous 2003 rainwater harvesting directive was—had its roots in institutional memory of previous drought management and the TWAD's activities in the 1980s.

On the contrary, Delhi's rainwater harvesting regulation (2012) took shape much later and has seen only 23% adoption as of 2023, a manifestation of weak citizen adoption and enforcement culture—perpetuated from top-down, engineer-based planning with limited citizen involvement across 1947–2000.

Metric	North India	South India
Urban Water Coverage	~70-75% avg.	~90-95% avg.
Rainwater Harvesting Mandates	Delhi (2012), Punjab (2015)	Tamil Nadu (2003), Kerala (2004)
Jal Jeevan Mission Urban (Coverage %)	UP: 72%, Rajasthan: 68%	AP: 92%, Karnataka: 89%

Southern states like Tamil Nadu led early reforms by linking housing and sanitation initiatives. The Tamil Nadu Slum Clearance Board (1970) emphasized not just rehousing slum dwellers but ensuring access to basic amenities like sewage, drainage, and water supply. Tamil Nadu also adopted decentralized waste management models early, encouraging municipal bodies to partner with local communities and NGOs for waste segregation and neighborhood sanitation drives. Chennai, for instance, piloted one of the first Solid Waste Management Privatization Projects in the 1990s, decades ahead of national initiatives like Swachh Bharat.

Similarly, Kerala invested heavily in household-level sanitation. Its Total Sanitation Campaign (TSC) approach, even before it was nationally adopted, stressed building toilets with community participation rather than only through contractor-driven models. This helped Kerala achieve near-universal sanitation coverage in urban and peri-urban areas by the early 2000s.

In contrast, northern states often treated sanitation as an afterthought to housing or urban development schemes. Municipal corporations in Uttar Pradesh, Rajasthan, and Madhya Pradesh struggled with institutional fragmentation—with sanitation responsibilities spread thinly across multiple departments like health, PWD, and municipal boards, leading to poor coordination.

It wasn't until after 2014, with missions like AMRUT and Swachh Bharat Mission (Urban), that significant investments began flowing into sanitation infrastructure in northern cities. Even then, southern states, having stronger institutional frameworks in place, outpaced the North in leveraging funds and delivering sustainable, on-ground results.

Conclusion and Policy Recommendations

Root Causes of the Regional Divide

The regional divide in urban development between southern and northern India can be traced back to deep-rooted structural factors. Four key causes highlight why southern states advanced more systematically in their urbanization journeys compared to their northern counterparts:

1. Legacy of Institutional Development

South Indian states such as Tamil Nadu and Karnataka formed strong city institutions during the early phase of the process. Tamil Nadu's Housing Board in 1947 and CMDA in 1972 set the stage for planned, systematic development. Northern states, especially Uttar Pradesh and Rajasthan, found it difficult to cope with late urban structures, with DDA (1957) and other bodies being bureaucratised and sluggish, retarding long-term urban growth.

2. Decentralization vs Centralized Control

Southern states embraced decentralization, and Kerala's People's Plan Campaign (1996) empowered local governments to manage as much as 40% of the state's development budget. This participatory approach led to more responsive and accountable urban governance. Northern states, however, retained centralized control, limiting local decision-making and undermining strong service delivery.

3. Land and Housing Strategy

Tamil Nadu took an early lead in addressing urban housing needs by promoting low-cost housing schemes and pioneering the concept of land banking during the 1980s. In contrast, Northern states such as Uttar Pradesh and Rajasthan depended on archaic land laws. This resulted in litigation and slow housing projects. This divergence is evident today, with housing completion rates significantly higher in Tamil Nadu, while states like Uttar Pradesh and Rajasthan struggle with persistent housing backlogs and delayed project deliveries.

4. Citizen-Centric versus Technocratic Planning

There was early experience with citizen participation in urban planning in the South, for instance in Kerala's Kudumbashree network. Northern states, however, followed top-down, technocratic strategies, with the result being stand-alone urban planning and little citizen participation, leading to inefficiencies and agitations (e.g., the Yamuna Expressway).

What Can Be Done? Learning from the Past

To address the growing disparities in urban development between northern and southern India, it is crucial to adopt a comprehensive approach that focuses on decentralizing governance, aligning land and housing systems, and empowering local authorities to drive sustainable urban growth.

1. Decentralize Urban Governance

The northern states must give power to the ULBs so that mayors actually have monetary authority over municipal budgets and town planning. That would give us responsive, people-sensitive development, Kerala style.

2. Align Land and Housing Systems

Employ clear land acquisition systems and governmentowned land banks such as Tamil Nadu to minimize court cases and accelerate housing projects.

3. Build Institutional Capacity

Establish professional urban planning departments with technical expertise and decision-making powers to implement long-term development plans. Increase the capacity of local government to undertake successful urban expansion.

4. Encourage Civic Participation

Encourage real-time transparency mechanisms like Karnataka's RERA portal and public hearings to ensure that citizens are engaged in the planning process and can hold the authorities accountable.

5. Invest in Preventive Infrastructure

Substitute reactive urban management in water, sanitation, and waste sectors with preventive urban management. Adopt models such as rainwater harvesting and stormwater management, which have worked in the South, and offer solutions before they become crisis situations.

Conclusion:

The North-South divide in Indian urbanization is the outcome of decades of contrasting policy decisions and governance models. Southern states recognized early that cities could drive economic growth and social development, while Northern states delayed critical reforms.

Bridging this gap now requires bold action — decentralizing power to urban local bodies, promoting citizen participation, and building strong urban institutions.

PRIMARY SECTOR
INTRODUCTION

Since gaining independence, India has evolved from a food-deficient nation to the world's fifth-largest economy, surpassing even the United Kingdom. This transformation was driven by strategic policy reforms and targeted economic planning. The First Five-Year Plan, launched in 1951, focused primarily on agriculture and irrigation to combat food shortages and revive the economy. It achieved a growth rate of 3.6%, exceeding the target of 2.1%, and laid the foundation for future agricultural self-reliance.

Agriculture has been central to India's development, providing livelihoods to nearly 60% of the population and supplying raw materials to various industries. Although its share in GDP has declined from over 50% in 1951 to about 18% today, it remains the largest employment source. However, agricultural progress has not been uniform across the country. Northern and southern states have followed different development paths, influenced by geography, policy choices, governance, and resource availability. This section explores and compares the performance, challenges, and policy approaches of these regions in the primary sector, particularly in agriculture and allied activities.

OVERVIEW

Agricultural performance across India has always been uneven due to variations in natural resources, infrastructure, and policy focus. The northern states especially Punjab, Haryana, Uttar Pradesh, and Himachal Pradesh—have historically anchored India's food security. Punjab and Haryana were at the forefront of the Green Revolution, turning into agricultural powerhouses and ensuring national self-sufficiency in staple crops like wheat and rice.

Haryana, with only 1.5% of India's land area, contributes nearly 15% to national agricultural output, thanks to high arable land share (86%) and extensive irrigation. Punjab's agricultural GDP grew at an impressive 5.7% annually from 1971 to 1986, driven by heavy mechanization, high-yielding varieties, and robust infrastructure. Uttar Pradesh, located in the fertile Indo-Gangetic plains, remains a major contributor to national food stocks—producing 28% of India's wheat and 12% of its rice—supported by a well-developed irrigation network and favorable agro-climatic conditions. Between 1991 and 2001, U.P. 's population grew at a rate of 25.8 percent, above the national decadal average growth of 21.3 percent and marginally above U.P. 's previous decadal rate of 25.5 percent. U.P. is primarily rural, with an urbanization rate of about 21 percent in 2001.

In contrast, the southern states—Kerala, Andhra Pradesh, Tamil Nadu, and Karnataka—present a different development trajectory. Their agricultural strategies emphasize diversification, resilience, and adaptation over intensive monoculture. Kerala, for instance, is known for plantation crops, small landholdings, and a well-educated rural population. Its model hinges on high-value crops and allied sectors rather than food grains.

Andhra Pradesh stands out as a critical agricultural state in the southern region. It is the fourth-largest in terms of geographical area (275.04 lakh hectares) and the tenth most populous, with a population of 5.3 crores as of 2022. Approximately 37.1% of its area is under net sown land, with a cropping intensity of 1.26 and an average annual rainfall of 940 mm. The state's agricultural performance has largely been propelled by increased input intensity—expanded irrigation, mechanization, use of fertilizers, and labor deployment.

While coastal districts benefited greatly from the Green Revolution, semi-arid areas such as Telangana and Rayalaseema followed a different path. These regions experienced growth in oilseeds and pulses during the 1980s due to favorable price regimes and technical innovations. Since the 1990s, the rise in urban incomes has fueled demand for higher-value crops, leading some districts in Andhra Pradesh to pivot toward more lucrative, market-driven agriculture. Thus, while northern states traditionally dominated India's grain economy, southern states have diversified more rapidly and adapted to structural changes with a focus on long-term resilience and market integration.

Agriculture	1950-01 to 1960-01	1960-01 to 1970-01	1980-01 to 1990-01	1970-01 to 1980-01	1990-01 to 2000-01
Growth rate in GDP(%)	3.03	2.31	3.43	1.50	2.97
Growth rate in TFP(%)	1.65	0.88	1.89	-0.35	1.68
% of TFP share in GDP Growth	54.5	38.1	55.1	-23.3	56.6

CHALLENGES

Despite early achievements, by the end of the 20th century, many northern states were experiencing structural crisis and stagnation. The agricultural growth rate of Punjab, which was once a shining example of agrarian prosperity, fell from 4.6% in the 1980s to 2.5% in the 1990s. Resistance to crop diversification, an unsustainable reliance on chemical fertilizers, and excessive groundwater exploitation were some of the reasons given for this loss. Ecological imbalance and soil deterioration resulted from these problems. Once at the top of the list for per capita income, Punjab's agricultural revival was hampered by policy paralysis and economic slowdown.

One of India's most economically disadvantaged states, Uttar Pradesh, struggled with extreme poverty and sluggish social and economic advancement. Its population was growing quickly, making it challenging to fully exploit the benefits of growth. Between 1992 and 2002, India's economy grew at a decadal growth rate of 6.2%, but Uttar Pradesh found it difficult to capitalize on this development.

Despite having strong road and irrigation systems, the state continued to rely too heavily on federally funded programs, lacked state-specific innovation, and failed to promote agricultural diversification. Its long-term agricultural transformation was impeded by this. Furthermore, because of persistent underinvestment in rural infrastructure, areas like Bihar and portions of eastern Uttar Pradesh have lagged behind, resulting in subpar productivity and sluggish economic growth.



Southern states faced a distinct set of structural problems, even though they had their own difficulties. For instance, Kerala's agriculture was hampered in its ability to scale traditional agricultural methods by severe land fragmentation, high labor costs, and an aging farmer population. Floods, unpredictable rainfall, and rising temperatures were among the frequent climatic shocks that the state experienced, which disproportionately affected its tropical and coastal regions. Because of these environmental issues, maintaining agricultural stability became more and more challenging.

Even though agriculture was the state's main industry, Andhra Pradesh continued to face problems with regional inequality and water scarcity. Although some districts saw an increase in production as a result of investments in agricultural inputs, irrigation development remained uneven and economically impractical in less favorable terrain, particularly in Telangana. This area's lift irrigation projects were expensive and technically challenging, which caused a regional disparity in the state's agricultural output. Due to their heavy reliance on monsoonal rainfall, Telangana and Rayalaseema's semi-arid areas were especially susceptible to climate fluctuations. Due to favorable policies in the 1980s, these regions saw expansion in oilseeds and pulses. Later, in response to market demand, they switched to high-value crops, but the absence of coordinated planning and sustainable infrastructure remained a barrier to agricultural progress.

Despite the fact that southern states had a wider variety of crops than northern states, production levels varied, and different districts adopted different modern agricultural technology. In areas with limited water resources, water-intensive farming methods continued to be used, and both northern and southern farmers experienced unstable incomes due to a lack of storage and processing capacity as well as poor market connections. The necessity for more focused policy interventions and infrastructure upgrades to guarantee long-term agricultural viability in both regions was highlighted by these structural issues.



POLICIES AND STEPS TAKEN

Forward-thinking reforms, sustainable investments, and focused policy interventions are all necessary to address regional inequities in India's agricultural sector. While the northern states struggled with ecological stress and stagnation, the southern states concentrated on improving market orientation, technological integration, and resilience.

The Green Revolution first changed agricultural production in Punjab, Haryana, and western Uttar Pradesh in the late 1960s and early 1970s when highyielding wheat and rice varieties were introduced. India was able to become self-sufficient in food thanks to these developments. Research and development in agriculture led to the adoption of seed-fertilizer technology, which resulted in significant production improvements and more effective use of the land that was already available. However, as the amount of land cultivation decreased, advancements under in technology and management were more crucial for future gains than expanding the amount of land.

Increased growth rates in Haryana were accompanied by this change in agricultural patterns. In the gross cultivated area, the proportion of oilseeds increased from 4.61% to 12.4% between 1980–1983 and 1992– 1995, whereas the proportion of cereal grains fell sharply from 79.8% to 71.8%. Most likely, Haryana's better growth rates were a result of this diversification. A persistent focus on food grains is evident in Punjab, where the percentage of gross cropped area that was planted to rice increased from 20.8% to 31.2%, and Uttar Pradesh, where the percentages of rice and wheat increased slightly from 20.3% to 22.3% and from 31.1% to 36.5%, respectively.

Uttar Pradesh needed measures that went beyond physical infrastructure because of its high irrigation ratio and excellent road connectivity. Investment was required in climate-resilient farming systems, agroprocessing, and value chains. To increase access to inputs and collective bargaining power, policies should prioritize establishing farmer-producer organizations (FPOs), encouraging less water-intensive crops, and enhancing market connections. In order to boost sugarcane yield, Uttar Pradesh launched a number of important agricultural initiatives in the years following independence, including the Intensive Sugarcane Development Programme (1948–49).

The Small Farmers Development Agency (SFDA) and the Marginal Farmers and Agricultural Laborers Development Agency (MFALDA), which were established between 1971 and 1972, were two other significant programs that aimed to improve the economic standing of rural communities by giving them access to agricultural extension services, subsidized inputs, and institutional credit. In order to serve the needs of marginal farmers, smallholders, and landless laborers and promote inclusive agricultural growth, these programs were essential in setting the groundwork for more equitable agricultural development.

The 1990s saw Haryana adopt Participatory Irrigation Management (PIM), a crucial strategy that addressed the global trend of giving farmers control over irrigation systems. As part of the World Bank-backed Haryana Water Resources Consolidation Programme (HRWCP), the policy encouraged the establishment of water users' associations (WUAs). With the adoption of these regulations in the late 1990s, the state took a major step toward community-based irrigation management, with the goal of improving water use efficiency.

The financing of fertilizers, tractors, and irrigation infrastructure was made possible by the state's large expenditures in cooperative networks for agricultural lending. Punjab's wheat production almost tripled between 1966 and 1971 thanks in large part to these efforts, but other states found it difficult to duplicate similar gains because of administrative and cooperative constraints.

Though water scarcity remained a major worry, Andhra Pradesh and Telangana had great promise in the southern region because of their varied agro-climatic zones and farming patterns. In these states, the emphasis of policy had to change to providing more sustainable irrigation options, especially in areas that rely on rainfall like Rayalaseema and semi-arid Telangana. Despite the initiation of extensive irrigation projects, many of them were expensive and technically difficult. Strong extension services and decentralized water governance, along with the promotion of microirrigation methods like drip and sprinkler irrigation, would be a more successful strategy.

Andhra Pradesh also had the chance to capitalize on its achievements in high-value aquaculture and horticulture by making investments in food processing facilities, reliable cold storage, and last-mile market connections. Direct-to-consumer supply chains and real-time price discovery made possible by digital platforms may increase farm profits even more. Additionally, Andhra Pradesh might improve its postharvest processes and lessen farmer stress during busy times by taking inspiration from procurement strategies in northern states.

Kerala was ideally situated to adopt precision agriculture because of its technologically literate populace. The state wanted to promote the use of drones, satellite imagery, and Internet of Things devices to track crop conditions, water use, and soil health. Crops, cattle, and fisheries were all included in integrated agricultural systems, which might increase resilience, lower input costs, and stabilize farmer incomes. Kerala also had the opportunity to profit from high-value products that complemented its natural advantages, such as fruits, spices, and medicinal plants.

Agriculture productivity was greatly impacted by Tamil Nadu's agricultural policy, which placed a high priority on water management and irrigation infrastructure. The Parambikulam-Aliyar Project (1958–1961) and the Lower Bhavani Project (1948–1955) were two significant projects that significantly improved water availability and decreased dependence on monsoon rains.

In order to increase the state's irrigated land, canal initiatives such as the Kattalai High-Level Canal and the Pullambadi Canal Scheme moved Cauvery water to dry areas. Furthermore, river-based initiatives such as the Manimuthar and Vaigai Reservoir Projects provided irrigation solutions specifically suited to the needs of southern Tamil Nadu, especially for areas that are tribal and prone to drought. Through initiatives like the Fodder and Pasture Development Programs and the Intensive Sugarcane Development Program (1948–49), the state also promoted agricultural integration, bridging the gap between industry and agriculture and enhancing the animal industry.

Policies were required to encourage climate-smart activities including regenerative agriculture, agroforestry, and organic farming in all southern states. In addition to ensuring long-term sustainability, these strategies matched the rising demand for ecologically friendly food both domestically and abroad.

A more decentralized structure for policy was necessary at the national level, one that gave states the authority to customize responses to their particular problems. Financial assistance ought to be tied to performance and awarded to states that have shown increases in agricultural diversification, farmer welfare, and water efficiency.

In order to create an inclusive, data-driven, and environmentally sustainable framework for India's agricultural future, a new agricultural vision should position market reforms, institutional strengthening of FPOs, and technology adoption at its center.

Major Policies/ Schemes Implemented	State(s)	Implementation Years	Description
Intensive Sugarcane Development Programme	Uttar Pradesh	1948–49	Aimed at increasing sugarcane yield through focused development programs.
Lower Bhavani Project	Tamil Nadu	1948–1955	Major irrigation project to improve water availability and reduce dependence on monsoon rains.
Marginal Farmers and Agricultural Laborers Development Agency (MFALDA)	Uttar Pradesh	1971–72	Supports marginal farmers and laborers to promote inclusive agricultural growth.
Small Farmers Development Agency (SFDA)	Uttar Pradesh	1971–72	Provides extension services, subsidized inputs, and institutional credit to improve rural economic standing.
Parambikulam-Aliyar Project	Tamil Nadu	1958–1961	Irrigation infrastructure project enhancing water availability in dry areas.
Participatory Irrigation Management (PIM)	Haryana	1990s	Establishes water users' associations for community-based irrigation management under HRWCP.
Haryana Water Resources Consolidation Programme (HRWCP)	Haryana	1990s	Supports water users' associations to improve irrigation efficiency.
Cooperative Agricultural Lending	Punjab	1960s–70s	Finances fertilizers, tractors, and irrigation infrastructure through cooperative networks.

CONCLUSION

In India, regional differences in agricultural growth result from a complex interaction of policy, and natural factors. It is essential to comprehend these differences in order to create agricultural policies that work and to advance sustainable development. There are many potential ways to take advantage of India's varied agro climatic conditions and propel the agricultural sector's expansion, despite the numerous obstacles.

Their different geographic and socioeconomic circumstances offer special prospects for development, even if agriculture in both North and South India faces huge challenges.

It is important to move toward sustainability and diversification due to North India's emphasis on largescale irrigation, mechanization, and staple crops. Improved water management and investments in agroprocessing can help reduce South India's dependency on plantation crops and monsoon-fed farming.

Through the implementation of region-specific tactics, including climate-resilient crops, precision farming, and digital advances, India may improve agricultural sustainability and future food security.

SECONDARY SECTOR

Chapter 6

Introduction

The secondary sector plays a key role in understanding the North–South divide, especially in terms of job creation and economic diversification. Looking at this sector helps us go beyond just numbers and actually understand how different states focused on job creation, investment, and building strong industries over time. States that took industrial growth seriously were able to create better opportunities, hold on to skilled workers, and grow industrial hubs — all of which affected how the development gap between the North and South played out.

In this section, we have looked at how different Indian states shaped their industrial growth during the period of 1947 to 2000. We focused on key areas like out-migration, sustainability, SEZs, industrial hubs, MSMEs, and specific industries. Some states made separate policies for different sectors, while others included sectoral strategies as part of their general industrial policies. We will be looking at key industrial policies, sector-specific focus, impact of those policies along with strategic gaps and national positioning.

Uttar Pradesh – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Kanpur, Lucknow (textiles, leather, PSU- linked)	Noida, Kanpur, Ghaziabad (integrated estates, electronics, defense)
Key Industries	Leather (Kanpur), sugar (eastern UP), textiles, handlooms	Textiles, leather, defense electronics
MSMEs (Registered)	12,851 (1972-73 Census)	162,938 (2001-02 Census)
Out-migration for Work	1,676,054 (1981 Census - due to employment)	3,168,000 (2001 Census - due to employment)
SEZs (Operational)	None (SEZ policy not yet in place)	14 SEZs operational (mainly IT/electronics in Noida & western UP)
Sustainability Efforts	Not applicable – no defined sustainability policy	22 GW renewable target by 2025; gradual adoption of solar & bioenergy

Key Industrial Policies & Legislative Efforts

After independence, Uttar Pradesh passed the U.P. Industrial Act in 1948 and later formed the UPSIDC in the 1960s to build industrial areas. Earlier, the focus was mainly on public sector units, but in the 1980s, the state also began supporting small industries, especially in cities like Kanpur and Ghaziabad. The Industrial Policy of 1998 was a major step forward as it offered incentives like land discounts, tax benefits, and a single-window clearance system to make it easier for private companies to invest.

Sector-Specific Industrial Policies

Uttar Pradesh paid a lot of attention to textiles and leather during the 1970s and 1980s, especially in Kanpur and Agra. In the late 1990s, with the 1998 Industrial Policy, the focus expanded to electronics and IT by developing tech parks in places like Noida and Ghaziabad. The state also tried to support agroprocessing by creating local cold storage and food parks at the district level. In the leather sector, Kanpur and Unnao received support in the form of pollution control initiatives and export incentives. These efforts created a combination of old traditional industries and new modern ones. However, progress wasn't the same everywhere, and many good plans didn't fully take off because of poor implementation.

Impact on the Secondary Sector

The policies helped create manufacturing centers in different parts of the state. Kanpur remained strong in leather, while Noida and Ghaziabad saw growth in electronics and light engineering. UPSIDC's work in setting up industrial estates contributed to industrial development in some areas. But overall, development was not uniform. Western UP, being closer to Delhi and better connected, saw more industrial growth. Eastern UP, on the other hand, stayed behind because of weak infrastructure and less government attention.

Strategic Gaps and National Positioning

Even though UP started industrializing early, it could not keep up with states like Maharashtra or Tamil Nadu. Problems like red tape, weak infrastructure outside the western part of the state, and over-dependence on PSUs until the 1990s slowed things down. The state was slow to adjust after liberalization and did not attract much private investment. Compared to other states, UP focused more on protecting its traditional industries rather than shifting to high-value manufacturing. This approach made it reactive instead of being forward-looking.

Punjab – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Textiles, wool, sugar, flour, hand tools	Ludhiana, Jalandhar, Amritsar (engineering, sports goods, auto parts)
Key Industries	Textiles, wool, sugar, flour, hand tools	Agro-processing (10% of India's processed wheat/rice), textiles, light engineering
MSMEs (Registered)	13,675 (1972-73 Census)	65,015 (2001-02 Census)
Out-migration for Work	300,054 (1981 Census - due to employment)	302,571 (2001 Census - due to employment)
SEZs (Operational)	None	3 operational SEZs (IT & agro-processing)
Sustainability Efforts	Not defined	Solar target: 3 GW installed capacity by 2027

Key Industrial Policies & Legislative Efforts

After independence, Punjab mainly focused on industries related to agriculture. This included textiles, sugar, and food processing. In 1966, the state created PSIDC (Punjab State Industrial Development Corporation) to support industrial growth. The industrial policies that came out in 1982 and 1996 mainly aimed at building industrial estates, helping SMEs grow, and forming engineering clusters. The state also tried to attract businesses by offering benefits like cheaper land, low power tariffs, and access to credit.

Sector-Specific Industrial Policies

Punjab's industrial policy was centered around agrobased industries. Its Textile Policy in 1992 targeted modernization of spinning units in Ludhiana and Amritsar. The state also pushed for development in light engineering, especially in the bicycle parts and hand tool manufacturing sectors. In 1996, incentives were given to small-scale auto parts and machinery manufacturing, particularly in cities like Jalandhar. Punjab's food processing industries got a boost from cold storage and dairy infrastructure.

Impact on the Secondary Sector

The policies made Ludhiana a big hub for textiles and bicycles. Jalandhar and Amritsar also grew in the tool manufacturing and sports goods industries. Agroprocessing did well too because of the strong agricultural base. However, when compared to how fast agriculture was growing, the growth in the industrial sector was slower.

Strategic Gaps and National Positioning

Punjab's industrial policies helped support what was already strong, but they didn't really push for new or innovative sectors. Meanwhile, neighboring Haryana took better advantage of being close to Delhi and attracted more industrial investment. Punjab, on the other hand, couldn't pull in much FDI during the liberalization era of the 1990s and started falling behind.

Haryana – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Faridabad (mechanical tools, light engineering)	Gurgaon, Faridabad, Manesar (automobile, IT)
Key Industries	Agricultural tools, dairy processing, textiles	Automotive (35% of India's production), IT, agro- processing
MSMEs (Registered)	4,591 (1972-73 Census)	39,584 (2001-02 Census)
Out-migration for Work	212,506 (1981 Census - due to employment)	260,554 (2001 Census - due to employment)
SEZs (Operational)	None	8 operational SEZs (automobile and IT-linked)
Sustainability Efforts	Not present	The state is committed to carbon neutrality by 2040

Key Industrial Policies & Legislative Efforts

In 1967, Haryana formed HSIDC (Haryana State Industrial Development Corporation) to plan and manage industrial development. In the 1970s and 1980s, state policies supported larger industrial units, especially in textiles, engineering, and food processing. By the 1990s, the focus shifted to offering incentives and setting up industrial estates near Faridabad and Gurgaon.

Sector-Specific Industrial Policies

Haryana focused on the automobile sector early on. The 1984 Industrial Policy helped bring companies like Maruti Suzuki to Gurgaon, which later became a major auto manufacturing hub. The 1997 policy added support for auto ancillary units and light engineering, offering benefits like land and power subsidies in designated industrial areas. Panipat became a key textile hub, and Karnal developed in agro-processing. The state also pushed electronics manufacturing in Faridabad, though this was smaller in scale. One major strength of Haryana's policies was how they combined infrastructure development with industrial promotion, which helped the state grow quickly.

Impact on the Secondary Sector

The policies turned the NCR region of Haryana into an industrial stronghold. Gurgaon, in particular, grew fast because of its location near Delhi and the facilities created by HSIDC. Industries like auto manufacturing, agro-processing, and textiles performed well. Faridabad also grew as a major industrial center.

Strategic Gaps and National Positioning

Although Haryana did a good job in building strong industries near Delhi, this success was concentrated in only a few areas. Unlike states like Maharashtra or Tamil Nadu, Haryana didn't focus as much on private sector partnerships or innovation. Its industrial growth was more due to its location and connectivity rather than bold or forward-looking policies. Growth in regions outside Gurgaon and Faridabad remained limited.

Rajasthan – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Jaipur, Kota (handicrafts, cement, PSU factories)	Jaipur, Alwar, Bhilwara (textiles, mining, engineering)
Key Industries	Cement, textiles, handicrafts	Mining (90% of India's marble), textiles, IT, gems
MSMEs (Registered)	7,062 (1972-73 Census)	43,145 (2001-02 Census)
Out-migration for Work	368,708 (1981 Census - due to employment)	515,974 (2001 Census - due to employment)
SEZs (Operational)	None	3 operational SEZs (gems, textiles, IT)
Sustainability Efforts	No framework	State solar mission targets 4–5 GW (post-2000s growth)

Key Industrial Policies & Legislative Efforts

Rajasthan used its natural resources and craft industries to promote industrial growth from the 1970s. The state formed RIICO (Rajasthan State Industrial Development and Investment Corporation) in 1969 to create industrial areas and bring in investment. Later policies during the 1980s and 1990s focused on sectors like cement, marble, and textiles, and provided land at low rates, tax exemptions, and infrastructure support in backward regions.

Impact on the Secondary Sector

RIICO's work in spreading industrial estates helped industries grow in cities like Bhilwara, Kota, and Jaipur. The state saw good performance in cement, ceramics, and marble.

Sector-Specific Industrial Policies

The 1994 Industrial Policy gave support to textiles and handicrafts, particularly in Bhilwara, Jaipur, and Jodhpur. The marble and granite industries were promoted under state mining rules during the 1980s, helping Rajasthan become a key exporter of stone. The government also helped the handloom sector through district-level cooperative programs. In agro-processing, the focus was on setting up cold storage units and mustard oil mills in areas like Bharatpur and Alwar. While heavy industry didn't grow much, these sectorfocused policies helped the state build up strong capabilities in mining, textiles, and craft-based manufacturing by 2000.

However, most of these industries depended on raw materials and didn't focus much on value-added products. So while there was industrial growth, it wasn't very balanced.

Strategic Gaps and National Positioning

Rajasthan used its natural resources and craft industries to promote industrial growth from the 1970s. The state formed RIICO (Rajasthan State Industrial Development and Investment Corporation) in 1969 to create industrial areas and bring in investment. Later policies during the 1980s-90s focused on sectors like cement, marble, and textiles, and provided land at low rates, tax exemptions, and infrastructure support in backward regions.

Himachal Pradesh – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	None formally developed (state formed in 1971)	Baddi, Solan, Shimla (pharma, agro-processing)
Key Industries	Cottage industries, fruit- based products	Pharma (35% of India's bulk drugs), horticulture, tourism-based industry
MSMEs (Registered)	1,495 (1972-73 Census)	10,891 (2001-02 Census)
Out-migration for Work	98,087 (1981 Census - due to employment)	110,394 (2001 Census - due to employment)
SEZs (Operational)	None	0 SEZs (pharma clusters operated under IDA zones)
Sustainability Efforts	Hydropower existed, but under central purview	Hydropower contributed ~45% of energy by 2000

Key Industrial Policies & Legislative Efforts

Because of its hilly terrain, Himachal Pradesh followed a more cautious approach to industrialization. It wanted to focus on eco-friendly and small-scale industries. In 1974, the state formed HPSIDC for planned development. In the 1980s and 90s, the policies focused on things like cottage industries, hydropower, and fruit processing, and these sectors were supported with tax holidays and affordable land.

Impact on the Secondary Sector

The growth was small but focused. Small food processing and handloom units were set up, and Baddi became a known name in pharmaceuticals. However, because of bad roads and remote areas, expansion was slow. The policies worked well in some areas but not all.

Sector-Specific Industrial Policies

The state leaned on sectors like pharmaceuticals and agro-processing. The 1996 Industrial Policy gave tax breaks and capital subsidies in backward districts to attract pharma industries to Baddi and Solan. The horticulture sector, especially in Shimla and Kullu, was supported with grading units and storage facilities. Woolen textiles and handicrafts were backed through cooperatives.

Strategic Gaps and National Positioning

The state's strategy was tailored to its geography and limitations, but because of environmental concerns and terrain issues, it couldn't support large-scale manufacturing. Overall, the state remained on the sidelines of India's industrial growth.

Delhi – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Wazirpur, Okhla, Shahdara (small- scale manufacturing zones)	Electronics, garments, plastics, packaging, publishing
Key Industries	Printing, textiles, leather, electricals	Electronics, garments, plastics, packaging, publishing
MSMEs (Registered)	5,102 (1972-73 Census)	6,430 (2001-02 Census)
Out-migration for Work	81,958 (1981 Census - due to employment)	124,761 (2001 Census - due to employment)
SEZs (Operational)	None	0 SEZs; limited due to space constraints
Sustainability Efforts	Not applicable	Pollution control boards formed; early green mobility pilots

Key Industrial Policies & Legislative Efforts

Delhi has always been more of a service-based economy, so it didn't have a full-fledged industrial policy like other states. But due to its population and urban character, there were small-scale and informal manufacturing clusters. The DSIIDC (Delhi State Industrial and Infrastructure Development Corporation) helped support these clusters. The focus was on light industries like electronics, printing, and garments in places like Okhla and Wazirpur.

Impact on the Secondary Sector

Most of Delhi's industrial activity was in small and informal units, sometimes located in unauthorized areas. Light engineering, garments, and electronics served local and NCR markets. Industrial areas like Bawana and Naraina gave space to formal businesses, but due to space issues, larger industries didn't develop. These small enterprises often operated with limited infrastructure and regulatory oversight, creating an industrial landscape characterized by fragmentation. Many operated in residential areas or unplanned colonies, leading to environmental concerns and inefficiencies.

Sector-Specific Industrial Policies

Delhi didn't officially have a structured industrial policy until the early 2000s, but even before that, it tried to promote small electronics and publishing industries. A draft Industrial Policy in 1998 aimed to relocate polluting industries and promote IT services by changing zoning rules in Okhla and Naraina. The government also tried to formalize informal businesses through DSIIDC programs. Delhi's industries were mostly about niche sectors like printing and packaging.

Strategic Gaps and National Positioning

Delhi's industrial development happened more because of urban demand and geography than policy. Compared to nearby NCR states like Haryana and UP, Delhi didn't offer structured industrial incentives. Its fast population growth and strict environmental norms also led to deindustrialization in the late 1990s. Manufacturing gradually moved to neighboring states with more favorable conditions, creating new economic relationships where Delhi became primarily a consumer market while surrounding areas absorbed its industrial activities.

Tamil Nadu – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Chennai, Coimbatore, Salem (textiles, light engineering)	Chennai, Hosur, Coimbatore (autos, electronics, textiles)
Key Industries	Cotton textiles, pumps, sugar, film industry	Automobile (30% of India's exports), electronics, engineering
MSMEs (Registered)	16,002 (1972-73 Census)	180,032 (2001-02 Census)
Out-migration for Work	374,241 (1981 Census - due to employment)	483,796 (2001 Census - due to employment)
SEZs (Operational)	None (pre-2000 policy not fully functional)	49 operational SEZs (highest in India)
Sustainability Efforts	Not applicable	15 GW of installed renewable energy (wind/solar combined)

Key Industrial Policies & Legislative Efforts

Tamil Nadu was one of the few states that had a consistent industrial strategy. Agencies like TIDCO and SIPCOT, formed in the 1970s, played a major role in developing industrial estates. The 1985 and 1992 policies targeted sectors like automobiles, textiles, and electronics. They offered incentives such as low-cost land, fast-track clearances, and special export promotion zones, especially in and around Chennai and Coimbatore.

Impact on the Secondary Sector

Chennai grew into a massive hub for automobiles and electronics, while Coimbatore and Tiruppur became key centers for textiles. Tamil Nadu's ports, electricity availability, and road networks made it easier for industries to grow and export. By the late 1990s, the state had become one of the most industrialized regions in the country.

Sector-Specific Industrial Policies

The state focused a lot on sectors where it already had strength, like textiles and auto components. The 1992 Industrial Policy gave attention to electronics and IT too, which helped in setting up tech parks. The state supported MSMEs through easier credit and shared infrastructure. Over time, Tamil Nadu developed an ecosystem that supported both large and small industries.

Strategic Gaps and National Positioning

Tamil Nadu stayed ahead by matching policies with onground infrastructure. The early creation of SEZs, along with decentralization of industrial activity, helped balance growth across regions. It became a national example of export-led and well-planned industrial development.

Karnataka – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Bengaluru, Mysore, Dharwad (public sector led)	Bengaluru, Mysore, Hubli (electronics, aerospace, IT)
Key Industries	Watches, machine tools (HMT), silk, soap	IT (40% of India's IT exports), aerospace, biotech
MSMEs (Registered)	5,618 (1972-73 Census)	110,487 (2001-02 Census)
Out-migration for Work	297,520 (1981 Census - due to employment)	437,217 (2001 Census - due to employment)
SEZs (Operational)	None before 2000	38 SEZs focused on IT, biotech, aerospace
Sustainability Efforts	NA	₹2,500 Cr green-tech investment; EV mobility push

Key Industrial Policies & Legislative Efforts

Karnataka's industrial growth was initially driven by public sector giants like HAL, BEML, and ISRO. In 1966, the state established KIADB to develop industrial areas. The 1986 and 1996 industrial policies helped build electronics and auto parts sectors by offering affordable land, subsidies, and dedicated IT parks, creating a foundation for the state's manufacturing capabilities and technological advancement. These strategic interventions positioned Karnataka as a leading industrial hub.

Impact on the Secondary Sector

Bengaluru developed quickly into a technology and electronics manufacturing center, while other regions like Mysore and Belgaum saw growth in textiles and engineering. Karnataka also became a key state for high-tech manufacturing by the late 1990s, especially in IT exports.

Sector-Specific Industrial Policies

Karnataka was one of the first states to recognize the potential of the electronics sector, with its 1983 Electronics Policy paving the way for Electronics City. The Industrial Policy of 1982 also supported small and cottage industries in cities like Tumkur and Hubli. Later, the 1997 IT Policy focused on making Bengaluru the main tech hub of the country. The state also continued promoting sericulture and silk weaving through special schemes.

Strategic Gaps and National Positioning

Karnataka focused more on skilled and niche sectors like IT and aerospace, and less on mass manufacturing. This made industrial growth more concentrated in a few areas, but gave the state a strong edge in technologyled development.

Kerala – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Kochi, Trivandrum (coir, cashew, handloom clusters)	Kochi, Kozhikode, Trivandrum (IT parks, food processing)
Key Industries	Coir, handloom, cashew, spices	Tourism, IT, spices, seafood processing
MSMEs (Registered)	6,205 (1972-73 Census)	146,988 (2001-02 Census)
Out-migration for Work	360,108 (1981 Census - due to employment)	352,973 (2001 Census - due to employment)
SEZs (Operational)	None	20 SEZs by 2000, mostly IT/ITeS-based
Sustainability Efforts	NA	High dependence on hydropower + solar, early green policies

Key Industrial Policies & Legislative Efforts

Kerala's industrial policies were mainly focused on labor-intensive sectors. The state formed SIDCO in 1975 to support small-scale industries. The 1992 Industrial Policy pushed for agro-processing, coir, cashew, and tourism-linked production. With help from the central government, some electronics initiatives were also introduced in Kochi and Trivandrum.

Impact on the Secondary Sector

Despite having a skilled workforce, industrial growth in Kerala remained moderate. Coir, seafood, and handloom industries continued their operations, but large-scale manufacturing didn't pick up momentum. MSMEs often struggled due to infrastructure and political issues. The state's traditional industries faced challenges adapting to modernization while competing with products from neighboring states. Small-scale sectors showed resilience but couldn't drive significant economic transformation, creating a gap between Kerala's high social development indicators and its industrial output.

Sector-Specific Industrial Policies

Kerala continued to invest in coir, handloom, and spices throughout the 70s and 80s. The Coir Industry Act and handloom promotion schemes helped preserve traditional sectors. In the 1990s, the state began supporting IT and electronics, especially with the setup of Technopark in Trivandrum in 1995. There was also attention to food processing and tourism-linked industries.

Strategic Gaps and National Positioning

Kerala couldn't attract large private investment despite its advantages in human development. Labor problems and inconsistent policies made the environment tough for industrial growth. Compared to Karnataka or Tamil Nadu, Kerala missed the bus during the 1990s industrial boom. The state's political climate, characterized by alternating governments with different economic philosophies, led to policy discontinuity that deterred potential investors. While excelling in social sectors, Kerala struggled to translate its educational achievements into industrial advancement.

Andhra Pradesh – Secondary Sector Evolution

Parameter	1950s/60s (Pre-Policy Era)	2000 (Post-Policy)
Industrial Hubs	Hyderabad, Vijayawada, Visakhapatnam (textiles, pharma, shipyards)	Visakhapatnam, Tirupati, Hyderabad (IT, pharma, electronics, defense)
Key Industries	Textiles, cement, sugar, and shipbuilding	Pharma, IT, biotech, defense electronics
MSMEs (Registered)	8,091 (1972-73 Census)	62,917 (2001-02 Census)
Out-migration for Work	280,421 (1981 Census - due to employment)	366,326 (2001 Census - due to employment)
SEZs (Operational)	None	25 operational SEZs by 2000
Sustainability Efforts	Not applicable	Hydropower and solar plans initiated under the Green AP program

Key Industrial Policies & Legislative Efforts

Initially, the state had many public sector units like Vizag Steel and BHEL Hyderabad. The APIIC (Andhra Pradesh Industrial Infrastructure Corporation) was set up in 1973 to promote industrial parks. In the 1980s, the focus was on cement, sugar, and textiles, but by the 1990s, the 1997 Industrial Policy began pushing private investment, SEZs, and power subsidies.

Impact on the Secondary Sector

Cities like Visakhapatnam and Hyderabad became centers for pharma, heavy industries, and defense manufacturing. By the late 1990s, Hyderabad was moving into electronics and biotech, setting the foundation for future IT growth.

These urban industrial hubs attracted skilled labor from surrounding regions and established specialized manufacturing ecosystems. The pharmaceutical sector in particular developed significant capabilities in generic drug production, leveraging local educational institutions and research facilities.

Sector-Specific Industrial Policies

Andhra's Agro-Based Industries Policy (1991) promoted food processing. The 1996–2001 Industrial Policy gave a big push to pharma and biotech, especially in Hyderabad and Vizag. There were also plans for hardware parks and industrial corridors to support electronics. The government offered land subsidies, tax breaks, and quick approvals.

Strategic Gaps and National Positioning

The southern part of the state grew much faster than the rest, creating regional economic imbalances. Although Andhra Pradesh did well in attracting big industries, it was slower than Tamil Nadu in creating private-sector manufacturing clusters across districts.

This concentration of industrial activity led to uneven development patterns and migration pressures. The state struggled to develop comprehensive infrastructure networks that could spread industrial growth beyond established centers, limiting the potential for inclusive economic development throughout its diverse regions.

Comparative Insights: North vs. South

Industrial Development Policies

The industrial growth across Indian states has not been uniform. The northern states like Uttar Pradesh, Punjab, and Haryana mostly focused on traditional industries such as textiles, agro-processing, and public sector-led manufacturing like defense production. For example, UP's main industrial hubs were Kanpur and Noida, focusing on leather, textiles, and defense electronics. Punjab stayed strong in textiles and agro-processing, while Haryana developed around automobile and engineering units.

In contrast, southern states such as Tamil Nadu, Karnataka, and Andhra Pradesh diversified their industries much more. Tamil Nadu became known for automobiles (mainly in Chennai), Karnataka built a stronghold in IT and electronics, and Andhra Pradesh pushed for pharma and biotech, especially in Hyderabad and Visakhapatnam. These states integrated their industrial policies with infrastructure and long-term planning, making them more attractive for private investments.

Role of MSMEs

MSMEs are important everywhere, but the kind of MSMEs and how they grow are different in the north and south. In the north, especially in UP and Punjab, MSMEs are large in number and are mainly focused on textiles and agro-processing. These units provide employment but struggle with scaling and innovation.

In the south, states like Tamil Nadu have MSMEs that are more organized, tech-friendly, and export-focused. Many of them are also part of larger industrial supply chains. They receive better support from the state and are integrated with global markets.

Special Economic Zones (SEZs)

SEZs played a big role in the industrial growth of many southern states. Tamil Nadu and Karnataka used SEZs to grow sectors like electronics, pharma, and automobiles. These zones helped bring in both domestic and international investments and created jobs. SEZs also supported exports and made it easier for companies to set up operations due to relaxed rules.

In the northern states, even though some SEZs were set up, they mostly focused on older sectors like textiles or food processing. Because of this, they couldn't create the same kind of high-tech ecosystems as seen in the south. This also meant fewer startups and less global integration.

Key Industries

North: Heavy industries, traditional sectors

In the northern region, the main industries continued to be textiles, sugar, cement, steel, and automotive. UP led in textiles and leather, Rajasthan in mining (especially marble), and Haryana in automobiles. While these industries generated jobs, many of them were traditional and slow to adapt to new technology. As a result, these states couldn't attract a lot of new-age industries or startups.

South: Technology-led, export-driven sectors

The south made a visible shift to electronics, IT, pharma, and automobile exports. Karnataka led in software, electronics, and biotech. These sectors helped southern states become more competitive globally. Their policies were more in sync with new industry trends, which made them faster at adapting to market changes.

Startup Ecosystems

When it comes to startups, the southern states have a clear edge. Bengaluru (Karnataka) is a major startup hub in India, followed by Chennai and Hyderabad. These cities offer better infrastructure, access to venture capital, and policy support. The Startup India initiative also gained more traction in these areas due to the ecosystem already being in place.

In comparison, the north is catching up slowly. Delhi and Gurgaon have started seeing growth in startups, but other regions in UP, Himachal Pradesh, or Rajasthan still lack proper ecosystems and support systems for early-stage businesses.

Environment and Sustainability

Southern states like Tamil Nadu and Karnataka were early adopters of renewable energy, especially in wind and solar. Tamil Nadu has one of the highest renewable energy capacities in India. Industries in the south have also adopted cleaner technologies faster.

In contrast, northern states have had slower progress. For example, leather and textile industries in UP still cause a lot of pollution. Although policies exist for pollution control, enforcement remains weak. More awareness and stronger monitoring are needed in this area.

Out-Migration and Job Creation

One of the most noticeable differences between the north and south is seen in out-migration. States like UP, Bihar, and Rajasthan saw a steady increase in people moving out to find work. Even though these states had industrial centers, they didn't grow fast enough to absorb the expanding working population. This is why migration kept increasing over the years.

In contrast, southern states created more local jobs in newer sectors like IT, electronics, and manufacturing. Workers in Tamil Nadu or Karnataka didn't need to leave in large numbers because job opportunities existed within the state.

Other Key Observations

Southern states have outpaced northern regions industrially due to superior infrastructure including better roads, ports, and power systems. Their higher literacy rates and robust vocational training have created a skilled workforce suited for modern industries. More consistent policies in southern states have built greater investor confidence. Cities like Chennai, Hyderabad, and Bengaluru have experienced rapid urbanization, fostering strong industrial clusters. Southern states have successfully transitioned to hightech, export-led, and services-linked manufacturing, while many northern states remain dependent on labour-intensive and traditional industries with lower productivity and growth potential.

Factor	North India	South India	
Industrial Focus	Traditional (textiles, leather, agro- processing)	Modern (IT, automobiles, electronics, biotech)	
MSME Growth	High in number, low on scaling & tech integrationWell-organized, tech-savvy, part of supply chains		
SEZs (by 2000)	Limited, mostly textiles or food-based	les or food-based Numerous, export-oriented (IT, auto, pharma)	
Major Hubs	Kanpur, Ludhiana, Faridabad, Jaipur	abad, Jaipur Chennai, Bengaluru, Hyderabad, Coimbatore	
Policy Strategy	Reactive, PSU-reliant, inconsistent implementation	Forward-looking, private-sector friendly	
Out-Migration Trend	High – jobs not matching population growth	Low – better local job absorption	
Sustainability Efforts	Late and weak enforcement	Early adoption of clean energy and tech	
Startup Ecosystem	Nascent, Delhi/NCR emerging	Thriving – Bengaluru, Chennai, Hyderabad	

Conclusion

The industrial growth of Indian states from 1947 to 2000 followed distinct paths shaped by available resources, local policies, and existing industries. Northern states like Uttar Pradesh and Punjab initially relied on traditional sectors such as textiles, agroprocessing, and leather. However, these sectors faced difficulties in transitioning to newer industries due to issues like poor infrastructure, bureaucratic delays, and an over-dependence on public sector enterprises. As a result, they struggled to keep pace with the rapidly changing demands of a liberalizing economy.

In contrast, southern states such as Tamil Nadu, Karnataka, and Andhra Pradesh capitalized on

emerging global trends in sectors like information technology, electronics, and automobiles. They developed proactive industrial policies, attracted private investment, and built specialized infrastructure such as industrial estates and Special Economic Zones (SEZs) to foster growth. Tamil Nadu and Karnataka, in particular, demonstrated how the alignment of industry policies with infrastructure development could create competitive advantages and drive rapid industrial growth.

Ultimately, the key to industrial growth was the ability of states to adapt to new opportunities through strong policy frameworks, improved infrastructure, and a shift toward high-value industries.

TERTIARY SECTOR: IT, BANKING & TOURISM

IT Industry : Policies and Regional Comparison

Introduction

Information Technology (IT) has revolutionised the economy and has become a new source for comparative advantage in this age of knowledge and information. The IT sector has become one of the most significant growth catalysts for the Indian economy due to its vast skilled human resources , contributing significantly to the country's GDP and public welfare. The IT Industry accounted for 7% of India's GDP in FY24 and as an estimate it is likely to hit the US\$ 350 Billion mark by 2026 and contribute 10% towards the country's GDP. Its ranking improved 6 places to the 40th position in the 2022 edition of Global Innovation Index (GII) and 11 places to the 49th position in 2024 edition of the Network Readiness Index (NRI). Economic development in this sector in India itself shows different trends among various states commonly grouped together as Northern and southern states of India and we will be comparing their policies and missteps in them in the upcoming text.

In Southern States - IT sector is leading due to its structured IT Policies , startup ecosystems and IT parks mainly all due to its state policies.

In Northern States - Growth is mainly Market-driven but it lacks strong policy frameworks and government support which keeps it behind the southern states.

Comparison through policy: North vs. South

Karnataka

Karnataka IT Policy (1997): First structured IT policy in India, promoting software exports and IT hubs. Bengaluru IT Corridor Development: Includes Electronic City, Whitefield, and Manyata Tech Park, housing global IT firms like Infosys, Wipro, and IBM.

E-Governance Leadership: Karnataka pioneered Bhoomi, India's first digitized land records system, modernizing land ownership transactions.

Outcome:

Bengaluru became India's largest IT hub, contributing 38% to India's IT exports. Home to 40% of India's unicorn startups, fostering a strong startup and innovation ecosystem. Employs 2 million professionals, with 1,400+ global IT firms.

Telangana

T-Fiber Project: Expands high-speed internet to rural areas, improving digital literacy and IT penetration.Provided high-speed internet to 23 million people.

Genome Valley: A biotech and IT research hub,

attracting global pharmaceutical and technology firms.

Outcome:

Hyderabad emerged as India's second-largest IT hub, attracting top global tech companies. Over 2,500 startups incubated, boosting job creation in the tech sector. IT exports grew to ₹1.45 lakh crore in 2022, a 26% increase from the previous year

Tamil Nadu

Electronics Manufacturing Cluster (EMC) Policy: Coimbatore is developing into a semiconductor and hardware manufacturing center, reducing India's reliance on imports.

Outcome:

Chennai became India's top destination for IT services outsourcing, second only to Bengaluru. Expansion in semiconductor manufacturing has positioned Tamil Nadu as an electronics production leader.

Kerala

Kerala Technopark Initiative (1990): Launched by the Government of Kerala to establish India's first dedicated IT park in Thiruvananthapuram, aiming to promote software exports and generate employment.

Outcome:

Technopark laid the foundation for Kerala's IT ecosystem, attracting early software firms and creating a skilled talent pool. However, growth was initially slow due to limited private sector participation and infrastructure bottlenecks.

Andhra Pradesh

Andhra Pradesh IT Policy (1999): Spearheaded under the leadership of then Chief Minister Chandrababu Naidu, the policy aimed to position Hyderabad (then part of undivided Andhra Pradesh) as an IT hub by improving digital infrastructure and attracting global tech firms.

Outcome:

The policy led to the rapid development of HITEC City in Hyderabad, drawing investment from companies like Microsoft and Infosys. However, benefits were concentrated around Hyderabad, with limited spillover to other regions of the states.

Uttar Pradesh

UP Electronics Policy (1993): Aimed to promote electronics manufacturing and IT hardware units by setting up dedicated industrial areas in Noida and offering capital subsidies and sales tax exemptions. Jewar Airport Smart City Plan: Planned as a fintech and IT cluster, but bureaucratic delays in approvals and land cquisition have slowed progress.

Outcome:

Noida is emerging as North India's major IT hub, attracting multinational tech companies. Delays in IT park approvals and land acquisition have slowed infrastructure development.

Haryana

Gurugram's Cyber City: IT expansion driven by private real estate investments, rather than structured stateled policy support.

Outcome:

Gurugram is a major IT and financial services hub, housing global BPO and consulting firms. Unplanned expansion has led to infrastructure congestion and rising business costs.

Punjab

Punjab Electronics Policy (1996): Sought to attract electronics and IT hardware manufacturing by offering land at concessional rates in industrial estates like Mohali and tax exemptions for new units.

Outcome:

Initial interest was generated, especially around Mohali, but lack of skilled manpower, poor infrastructure, and slow policy execution limited long-term industrial growth in the electronics and IT sectors.

Himachal Pradesh

Himachal Pradesh IT Vision Document (1997): Himachal Pradesh introduced basic IT initiatives in 1997, focusing on computerization of government departments. Initial efforts included IT training programs in schools and limited support for software development centers in Shimla.

Outcome:

Minimal private IT investment due to terrain and lack of large urban clusters. Provided foundation for later egovernance and remote work prospects.

Delhi

Delhi Government Computerization and E-Governance Initiative (1998) : Delhi began aggressively digitizing municipal departments (e.g., MCD, DDA). Early support for NIIT-style IT training institutes and use of IT in traffic and utilities management.

Outcome:

Pioneered e-governance in urban India.

Lacked large-scale IT park development, causing IT companies to prefer neighboring NCR regions.

Rajasthan

Rajasthan Computer Literacy & Office Automation Drive (1999): Rajasthan's 1999 IT initiatives centered around

Public sector digitization (land records, education boards). Focused on setting up Rajasthan Knowledge Corporation Limited (RKCL) groundwork, which became active post-2000.

Outcome:

Early introduction of computer education in schools and public services. Set the stage for Jaipur's later development as a Tier-2 IT hub.

Missteps taken : North vs. South

Southern States

Over-Concentration of IT Growth in Metro Cities: Bengaluru and Hyderabad have become overcrowded IT hubs, leading to rising real estate prices, congestion, and talent saturation.

Limited expansion of IT infrastructure to Tier-2 and Tier-3 cities has created regional imbalances within these states.

Lack of Local Skill Development for Emerging Technologies: IT policies focus more on infrastructure and tax incentives, but less on skill training for AI, cybersecurity, and blockchain. Tamil Nadu and Karnataka have large engineering talent pools, but only a fraction of graduates are employable in high-end IT jobs.

Digital Divide Between Urban and Rural Areas: Rural IT penetration is still weak, despite initiatives like T-Fiber in Telangana. Many villages lack last-mile connectivity, reducing the potential for e-governance expansion.

Northern States

Slow Government Intervention in IT Sector: Noida and Gurugram have grown as IT hubs primarily due to private investment, while state-led IT initiatives remain weak. Lack of a structured IT policy in states like Punjab and Bihar has led to fragmented IT sector development.

Bureaucratic Delays in IT Park Development: Despite policy efforts, several planned IT parks in North India (Noida, Lucknow, and Mohali) have faced delays due to land acquisition issues and poor coordination. The Jewar Airport Smart City Plan is progressing slowly due to inconsistent policymaking.

Limited Focus on IT-Enabled Services (ITES) and Startups: While Bengaluru and Hyderabad attract Al and fintech startups, North Indian states still lack innovation clusters and startup incubation programs. Venture capital investment in IT startups is significantly lower in North India, reducing entrepreneurial opportunities.

Conclusion

The IT industry has been a key driver of India's economic growth, with South India emerging as a dominant hub due to its strong policy frameworks, robust infrastructure, and proactive government support. States like Karnataka, Telangana, Tamil Nadu, and Kerala together account for over 60% of the country's IT exports, with Bengaluru alone contributing an impressive 38%. The presence of a skilled workforce, industry-academia collaboration, and global connectivity have further reinforced South India's leadership in this sector.

Meanwhile, North India's IT growth, primarily led by cities like Noida and Gurugram, has been more marketdriven, fueled by the entry of major international IT and FinTech firms. However, despite notable success stories, the region has faced challenges such as regulatory complexities, infrastructural bottlenecks, and relatively slower policy innovation, which have somewhat constrained its pace of development compared to the South.

Nevertheless, recent trends signal a positive shift. Substantial investments in Noida's IT parks, the rise of Gurugram as a major corporate hub, and the strengthening of Haryana's startup ecosystem highlight growing momentum. Initiatives like the Uttar Pradesh Electronics Manufacturing Policy and Haryana's Enterprise Promotion initiatives are aimed at creating a more enabling environment for IT businesses.

If these efforts are sustained and complemented with strategic improvements in infrastructure, talent development, and ease of doing business, North India is well-positioned to become a significant counterweight to South India's dominance in the IT sector, fostering more balanced regional growth across the country. As India continues its digital transformation journey, both regions will play critical and complementary roles in driving innovation, employment, and global competitiveness.

Banking and Financial Services

Introduction

As per the Reserve Bank of India (RBI), India's banks are well-capitalised and well-regulated. The economic as well as financial condition of the country is far better in comparison to any country in the whole world. Risk analyses of credit as well as market, as well as of liquidity, suggest Indian banks are relatively robust in all respects and survived the global crisis by far.

The Indian banking sector consists of 13 public sector banks, 21 private sector banks, 44 foreign banks, 12 Small finance banks. As of June 2024, Indian micro-ATMs stood at 15,17,580.

India is one of the fastest-growing Fintech markets globally & its Fintech market is expected to be of the size of US\$ 150 billion by 2025. India has the 3rd largest FinTech ecosystem globally.

However, the banking infrastructure in Northern and Southern states exhibits stark differences in terms of banking intensity, credit-deposit (CD) ratios, and the role of state-owned vs. private financial institutions. In This section, we will be comparing them.

Northern states have mobilized a significant portion of India's deposits, their credit distribution has remained relatively lower, leading to a lower CD ratio compared to the Southern states.

In contrast, the Southern states, with a higher CD ratio and better financial inclusion through Regional Rural Banks (RRBs), have leveraged banking services more effectively for economic development.

Comparison among States: North vs. South

Tamil Nadu

Economic Impact

Tamil Nadu has one of the highest CD ratios in India (88.5%), indicating efficient credit utilization.

Chennai serves as a major banking and fintech hub, attracting private sector investment and industrial financing. Both public and private banks support MSMEs, but private banks dominate industrial lending.

Major Banks & Financial Institutions:

State-Owned Banks: Indian Bank (HQ), Indian Overseas Bank (HQ), State Bank of India (regional HQ).

Private Banks: City Union Bank (HQ), Karur Vysya Bank (HQ), HDFC Bank, ICICI Bank, Axis Bank.

Financial Institutions: NABARD (regional office), Tamil Nadu State Cooperative Bank.

Number of Bank Branches: 4,751 Credit-Deposit (CD) Ratio: 88.5% Share in National Deposits: 6.8% Share in National Credit: 9.2% Population per branch : 13037



Who Benefited Tamil Nadu More - State-owned or Private banks?

Private banks have benefited Tamil Nadu more as -

Highest CD Ratio: Private banks contribute to strong credit expansion, especially in industrial and trade finance. Financial & Digital Innovation: Tamil Nadu has seen rapid fintech growth, with private banks leading in online banking. Better Customer Service leads to More efficient than state-owned banks in loan approvals and investment banking.

State-Owned Banks have not benefited as much as – Higher NPAs from MSME Loans: Small business loan defaults affect public banks. Slower Digital Growth: Public banks are less competitive in digital banking and fintech.

Verdict: Tamil Nadu has benefited more from private banks due to its industrial and financial sector growth.

Karnataka

Economic Impact:

Karnataka, particularly Bangalore, is a fintech and startup hub, driving demand for private sector banking and venture capital. Strong IT, biotech, and manufacturing sectors create high banking demand. High CD ratio (68.9%) shows better credit utilization than most Northern states.

Major Banks & Financial Institutions:

- 1. State-Owned Banks: Canara Bank (HQ), Vijaya Bank (HQ), State Bank of India (regional HQ).
- 2. Private Banks: HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Axis Bank.
- 3. Financial Institutions: NABARD (regional office), Karnataka State Cooperative Bank.

Number of Bank Branches: 4,776 Credit-Deposit (CD) Ratio: 68.9% Share in National Deposits: 5.8% Share in National Credit: 5.6% Population per Bank Branch: 11,041



Who Benefited Karnataka More Private Banks or State owned ?

Private Banks Have Benefited Karnataka as -

Bangalore's Fintech Boom - Private banks lead in IT, startup financing, and venture capital, High Digital Banking Penetration - Strong demand for fintech services and digital banking.

State-Owned Banks Have Not Benefited as Much as -

High NPAs in Rural Lending - State banks face bad loans in agricultural lending, Slower Fintech Adoption -Public banks lag behind private banks in digital services.

Verdict: Karnataka's banking success is led by private sector growth in fintech and IT finance.

Kerala

Economic Impact:

Kerala has the lowest CD ratio in South India (43.7%), reflecting underutilization of banking credit.

High NRI remittances increase deposits but do not translate into proportional credit expansion.

State-owned banks and cooperative banks dominate, but industrial and commercial lending remains weak.

Major Banks & Financial Institutions:

- 1. State-Owned Banks: State Bank of India, Federal Bank, Kerala State Cooperative Bank.
- 2. Private Banks: South Indian Bank, Catholic Syrian Bank, ICICI Bank, HDFC Bank.
- 3. Financial Institutions: NABARD

Number of Bank Branches: 3,315 Credit-Deposit (CD) Ratio: 43.7% Share in National Deposits: 4.8% Share in National Credit: 3.3% Population per Bank Branch: 9,604



Who Benefited Kerala More State-Owned Banks or private banks?

State-Owned Banks Have Benefited Kerala as –

Rural Banking & NRI Remittances: Government banks handle NRI deposits and cooperative banking.

Social Sector Financing: Public banks support healthcare, tourism, and small businesses.

Private Banks Have Not Benefited as Much as ---

Weak Industrial Lending: Private banks find fewer investment opportunities in Kerala.

High Dependence on NRI Deposits: Low credit demand reduces private bank profitability.

Verdict: Kerala's banking sector is dominated by stateowned banks, but low credit utilization remains a concern

Andhra Pradesh

Economic Impact:

Andhra Pradesh has a CD ratio of 67.7%, reflecting better credit utilization than most Northern states.

Strong presence of RRBs and cooperative banks ensures agricultural and rural financing.

Private banks focus on urban centers like Hyderabad, while public banks dominate rural banking.

Major Banks & Financial Institutions:

- 1. State-Owned Banks: Andhra Bank (HQ), State Bank of India, Bank of Baroda.
- 2. Private Banks: HDFC Bank, ICICI Bank, IndusInd Bank.

3. Financial Institutions: NABARD (regional office), Andhra Pradesh State Cooperative Bank.

Number of Bank Branches: 5,208 Credit-Deposit (CD) Ratio: 67.7% Share in National Deposits: 5.8% Share in National Credit: 5.7% Population per branch: 14150



Who Benefited Andhra Pradesh More State-Owned Banks or private ones?

State-Owned Banks Have Benefited Andhra Pradesh as High Rural Banking Penetration: RRBs and public banks dominate agriculture and microfinance lending.

Verdict: State-owned banks support rural lending, while private banks are limited to urban areas.

Delhi

Economic Impact:

Delhi, being the capital and financial hub of North India, has a high concentration of bank branches and corporate banking services.

Private banks and fintech companies dominate the financial sector, leading to rapid digitization and efficient credit delivery.

Despite high banking intensity, credit utilization is lower than in Southern financial hubs like Bangalore and Chennai.

Major Banks & Financial Institutions:

- 1. State-Owned Banks: Punjab National Bank (HQ), State Bank of India (regional HQ), Bank of Baroda.
- 2. Private Banks: HDFC Bank (HQ), ICICI Bank (regional HQ), Axis Bank, Yes Bank.
- 3. Financial Institutions: Reserve Bank of India (Delhi office), NABARD (Delhi office), SIDBI (regional office).

Number of Bank Branches: 1,456 Credit-Deposit (CD) Ratio: 59.1% Share in National Deposits: 10.8% Share in National Credit: 10.9% Population per Bank Branch: 9,466



Who Benefited Delhi More Private Banks or State owned?

Private Banks Have Benefited Delhi as:

Corporate & Investment Banking: Private banks finance startups, IT firms, and large corporations, fueling economic growth.

Fintech & Digital Banking Leadership: Delhi is a fintech hub, with private banks leading in digital banking services.

More Efficient Services: Faster loan approvals, better customer experience, and lower NPAs compared to state-owned banks.

Why State-Owned Banks Have Not Benefited as Much: Government Interference: Loan disbursement is often influenced by political decisions rather than business viability. Digital Adoption: Public banks lag in fintech integration compared to private banks.

Verdict: Delhi's financial growth has been primarily driven by private banks due to fintech adoption and corporate financing.

Uttar Pradesh

Economic Impact:

Uttar Pradesh has a strong presence of state-owned banks, which provide financial support to farmers, MSMEs, and small businesses.

Despite having the highest number of bank branches in India, the state's CD ratio remains below the national average, indicating underutilization of credit.

Private banks are mainly active in urban centers like Noida, Kanpur, and Lucknow, but their rural presence is weak.

Major Banks & Financial Institutions:

- 1. State-Owned Banks: Punjab National Bank, State Bank of India, Bank of Baroda, Central Bank of India.
- 2. Private Banks: HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank.
- 3. Financial Institutions: UP Cooperative Bank, NABARD (regional office), SIDBI (Lucknow branch).

Number of Bank Branches: 10,812 Credit-Deposit (CD) Ratio: 42.3% Share in National Deposits: 7.2% Share in National Credit: 3.9% Population per Branch: 17,236



Who Benefited Uttar Pradesh More Private Banks or State owned?

State owned banks have Benefited UP as:

Support for Agriculture & MSMEs: Public banks provide cheap credit and government-backed loans to farmers. Financial Inclusion: State banks operate in rural and semi-urban areas where private banks are absent.

Why Private Banks Have Not Benefited as Much: Limited Rural Banking: Private banks focus on urban centers like Noida & Lucknow, ignoring rural regions. Avoid High-Risk Lending: Private banks hesitate to lend to agriculture & small businesses due to repayment risks.

Verdict: Uttar Pradesh's economy has benefited more from state-owned banks due to agricultural lending and rural banking presence.

Punjab

Economic Impact:

unjab has a CD ratio of 54.3%, lower than the national average (58.4%), indicating underutilization of banking credit.

State-owned banks dominate the rural and agricultural sectors, providing loans for crop production and small businesses.

Private banks are concentrated in urban centers like Ludhiana, Amritsar, and Chandigarh, focusing on corporate banking and high-income clients.

Major Banks & Financial Institutions:

- 1. State-Owned Banks: Punjab National Bank (HQ), State Bank of India, Punjab & Sind Bank.
- 2. Private Banks: HDFC Bank, ICICI Bank, Kotak Mahindra Bank, IndusInd Bank.
- 3. Financial Institutions: Punjab State Cooperative Bank, NABARD (regional office)

Number of Bank Branches: 1,456 Credit-Deposit (CD) Ratio: 59.1% Share in National Deposits: 10.8% Share in National Credit: 10.9% Population per Bank Branch: 9,466



Who Benefited Punjab More Private Banks or State owned?

State-Owned Banks Have Benefited Punjab as :

Agricultural Lending Dominance: Public banks finance a majority of crop loans and rural MSMEs.

Government Subsidies & Loan Waivers: State banks provide subsidized loans to farmers, despite the high risk of NPAs.

Why Private Banks Have Not Benefited as Much:

Limited Rural Penetration: Private banks focus on urban centers like Chandigarh and Ludhiana, leaving rural areas underserved.

High NPAs in Agricultural Lending: Many farmers default on loans, making private banks hesitant to expand agricultural financing.

Verdict: Punjab's banking sector is led by state-owned banks due to agricultural lending, but a low CD ratio limits economic impact.

Rajasthan

Economic Impact:

Rajasthan has low banking intensity, with fewer bank branches per capita than the national average.

The state's CD ratio (55.4%) is slightly lower than the national average (58.4%), indicating underutilization of credit.

State-owned banks dominate, while cooperative banks support rural financing .

Major Banks & Financial Institutions:

- 1. State-Owned Banks: State Bank of India (SBI), Bank of Baroda, Punjab National Bank.
- 2. Private Banks: HDFC Bank, ICICI Bank, Kotak Mahindra Bank.
- 3. Financial Institutions: Rajasthan State Cooperative Bank, NABARD (regional office).

Number of Bank Branches: 3,329 Credit-Deposit (CD) Ratio: 55.4% Share in National Deposits: 2.8% Share in National Credit: 2.7% Population per Branch: 16,964



Who Benefited Rajasthan More Private Banks or State owned?

State-Owned Banks Have Benefited Rajasthan as: MSME & Rural Financing: Public sector banks provide subsidized loans to artisans, traders, and farmers. Tourism & Small Business Support: Government banks finance local tourism and small-scale industries.

Why Private Banks Have Not Benefited as Much: Limited Rural Presence: Private banks focus on urban centers like Jaipur and Jodhpur, ignoring rural regions. Risk-Averse Lending: Private banks avoid high-risk sectors like handicrafts and agriculture.

Verdict: State-owned banks have played a more significant role in Rajasthan's economy due to MSME lending and rural financial inclusion.

Haryana

Economic Impact:

Haryana has a strong banking infrastructure, with a CD ratio of 55.0%, reflecting a relatively balanced credit distribution.

Gurugram and Faridabad have strong private banking penetration, supporting IT and industrial sectors.

State-owned banks provide agricultural loans, while private banks focus on corporate lending and high-income urban customers [99].

Major Banks & Financial Institutions:

- 1. State-Owned Banks: Punjab National Bank, State Bank of India, Punjab & Sind Bank.
- 2. Private Banks: HDFC Bank, ICICI Bank, IndusInd Bank.
- 3. Financial Institutions: Haryana State Cooperative Apex Bank, NABARD (regional offices).

Number of Bank Branches: 1,549 Credit-Deposit (CD) Ratio: 55.0% Share in National Deposits: 2.1% Share in National Credit: 2.0% Population per Bank Branch: 13,611



Who Benefited Haryana More Private Banks or State owned?

State-Owned Banks Have Benefited Haryana as:

Strong Agricultural Lending: Public banks provide crop loans and farm subsidies.

Support for MSMEs: Haryana's auto and textile industries rely on state bank funding.

Why Private Banks Have Not Benefited as Much: Preference for Urban & Corporate Banking: Private banks pr8 farmers and rural MSMEs.

Verdict: Haryana's economic growth has been more dependent on state-owned banks due to agricultural and MSME financing.

Himachal Pradesh

Economic Impact: Himachal Pradesh has one of the lowest CD ratios in India (32.5%), indicating poor credit utilization.

Banking intensity is better than the national average, but the demand for credit is low due to limited industrial development.

State-owned banks and cooperative institutions dominate rural banking

Major Banks & Financial Institutions:

- 1. State-Owned Banks: State Bank of India, Punjab National Bank, Bank of Baroda.
- 2. Private Banks: HDFC Bank, ICICI Bank.
- 3. Financial Institutions: Himachal Pradesh State Cooperative Bank, NABARD (regional office).

Number of Bank Branches: 784 Credit-Deposit (CD) Ratio: 32.5% Share in National Deposits: 0.8% Share in National Credit: 0.4% Population per Bank Branch: 7,752



Who Benefited Himachal Pradesh More Private Banks or State owned?

State-Owned Banks Have Benefited Himachal Pradesh as:

Support for Rural Economy: State banks provide essential financial services to remote regions.

Subsidized Lending for Agriculture & Tourism: Government schemes help small businesses.

Why Private Banks Have Not Benefited as Much: Low Commercial Banking Demand: Limited urban centers mean fewer opportunities for private banks. High Risk in Lending: Hilly terrain and low population density discourage private bank investments.

Verdict: Himachal Pradesh's economy has relied more on state-owned banks due to its rural and agricultural nature.

Conclusion

Banks that drive economic growth in northern states vs in southern states

Private banks like HDFC, ICICI, and Axis fuel economic growth in Southern states These states also lead in fintech adoption and digital banking. In contrast, Northern states are dominated by public sector banks such as SBI and PNB, which focus on rural and agricultural lending.

Which Region is Ahead in Banking & Economic Growth? Southern states are ahead due to higher credit-deposit ratios, private bank dominance, and strong digital infrastructure. Northern states lag behind, except for Delhi, due to over-reliance on public banks and slower fintech growth.

Tourism and Hospitality

Introduction

Tourism and hospitality play a crucial role in India's economy, contributing significantly to GDP, employment generation, and foreign exchange earnings.

Travel and tourism are two of the largest industries in India, with a total contribution of about US\$ 199.6 billion to the country's GDP.

In 2021, the travel & tourism industry's contribution to the GDP was US\$ 178 billion; this is expected to reach US\$ 512 billion by 2028. By 2029, it is expected to account for about 53 million jobs.

In India, the industry's direct contribution to the GDP is expected to record an annual growth rate of 7-9% between 2019 and 2030.

The northern and southern states of India offer distinct tourism experiences, catering to heritage, pilgrimage, adventure, cultural, eco, and wellness tourism and we will be comparing their policies and missteps in upcoming text.

- **Northern India** is known for its historical landmarks, religious sites, and adventure tourism, with states like Rajasthan, Uttar Pradesh, Delhi, and Himachal Pradesh attracting millions of visitors annually.
- **Southern India**, on the other hand, has developed a diversified and sustainable tourism model, with beaches, backwaters, hill stations, medical tourism, and rich cultural heritage in states like Kerala, Tamil Nadu, Karnataka, and Andhra Pradesh.

ComparisonamongStates: North vs. South

Haryana

Policy Overview

Focused on promoting Haryana as a stopover destination for highway travelers between Delhi and major tourist states like Rajasthan and Punjab.

Established Haryana Tourism Corporation (HTC) to develop tourist complexes along national highways (e.g., at Karnal, Panipat, and Kurukshetra).

Promoted cultural and rural experiences, including fairs and festivals like Surajkund Mela.

Economic Contribution

Generated employment through state-run tourist complexes and motels.

Surajkund Mela gained national recognition, boosting handicraft sales and local artisan income.

Improved local business around transit hubs and religious spots.

Areas for Improvement

Lacked diversification beyond highway tourism. Minimal international outreach or branding of heritage sites like Kurukshetra & Limited private sector participation and innovation in tourism services.

Himachal Pradesh

Policy Overview

Focused on leveraging the state's natural beauty to promote hill station and religious tourism. Development of infrastructure in Shimla, Manali, Dharamshala, and Dalhousie. Promotion of temple circuits (e.g., Jwala Ji, Chintpurni) and trekking routes.

Economic Contribution

Tourism became a major livelihood source in hill towns. Early growth in hotel and homestay sectors; emergence of Himachal as a top summer destination. Supported local crafts and food services.

Areas for Improvement

Uneven tourism spread – overdependence on Shimla-Manali circuit.

Inadequate waste management led to ecological pressure.

Lack of promotion for offbeat locations like Spiti or Tirthan Valley.

Punjab

Policy Overview

Emphasized religious and cultural tourism, especially around Amritsar.

Development of Golden Temple Complex, Gobindgarh Fort, and Qila Mubarak in Patiala.

Promotion of Punjabi festivals like Baisakhi and Hola Mohalla.

Economic Contribution

Boosted pilgrim tourism with millions visiting the Golden Temple.

Enhanced visibility of Punjabi culture and folk heritage. Growth in hospitality sector around Amritsar and Ludhiana.

Areas for Improvement

Little attention to eco or rural tourism.

Low international tourist engagement outside religious circuits.

Infrastructural constraints in smaller towns.

Rajasthan

Policy Overview

Focused on converting heritage properties (forts, havelis) into hotels. Promoted desert tourism (camel safaris in Jaisalmer, Pushkar Fair).

Created circuits linking Jaipur, Udaipur, Jodhpur, and Bikaner.

Economic Contribution

Tourism became a top economic contributor in the state.

Surge in foreign tourists seeking royal and cultural experiences.

Growth in handicrafts, textiles, and traditional art exports.

Areas for Improvement

Tourism remained seasonal (winter heavy).

Environmental stress in desert regions due to over-tourism.

Neglected development of tribal and eco-tourism regions.

Uttar Pradesh

Policy Overview

Aimed at developing religious tourism circuits – Varanasi, Mathura, Ayodhya, Allahabad.

Focused on improving infrastructure near pilgrimage and heritage sites.

Created Buddhist Circuit (Sarnath, Kushinagar) and Mughal Heritage route (Agra, Fatehpur Sikri).

Economic Contribution

Significant pilgrim-driven tourism in Varanasi and Mathura.

Boosted hotel and small business growth in temple towns.

Created seasonal employment around religious events and fairs.

Areas for Improvement

Inadequate infrastructure in rural and non-religious tourism areas.

Underdeveloped international branding of Buddhist sites.

Overcrowding and pollution in heritage cities like Varanasi

Delhi

Policy Overview

Established the Delhi Tourism and Transportation Development Corporation (DTTDC).

Focused on heritage walks, monument conservation (Qutub Minar, Red Fort), and city tours.

Organized events like Delhi Haat, Qutub Festival, and flower shows at Mughal Gardens.

Economic Contribution

Delhi became a key stop for international and business travelers.

Promoted local crafts, cuisines, and cultural performances.

Boosted footfall at major sites like India Gate and Humayun's Tomb

Areas of improvement

Air pollution began affecting tourist perception. Lack of multilingual guides and digital integration. Old Delhi remained underserved despite high potential.

Tamil Nadu

Policy Overview

Focused on temple and heritage tourism, especially around the Chola and Pallava dynasties.

Development of temple circuits in Madurai, Rameswaram, Thanjavur, and Kanchipuram.

Promotion of dance festivals (Chidambaram Natyanjali, Mamallapuram Dance Festival).

Creation of Tamil Nadu Tourism Development

Corporation (TTDC) to operate tours and hotels.

Economic Contribution

One of the first states to attract religious tourists yearround, especially from South Asia.

Boosted income in heritage towns through hotel chains and government-operated lodges.

Growth in cultural tourism supported the classical arts and handicrafts sector.

Areas for Improvement

Limited development of coastal or eco-tourism at the time.

Heritage maintenance lagged behind tourist demand. Minimal international branding outside the South Indian diaspora.

Kerala

Policy Overview

Early development of the "God's Own Country" brand under the Kerala Tourism Department.

Focus on Ayurveda, backwaters, and cultural experiences (Kathakali, Theyyam).

Development of Alleppey, Kovalam, and Thekkady as model tourist regions.

Economic Contribution

Began Kerala's transformation into a top-tier wellness and nature destination.

Boosted local economies via homestays, crafts, and Ayurveda centers.

Attracted early international tourists seeking peaceful, nature-based experiences.

Areas for Improvement

Low infrastructure capacity to handle peak demand. Eco-tourism still at nascent stages, limited Rural connectivity and sanitation were key concerns.

Karnataka

Policy Overview

Introduced by the Department of Tourism to develop heritage and wildlife tourism.

Focused on UNESCO sites like Hampi, as well as wildlife parks (Bandipur, Nagarhole).

Started infrastructure projects in Coorg, Mysore, and Badami for cultural tourism.

Economic Contribution

Supported local tourism economies in Mysore, Hampi, and forest-adjacent regions.

Helped Karnataka emerge as a cultural-wildlife hybrid tourism destination.

Created seasonal employment in resort and ecotourism sectors.

Areas for Improvement

Heritage sites lacked strong national and international promotion.

Inadequate connectivity to interior destinations like Hampi.

Tourism remained Bengaluru-centric; other zones underdeveloped.

Andhra Pradesh

Policy Overview

Focus on religious tourism, especially pilgrimage circuits (Tirupati, Srisailam, Simhachalam).

Emphasis on heritage tourism (Vijayanagara ruins, Buddhist sites like Amaravati and Nagarjunakonda).

Promoted natural attractions (Araku Valley, Borra Caves, coastal areas).

State-led tourism initiatives with Andhra Pradesh Tourism Development Corporation (APTDC) playing a central role.

Economic Contribution

Pilgrimage tourism was a major contributor to the state's revenue, particularly from Tirupati.

Created employment through hospitality services, local handicrafts, and transport sectors.

Early promotion of film tourism supported local economies around popular shooting locations.

Areas for Improvement

Limited private sector involvement and underdeveloped tourism infrastructure in non-pilgrimage areas.

Lack of integrated marketing and branding strategy to attract international tourists.

Preservation and accessibility issues at historical and archaeological sites.

Conclusion

Comparison of Tourism in Northern and Southern States: Progress, Strengths, and Areas for Improvement

1. Overall Progress and Economic Contribution

Northern states have a strong focus on heritage, pilgrimage, adventure, and business tourism. Major cities like Delhi, Jaipur, and Amritsar attract millions of domestic and international tourists.

Southern states lead in eco, coastal, wellness, and cultural tourism. States like Kerala and Tamil Nadu have well-established medical and wellness tourism industries.e.

2. Strengths and Advantages

Northern States

Heritage and Pilgrimage Tourism: Rajasthan, Uttar Pradesh, Punjab, and Delhi are globally recognized for their historical sites, religious tourism, and architectural wonders.

Adventure and Eco-tourism: Himachal Pradesh and Jammu & Kashmir excel in mountain trekking, skiing, and adventure sports.

Business Tourism: Delhi, Gurugram (Haryana), and Chandigarh are top business hubs, attracting MICE (Meetings, Incentives, Conferences, Exhibitions) tourism.

Southern States

Eco and Coastal Tourism: Kerala, Tamil Nadu, and Pondicherry offer beach tourism, backwaters, and sustainable tourism models. Medical and Wellness Tourism: Chennai and Bengaluru have world-class hospitals, attracting medical tourists from South Asia and the Middle East. Kerala's Ayurvedic tourism is globally recognized.

Cultural Tourism: Rich traditions in Bharatanatyam, Carnatic music, and temple architecture enhance South India's heritage appeal.

3. Who Stands Better?

Northern states have a high tourist footfall due to heritage and pilgrimage tourism but suffer from seasonal dependency and overcrowding.

Southern states have a more sustainable and diversified tourism model with beaches, hill stations, medical tourism, and wellness retreats, making them more resilient year-round.

In terms of infrastructure and cleanliness, South Indian states (especially Kerala and Tamil Nadu) perform better than North India, which faces challenges of pollution and mismanagement at heritage sites.

Foreign tourist arrivals are higher in South India, especially in Kerala and Tamil Nadu, compared to North India, where Uttar Pradesh and Rajasthan attract a significant number of international travelers but often face infrastructure constraints.

4. Suggestions for Improvement and Rectification

Balanced Tourism Development: Northern states need to reduce dependence on heritage tourism by diversifying into eco-tourism and adventure tourism. Southern states should focus more on heritage promotion and luxury tourism.

Sustainable Tourism Practices: Both regions should adopt Kerala's eco-tourism model to reduce environmental damage and ensure long-term sustainability.

Stronger Digital and Global Promotion: South Indian states should market themselves better internationally, while North Indian states should enhance digital tourism experiences (e.g., virtual tours, better websites, smart tourism apps).

Public-Private Partnerships (PPP): Encouraging private investment in hotels, adventure parks, and heritage restoration can significantly improve tourism infrastructure.

Human Capital Development

Chapter 8

Introduction

The divergence in human capital development is a crucial lens for examining the North–South divide in India. Moving beyond literacy rates or health statistics, this section focuses on how states strategically invested in education, skill development, healthcare, and workforce empowerment to build long-term economic resilience. Southern states that prioritized universal schooling, technical education, and public health infrastructure created a more productive, employable, and mobile population—laying the groundwork for industrial diversification, service sector expansion, and global integration. In contrast, slower human capital investment in several northern states limited their capacity to retain skilled labor, attract high-value industries, and improve living standards.

Between 1947 and 2000, regional approaches to teacher training, curriculum reform, health-worker deployment, vocational education, and literacy campaigns played a pivotal role in shaping each state's socio-economic trajectory. This section unpacks how policy choices, institutional frameworks, and political commitment influenced human capital outcomes, revealing strategic gaps and highlighting competitive advantages that contributed to the deepening development gap between Northern and Southern India.

Healthcare Policies

Southern states have developed a robust healthcare infrastructure, emphasizing primary healthcare and universal access. In contrast, northern states struggle with inadequate health facilities, understaffing, and lower health awareness.

1. Public Health Cadre Policy – Tamil Nadu

It was launched in 1980s with an objective of creating of a separate Public Health Cadre to handle disease surveillance, epidemic control, and preventive services independently from clinical functions.

2. Decentralized Health Governance - Kerala

Policy: Integration of health services into Panchayati Raj Institutions (PRIs) post the 74th Constitutional Amendment.

Execution: 35–40% of local government funds were allocated for health, sanitation, and nutrition.

Impact: High levels of community participation, efficient last-mile delivery, and strong accountability mechanisms.

3. Tamil Nadu Medical Services Corporation (TNMSC)

It was established in 1994 with an objective to streamline procurement and distribution of essential drugs, ensure transparent and efficient drug supply.

Impact: Reduced medicine stock-outs in PHCs and hospitals, became a benchmark for other Indian states and WHO

Insurance Schemes and Government Health Initiatives: Both regions have implemented various health schemes, but southern states have better execution and reach. However, the effectiveness and reach of these programs vary, with southern states generally achieving better coverage and outcomes due to more efficient implementation and infrastructure.

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Educational Development

Southern states lead in literacy, enrollment, and retention rates. They consistently outperform their northern counterparts in literacy rates and school enrollment. For instance, Kerala boasts a literacy rate at 96.2%, while Bihar has the lowest literacy rate at 61.8% in 2024. This gap reflects the stronger emphasis on education in the southern region.

Factors for Southern Success:

- 1. Higher Education Budget Allocation: Kerala spends 16% of its budget on education, compared to Bihar's 9%.
- 2. Midday Meal Program Efficiency: Better implemented in the South, leading to higher retention.
- 3. Gross Enrollment Ratio (GER) in Higher Education: Tamil Nadu (49%), Bihar (17%).

Student teacher ratio across northern and southern states

State	Pupil per teacher	Teacher per college	
Tamil Nadu	14	55.9	
Kerala	15	36.1	
Karnataka	15	26.8	
Uttar Pradesh	35	21.7	
Rajasthan	23	29.3	
Bihar	64	27.5	

Southern states allocate more resources to tertiary education, resulting in a higher number of quality research institutions. This investment has fostered a culture of research and innovation, contributing to the region's socio-economic development.

Top Engineering and Medical Colleges: IIT Madras, NIT Trichy, and AIIMS Hyderabad rank higher than most northern institutions.

Skill Development Programs

Between 1947 and 2000, South Indian states clearly outperformed in skill development through early institutional investments, strong industrial alignment, and government-led initiatives. In contrast, Northern states showed delayed, fragmented, and often agriculturally skewed efforts, which failed to absorb or retain skilled youth in local economies.

1. Tamil Nadu established **Early ITIs (Industrial Training Institutes)** in the 1950s–60s; by 2000, had over 200 ITIs and impacted by supporting Chennai's emergence as an automobile and electronics hub.

- Distinctive Program:
 - Skill Development Mission (predecessor to TNSDC) focused on tailor-made training for auto, textile, and leather industries.
 - Polytechnic colleges expanded rapidly in the 1980s and 1990s.

2. Karnataka's adoption of **ITIs and Polytechnics** in the Bangalore region (1950s) to support PSUs like **HAL**, **BEL** was commendable. It laid emphasis on engineering diplomas and computer skills in the 1990s, contributing to Bangalore's rise as an IT capital.

• Impact: Created a technical workforce pipeline that attracted MNCs and tech firms.

Role of Private Sector in Skill Development

Southern states attract more private investment in skill development, with tech giants like Infosys, Wipro, and TCS running training programs in Karnataka and Tamil Nadu. The North lags due to bureaucratic inefficiencies and lower industrial presence.

State-Sponsored Vocational Training Initiatives

Southern states integrate industry needs with skill training, ensuring better employability. They have been proactive in implementing vocational training programs to enhance employability. These initiatives have led to a higher number of technicians, engineers, and doctors per million population compared to northern states. Success Factors in the South:

- Better collaboration with the private sector.
- Focus on emerging industries like IT and biotechnology.
- Programs were aligned with the industrial requirements of local hubs like Chennai (auto), Bangalore (IT), and Hyderabad (pharma)
- South India didn't limit vocational training to traditional trades but expanded to sectors like IT, electronics, tourism, and healthcare like

Criteria	South India	North India	
Early establishment of ITIs	1950s–60s (TN, KA, AP)	1970s–80s (UP, RJ, BR)	
Industry linkage	Strong (auto, IT, textiles, PSUs)	Weak (agrarian bias, slow industrialization)	
State-led missions/programs	APSTEP, TN polytechnic expansion, Kerala overseas training	Fragmented or absent (except Delhi)	
Outcome on employment	Aligned with job creation & retention of skilled workers	High skill underutilization and migration	

Failure of North

- Northern states had a lag in creating a skilled workforce, leading to high unemployment and dependency on migration for skilled labor.
- Northern states were heavily agrarian and thus concentrated vocational programs on agriculture-related skills as in Punjab.
- Vocational training policies in the North were often fragmented and decentralized, with poor coordination between local industries and training centers.
- While South Indian states developed robust schemes, Northern states had fewer dedicated programs and a weak focus on the financial inclusion of trainees.

Northern states faced delayed, fragmented, and agriculture-heavy efforts, leading to skill underutilization and migration. Remedies:

- Early, industry-aligned skill programs tailored to local economies.
- Stronger public-private partnerships to modernize training.
- Expansion beyond traditional trades into IT, healthcare, and new-age industries.
- State-led missions with measurable targets and continuous upskilling initiatives.

Gender and Social Inclusion Policies

This is a comparative policy analysis of Gender and Social Inclusion Policies in North vs. South India (Post-Independence to 2000) — focusing on how state-led initiatives targeted women, SC/ST, and minority groups through education, employment, health, and welfare policies. The southern states demonstrated a more proactive and integrated approach, while northern states faced structural and socio-political constraints that limited policy execution.

The data is based on estimates from Census reports, NSSO rounds, and academic studies.

- Southern states like Tamil Nadu and Karnataka showed a consistent and significant rise in female labor force participation, linked to educational access, social welfare schemes, and industrialization.
- Kerala, despite high literacy, lagged in FWPR due to socio-cultural norms and a preference for white-collar employment.
- Northern states, particularly Bihar and Uttar Pradesh, had persistently low participation rates, impacted by patriarchy, poor access to education, and lack of rural employment opportunities for women.

State	1971	1981	1991	2000 (Est.)
Tamil Nadu	28%	34%	41%	45%
Karnataka	22%	29%	35%	38%
Kerala	14%	18%	22%	25%
Uttar Pradesh	9%	11%	14%	16%
Bihar	6%	8%	10%	12%

Female Workforce Participation Rate (%) – 1971 to 2000

South India: Progressive and Inclusive Frameworks

- Sanitation Sector Inclusion in Tamil Nadu: Initiatives to increase women's participation in sanitation work, including roles in fecal sludge treatment plants and desludging operations.
- Mahila Shakti Kendra Scheme in Karnataka: Targets women from BPL families, landless agricultural laborers, SC, and ST categories, promoting savings habits for economic independence.
- Cradle Baby Scheme (1992): Introduced to combat female infanticide by allowing parents to anonymously leave unwanted female infants in designated cradles, ensuring their safety and care.
- Reservation Policies: In 1993, the Tamil Nadu government passed legislation to reserve 69% of seats in educational institutions and government jobs for backward classes, including women, to promote social inclusion.
- Transgender Welfare Policy (2008) in Tamil Nadu: First Indian state to implement a comprehensive policy offering free gender-affirming surgeries in government hospitals, housing, education scholarships, and the formation of self-help groups for the transgender community.

• Mahila Samakhya Programme (1989) in Karnataka: Launched in collaboration with the central government to empower rural women through education and collective action, enhancing their participation in decision-making processes.

North India: Emerging Efforts

- Apni Beti Apna Dhan (1994) Haryana : A conditional cash transfer scheme providing financial incentives to families for delaying the marriage of their daughters until the age of 18, aiming to reduce child marriages and promote girls' education.
- Mahila Samakhya Programme (1989) Uttar Pradesh: Similar to Karnataka, this program aimed to empower rural women through education and awareness, promoting their active participation in community development
- Implementation of National Policies in Delhi: Adopted central government initiatives focusing on women's education and health, contributing to gradual improvements in gender inclusion.

Case Study: The Cradle Baby Scheme – Tamil Nadu (1992)

Case Study: The Cradle Baby Scheme – Tamil Nadu Contrast with Northern States: (1992)

Background

By the early 1990s, female infanticide was a pressing issue in certain districts of Tamil Nadu, particularly Salem, Dharmapuri, and Madurai. Due to deep-rooted patriarchal norms, dowry pressures, and economic insecurity, many families resorted to killing or abandoning newborn girls, leading to high gender imbalance.

While this issue was also present in North Indian states like Haryana, Punjab, and Uttar Pradesh, Tamil Nadu's state-led policy response was unique and pioneering in its compassion-driven, non-punitive approach.

Objective

To eliminate female infanticide by providing a safe, non-judgmental alternative for parents unable or unwilling to raise female infants.

Key Features of the Scheme

- Launched: 1992 by the Department of Social Welfare, Government of Tamil Nadu
- Mechanism: .
 - Special cradles installed at government-run hospitals, welfare homes, and primary health centers.
 - Parents could anonymously leave female infants in these cradles without fear of legal consequences.
- Post-Care: •
 - Babies were immediately taken into state custody and sent to adoption centers or staterun homes for care.
- Integration with Child Welfare Services: ٠
 - The scheme was linked with adoption networks, ensuring long-term placement and rehabilitation.

Impact

MetricPre-Scheme (Early 90s)Post-Scheme (2000s) Female Infanticide Cases Over 200 reported annually Reduced by over 80% in 10 years Child Sex Ratio (0-6 yrs) Dropped to 875 girls/1000 boys in some districts

Rose to 940+ in affected areas

Public Adoption

- Increased sharply due to systemic support and reduced stigma
- Change in Mindset: The non-punitive approach fostered awareness and compassion, reducing the social acceptance of gender-based violence.
- Model for Others: Inspired other welfare ο initiatives and was recognized by UNICEF and other global organizations.

- Haryana and Punjab, despite having worse sex ratios, relied on legal deterrents (e.g., PNDT Act, 1994) with limited grassroots implementation.
- Social acceptance of female infanticide remained higher in the North due to lack of targeted behavior change communication.
- Success Factors
- Strong Political Will: Driven by successive state governments (AIADMK and DMK), the scheme enjoyed continuity across regimes.
- Community Participation: Integrated with Anganwadi workers, local health officers, and self-help groups, ensuring awareness and accessibility.
- Cross-Department Collaboration: Jointly run by Social Welfare, Health, and Women & Child Development departments.
- Data-Driven Monitoring: Regular tracking of o child sex ratios and program evaluations helped refine strategy.

Broader Lessons for North India

- Lesson Application Gap in North India
- Compassionate Alternatives
- Focus largely on punitive approaches
- Grassroots Awareness Models
- Limited community participation
- Program Continuity
- Frequent policy discontinuity post elections
- Institutional Convergence
- Weak coordination between departments

Conclusion

 Tamil Nadu's Cradle Baby Scheme exemplifies proactive, inclusive, and humane policymaking. Unlike many North Indian states that adopted top-down enforcement mechanisms, Tamil Nadu tackled a deeply social problem through non-coercive, people-centered innovationleading to measurable improvements in gender indicators and becoming a policy model for India and beyond.

Inferences and Conclusion

Chapter 9

North and South Structural inequalities in India's Development Path

The economic and government policy variations between Northern and Southern India have been shaped by past governance systems, industrial policies, and social movements as well as by corporate initiatives. Whereas the North has mostly relied on agriculture and conventional sectors, the South has made investments in people, technology, and urbanization therefore enabling it to become a center for IT and services.

Southern IT and service sector contrasted with North, whereas North excelled in green revolution

The North's Agricultural Foundation After the Green Revolution of the 1960s and 1970s, northern states including Punjab, Haryana, and Uttar Pradesh were India's agricultural powerhouses. Because of high-yield variety seeds, mechanization, and significant irrigation, Punjab and Haryana are renowned as the "Granary of India" since they generate more than 60% of the wheat and rice consumed in the country. Conversely, states like Bihar and Uttar Pradesh suffered from scattered land ownership and poor governance structures, which lowered production and caused continuous rural poverty.

By the 1990s, Southern states moved quickly from agriculture to services. For instance, Tamil Nadu, which today boasts more than 37,787 factories and about 2 million workers, ranks as India's top industrial state. Likewise, early technical education investments and government incentives for software exports helped Karnataka—and Bangalore especially—emerge as India's IT center.

Thanks to governmental measures that drew foreign automakers like Hyundai, Ford, and BMW, which drove Tamil Nadu's auto industry development, Chennai is sometimes referred to as the "Detroit of India." Proactive management, advanced port logistics, and a ready supply of skilled workers enabled this transformation.

Policy instability, a dearth of skilled workforce, and poor infrastructure investments persisted in hindering the industrial expansion even if certain Northern states (Haryana: 21%, Himachal Pradesh: 29.9%) had strong manufacturing bases.

The Impact of the Dravidian Movement on South Indian Development

The Dravidian movement first acquired momentum in Tamil Nadu early in the 20th century and profoundly affected the social, economic, and educational development of the area. Leading the campaign were Periyar E.V. Ramasamy, C.N. Annadurai, and the DMK, who guaranteed equal access to jobs and education, eradicated caste-based discrimination, and encouraged linguistic identity. This shift reduced the Brahmin hegemonic bastion by means of comprehensive affirmative action legislation implemented. The better access to employment and education made by the underprivileged communities helped the state's human capital to be much enhanced. Among the most important policy legacies of the Dravidian movement was the expansion of public welfare and educational programs. Tamil Nadu's pioneering of one of India's most thorough reservation programs, which ensured affirmative action for SCs, STs, and OBCs, raised literacy and employment rates. Particularly in low-income areas, the state's Midday Meal Program greatly increased school enrollment and lowered dropout rates when it was first started in the 1960s. Tamil Nadu's inclusive policies let more people into the industrial and service sectors; meanwhile, Northern states remained battled with caste-based exclusion in employment and education.

The Dravidian movement also encouraged cooperative groups and small businesses, therefore fostering economic self-sufficiency and reduced reliance on traditional upper-caste moneylenders and landowners. Apart from encouraging urban migration, industrial development, and entrepreneurship, this economic reorganization helped to widen the middle class. Unlike Bihar and Uttar Pradesh, where caste-based disparities continued, Tamil Nadu's administration encouraged social mobility. The skilled workforce the South had produced in the 1980s helped it to acquire a competitive edge in the 1990s IT revolution.

The advantages of the 1991 LPG reforms for South India

With Liberalization, Privatization, and Globalization (LPG) policies, India's economy saw a tidal change in 1991. Southern states, which had earlier developed a more strong industrial infrastructure, a workforce with higher degrees of education, and a climate appropriate for business, however received a disproportionate part of its advantages. Although slow bureaucratic reforms, unpredictable political conditions, and poor economic planning plagued Northern regions, Tamil Nadu, Karnataka, and Andhra Pradesh were among the first states to gain from foreign investment.

Early software technology investments, innovative economic policies, and a constant influx of highly skilled engineers helped Karnataka—and particularly Bengaluru—became a key worldwide center for information technology after 1991. The state government actively encouraged the expansion of the IT sector by means of tax rebates, land subsidies, and accelerated approvals for technology companies. Using its already strong manufacturing industry, Tamil Nadu attracted foreign direct investment (FDI) in the production of electronics and autos in the interim. Its economic situation over Northern states was improved much more when the Chennai-Bengaluru industrial corridor grew to be a center for foreign exports.
On the other hand, states like Bihar, Uttar Pradesh, and Rajasistan battled to attract notable corporate investments due to their poor infrastructure, dubious land laws, and ineffectual bureaucracy. While Tamil Karnataka Nadu and focused on industrial and export-driven modernization development, northern regions still battled with power outages, poor transportation, and investor uncertainty. This caused the economic disparity between the North and the South to widen significantly, and by the early 2000s the South's per capita income had virtually doubled that of the North.

The widening North-South divide (1970s–2000s)

The economic difference between North and South India grew in the 1970s as the North stayed mostly agricultural while the South carried out strong industrial and educational programs. From merely 51% more in 1960, Tamil Nadu's per capita income shot to 128% more than Uttar Pradesh's in 2005. Concentrating on infrastructure, healthcare, and literacy helped the South diversify into high-growth sectors while the North lagged due to governance problems and agricultural stagnation.

A key contributing cause to this widening imbalance was the Northern states' incapacity to transition from agricultural to industrial economies. Punjab and Haryana originally benefited from the Green Revolution while areas like Bihar and Uttar Pradesh witnessed agricultural loss as a result of poor irrigation, land fragmentation, and lack of mechanization. To guarantee steady economic development, Karnataka and Tamil Nadu developed industrial policies in the meantime that attracted investments in textiles, autos, and IT.

The changes in the 1990s and globalization's arrival helped to highlight even more the distinctions. While Tamil Nadu's industrial sector developed and Karnataka's IT sector flourished, the North suffered from congestion, inadequate government infrastructure, and low human capital investment. With 42% of South India's population living in cities by 2011 compared to just 22% in North India, urbanization trends clearly show their enormous difference.

While Northern states struggled with slow reforms, slow industrial development, and poor government, Southern states took advantage of stable administration and investment-friendly laws, hence widening economic disparity during the 1970s–2000s. One of the most significant economic challenges modern India has is still this disparity, which shapes the country's ongoing policy debates on the allocation of federal funds and development objectives.

Key factors influencing regional economic performance have been policies' longevity and the efficiency of government. For instance, stable governments helped Karnataka and Tamil Nadu; Tamil Nadu's average chief minister tenure following 1985 was roughly 1,058 days, but Uttar Pradesh's was roughly 390 days. Poor administrative efficiency, corruption, and governance shortcomings in states such as Uttar Pradesh and Bihar in the North have delayed industrial development and urbanisation.

Tamil Nadu's simplified Conversely, regulatory processes-such as single-window clearances for businesses-helped to speed corporate approvals and investments. Infrastructure was also really vital. Northern states lagged behind in urban planning and transportation systems, which made it more challenging for them to attract high-tech companies; Southern states made investments in better roads, power supplies, and digital infrastructure, which drew businesses and IT companies.

Challenges, Growth Prospects and Development Tools

Problems with the Urban Infrastructure and Human Capital of Northern India

One of the most pressing problems Northern states deal with is low human capital development since it influences their transition to high-value sectors. For instance, Bihar had just about 47% while Tamil Nadu had a 73% literacy rate in 2001.

Once agrarian powerhouses, Punjab and Haryana are now suffering from groundwater depletion while Uttar Pradesh and Bihar have failed to transform agriculture into agro-industries. Their low rates of urbanization (UP: 22% vs. Tamil Nadu: 48.4%) further hinder their capacity to attract investment into technologically oriented sectors.

The agricultural sustainability and resource constraints of southern India

Southern states continue to struggle with resource sustainability, especially with relation to water constraint, even if their shift to services has been seamless. Unlike Punjab and Haryana, which profited from huge irrigation networks, Tamil Nadu and Karnataka's agriculture is quite dependent on monsoon rainfall, so it is vulnerable to variations in the temperature. Moreover, Southern states importing a lot of their food grains from the North expose supply chain Expanding weaknesses. irrigation projects and sustainable agriculture laws will help to close this difference. Future Prospects Growing Central-State Cooperation, Ecological Urbanization, and Digital Transformation

Northern India has to give urbanization, IT infrastructure, and skill development top importance if it is to compete in the modern economy. Southern India should see improvements in manufacturing competitiveness, sustainable farming practices, and water resource management as well as in other areas. A well-rounded growth strategy requires central-state cooperation in infrastructure, industry, and governance reforms.

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