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Growth Story NDA versus UPA: Is Special Status of Indian States Justified?

*K. V. Bhanu Murthy**

ABSTRACT

As a sequel to an earlier paper, this paper considers the growth patterns of SDP (State Domestic Product) amongst Special and non-Special States. Using semi-log growth equations and a Convergence Index, the paper demonstrates that the state GDP of non-Special States has grown at 13.86% per annum while GDP of Special States amounts to 14.20% (ACGR). The Special States have converged with non-Special States at the rate of 0.29% per annum. However, the pattern of convergence was prominent during UPA1 and UPA2 while during NDA1 and NDA2, Special states have receded from Non-Special States. Special States grew faster during NDA 2 regime (2014 onwards). Thus the conclusion is that Special status is justified, especially during the recent NDA regime. The growth rate of former J&K State has been reasonably high, irrespective of whether it was NDA or UPA regime. This counters the argument of instability in J&K. During NDA2 former J&K States' growth was over 20% per annum for the period 2014-2016!!

***Keywords**: Special status; State domestic product; Growth patterns; J&K.*

1.0 Introduction

The underlying philosophy of Special status runs from developmental and regional inequalities and idiosyncrasies to fiscal federalism. Hence, such a step cannot be justified only on political grounds. The justification for Special status also flows from the principle of 'affirmative action'. Although, 'affirmative action' has hitherto, been used, only in the context of caste-based reservations in jobs and education, the basic principle is such action by the State which attempts to reverse a past historic disadvantage. The grant of Special status, in this context could, therefore, be seen as 'affirmative action'.

**Professor, Department of USME, Delhi Technological University, Delhi, India.*
(Email: bhanumurthykv@yahoo.com)

If we assume that economic growth patterns of Indian States are a product of three factors:

- Regional factors (historic disadvantages);
- Political regimes like NDA vs. UPA governments; and
- The native growth propensity;

Then it is important to combine these three factors and analyze the growth patterns of SGDP (State Gross Domestic Product) amongst Special and Non-Special States, during the different political regimes of NDA and UPA governments, in the past financial years 1993-94 to 2015-16.

In this paper, as a sequel to the 'Trends in Own Revenue of Indian States' (Murthy, 2018a), we study the 'Growth Story NDA vs. UPA regimes' in terms of the trends in State Domestic Product of Indian States. The study is especially designed to enable a comparative study of the pattern of SDP growth of Special Category States vs. Non- Special Category States. In this study we have taken 20 Non-Special States and 11 Special States. There are certain 'Criteria for Special Category Status'. The National Development Council (NDC), a body of the former Planning Commission, had granted special status. This status is granted to regions that have been in a disadvantaged position for long, in comparison with the rest of the country. In the case of J&K, it was a political decision. The implications of Special Status in J&K were that it gives them special rights and privileges regarding employment with the state government, acquisition of property in the state, settling in the state, and the right to scholarships and other forms of aid that the state government provides. Another angle to Special Status granted to 11 Indian States arises out of Fiscal provisions. The motivation arises out of the constitutional imperative of fiscal support from the Centre to States. The underlying philosophy of Special Status runs from Fiscal Federalism to developmental and regional inequalities and idiosyncrasies, both strategic and locational.

2.0 Literature Review

A general review of the performance of Indian States would be in place. Firstly, what is State Domestic Product or SDP? What is the ranking of GSDP amongst Indian States for the year 2019?

A general definition GSDP is: "Gross State Domestic Product (GSDP) is defined as a measure, in monetary terms, of the volume of all goods and services produced within the boundaries of the State during a given period of time, accounted without duplication" (Central Statistical Office (CSO), National Accounts Statistics).

How is it calculated? The formula to calculate the components of GSDP is Y = C + I + G + X + Z. That stands for GNP = Consumption + Investment + Government + X (net exports, or imports minus exports) + Z (net income earned by domestic residents from overseas investments - net income earned by foreign residents from domestic investments).

Maharashtra has highest GSDP among 33 Indian States and Union Territories. As of year, 2016-17, Maharashtra contributes 14.69% of total India's GDP at current prices followed by Tamil Nadu (8.27%) (Table 1)-. India's most populous state Uttar Pradesh is at 3rd position with share of 8.13% (Central Statistical Office (CSO), National Accounts Statistics).

Table 1: Ranking of GSDP in 2019

Rank	State/Union territory	Data year
1	Maharashtra	2019–20 est.
2	Tamil Nadu	2019–20 est.
3	Karnataka	2019–20 est.
4	Uttar Pradesh	2019–20 est.

Source: Central Statistical Office.

Murthy (2015) explains that the "The Indian tax system has successfully mobilized resources to finance administrative, welfare and developmental activities of public authorities. Besides being the main source of revenue for both Central and State Governments, it is an effective instrument to realise various socio-economic objectives of national policies".

Murthy (2018) establishes the *case for* Special Status by estimating that "they are converging, at a rate of 2.85% per annum, with non-Special States. All growth rates are highly significant which leaves no room for ambiguity about the broad conclusion that Special Status has proved to be justified.*"*

Bhaskar and Gupta (2007) summarize the recent 'growth pattern of India (and) is set in the context of the parallel experience of China, the experience of poverty reduction…' (p.135), illuminating India's economic development.

Kohli (2006) has argued against the notion that growth picked up on after pro-reform structural changes since 1991. He argues that there three reasons to believe that this was not the case. Firstly, he states that pro-business growth strategies started in 1980. Secondly, after 1991 actually industrial growth suffered. Thirdly, the subsequent growth had adverse distributional political consequences. One of the consequences was uneven growth across regions.

Shand and Bhide. (2000) examines variations in size, income and structural characteristic of Indian States. It analyses trends in Net State Domestic Product amongst Indian States from 1970-17 to 1995-96. However, the emphasis is on sectoral patterns in growth. It speaks of the role of industry, agriculture and service sector in India's growth, with an emphasis of state level trends. However, it at least raises questions of regional disparities.

Chadha and Nandwani (2019) study inequalities amongst Indian States. They conclude, thus: "An examination of the performance of development spending (which should mostly benefit the poor) incurred by the states indicates that though faster-growing states showed high spending on the development sector, development spending benefited the rich more effectively than the poor—contrary to the intent behind it—thereby raising inequality in the state".

The literature on Special status and state's own revenue is scanty in India. However, some general studies are discussed as under.

"The essence of federalism lies in proper division of powers and functions among various levels of government to ensure adequate resources for their functioning. (p.1)", Nayak and Sathpathy (2017). This paper discusses Federal Finance in India in the context of Discretionary Transfers.

Another paper has been referred to:

"The paper empirically examines the impacts of federal transfers on States' tax efforts and expenditure taking into consideration a panel data set of 22 Indian States for the time-period 1980-81 to 2007-08(p.20)", Panda(2017). It discusses the impact of Federal transfers on States' tax efforts. To some extent the conclusions are relevant.

"States' aggregate 'own revenues' (the sum total of 'own tax revenues' and 'own non-tax revenues'), as a percentage of GDP, showed an upward trend, increasing from 7.0 per cent in 2004-05 to 7.6 per cent in 2012-13, (p.8)", Sucharita (2016). The above paper dwells upon the trend in State's own revenue in recent times but does not talk about Special States.

"Recognising the fact that the financial resources of the States may prove inadequate for undertaking development activities, the framers of India's Constitution have made elaborate arrangements relating to flow of funds from the Centre to the States, (p.64)", Umesh (2015).

2.1 Rationale

The ranking, in Table 1, clearly shows the advantageous position in which non-Special states are placed. All the top States in the country are from the non-Special states. This ranking, may however, conceal the growth pattern of GSDP of Special states.

Also, there is a special interest in the growth pattern of Jammu and Kashmir, whose Special Status has been undone recently (5th August 2019). It was stated that Art. 35 and Art. 370 were a hinderance to the growth of Jammu and Kashmir state.

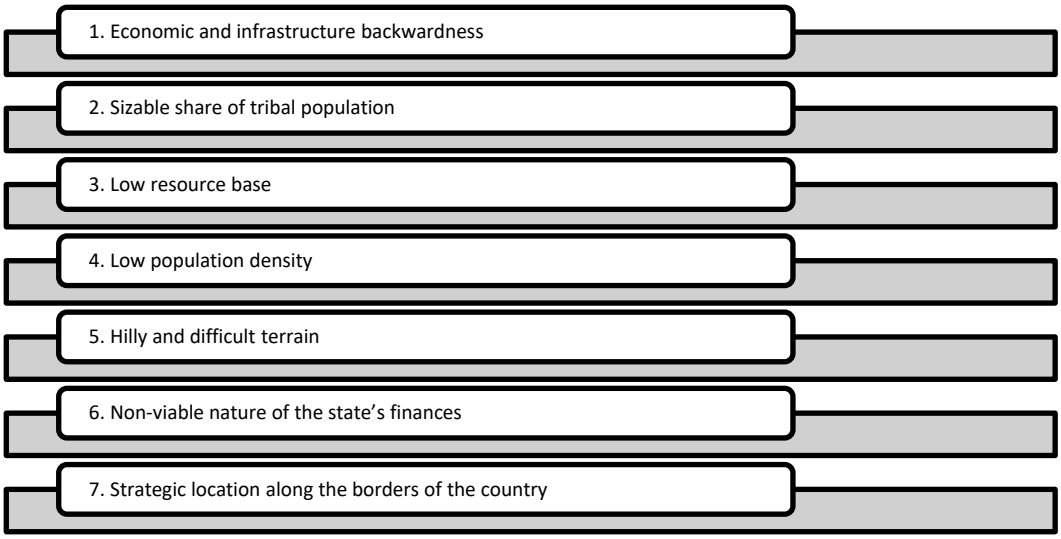
The above papers, hence, provides the ignition for our study. The present study looks into such regional and state-wise differentials in growth patterns, especially in the light of Special Status accorded to different deviant States. There is a strong underlying belief that Fiscal stimuli not only have an overall growth impact but also may result in either encouraging such Special States or isolating them. The main economic argument to remove Special Status from J&K, has been to 'integrate' it into 'rest of India'. Growth patterns would throw light on the validation of this policy initiative.

The literature, thus far, has not emphasized the importance of studying growth patterns amongst Indian States, especially from the point of view of the provision of Special Category status. There is an imperative to do so, especially in the light of the revocation of such status from J&K. There are grave concerns that the fate of other states in India may be decided on similar lines. This paper attempts to provide an objective insight into the past trends in SGDP and aims at throwing light on the very imminent problem.

2.2 Special category status

Given below in Figure 1 are the seven parameters for special category status to be granted.

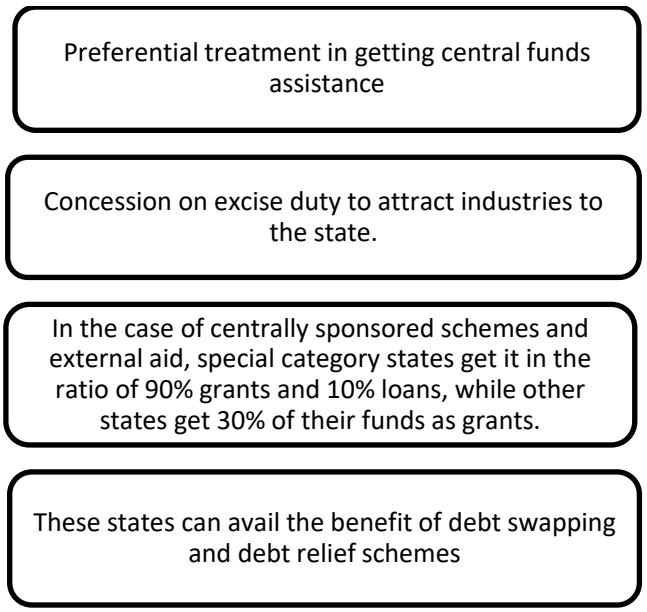
Figure 1: Parameters for Special Category Status



Source: Compiled by author

In Figure 2, mentioned below, there are many 'Benefits for States under SCS'. A significant 30 per cent of the Centre's gross budget goes to the special category states. Thus, the main research question is that if such a large share of the Central Budget goes to these Special States then is it justifies as per their performance in terms of generation of own revenues by such states.

Figure 2: Benefits to Special States



Source: Compiled by author

In 1969, during the 5th Finance Commission the concept of a special category state was first introduced. The aim was to support disadvantaged states with preferential treatment in the form of central assistance and tax breaks. To begin with only three states Assam, Nagaland and Jammu & Kashmir were granted this status. Ever since the initiation eight more have been included. This makes it a total of 11 Special States. The additional states to be added were - Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and Uttarakhand.

Given below is a list of non-Special States. West Bengal has not been included because of non-availability of data. Telengana has data only from 2005-06. The list of Special states is complete and consists of 11 states are given in Table 2.

Table 2: Non-Special and Special States

Non-Special States	Name	Special States	Name
1	A & N Islands	1	Arunachal Pradesh
2	Andhra Pradesh	2	Assam
3	Bihar	3	Himachal Pradesh
4	Chandigarh	4	Jammu and Kashmir
5	Chhattisgarh	5	Manipur
6	Delhi	6	Meghalaya
7	Goa	7	Mizoram
8	Gujarat	8	Nagaland
9	Haryana	9	Sikkim
10	Jharkhand	10	Tripura
11	Karnataka	11	Uttarakhand
12	Kerala		
13	Madhya Pradesh		
14	Maharashtra		
15	Odisha		
16	Puducherry		
17	Punjab		
18	Rajasthan		
19	Tamil Nadu		
20	Telangana		
21	Uttar Pradesh		

Source: Compiled by author

3.0 Data and Methodology

Herein, we discuss the data sources and the methodology used.

3.1 Data

The Gross State Domestic Product is measured in value terms. It is measured in current prices and the unit of measure is Rs. Lakhs. The main data source is from Central Statistics Office, Ministry of Statistics and Programme Implementation, Government of India (Table 15: Gross State Domestic Product at Factor Cost).

The period of study is essentially from 1993-94 to 2015-16. Technically, the data refers to the financial years 1993-94 to 2015-16. But for empirical purposes we have taken the year-end as the cut-off. In the case of almost all Non-Special States' data is for the whole period. Consistent data was not available for West Bengal. For the latest state is Telengana whose data is available only from 2014-15 has been eliminated. This leaves a data base of 11 Special States and 20 Non-Special States.

3.2 Methodology

A few basic tools of measurement and analysis have been used. Given below is the main research question.

Research Question1: Since 30 per cent of Central Budget goes to Special States do these states justify such status as per their performance in terms of generation of SGDP growth?

3.3 Regression analysis

Here we have applied semi-log growth equations to measure the Instant and Annual Compound Growth rates.

We have regressed the log of each variable with respect the time. Therefore, regression equation can be written as follows in exponential form:

$$Y = e^{\alpha + \beta t} \quad \ldots. (1)$$

Taking log of both sides and adding an error term;

$$\text{Ln } Y = \alpha + \beta t + \mu t \quad \ldots. (2)$$

Where Ln Y = natural log of variable Y

α = intercept term

β = slope of the regression equation

t =time (1993-94 to 2015-16)

μt = error term.

3.4 Growth analysis

The advantage with a semi-log growth equation is that it directly tells us the growth rate. Where

β = instantaneous growth rate.

The Annual Compound Growth Rate is derived as:

ACGR= Anti-Log (β) -1

This gives the growth rate in the whole period under consideration while instantaneous growth rate tells us the growth at a point of time. Several comparisons, in respect of ACGR and Instant Growth Rate, are made while analysing growth patterns:

3.5 Convergence index

We now form a relative index of growth that straight away gives the comparative picture of growth of Non-Special and Special States in respect of own revenue.

Relative Index of Growth = Ri = Rn/Rs

Rn= SDP of Non-Special States

Rs = SDP of Special States

Further we regress the index over time through a semi-log equation that is takes the log of the relative index as the dependent variable.

$$Ri = e^{\alpha + \beta t} \quad \ldots. (3)$$

Taking log of both sides and adding an error term;

$$Ln\ Ri = \alpha + \beta t + \mu t \quad \ldots. (4)$$

Where Ln Ri = natural log of variable Y

α = intercept term

β = slope of the regression equation

t =time (1993-94 to 2015-16)

μt = error term.

Here β gives the proportionate growth rate of Non-Special to Special States.

Research Question 2: Does the growth rate SGDP of Special States converge with that of Non- Special States?

Non-Special States have a natural advantage of performing better than the Special States because they do not suffer from certain disadvantages like the Special States do. If by getting the necessary support in the form of special status have the Special States been able to pull up their act? If so then the policy support is justified. Else there should be a debate whether the support should continue. The answer lies in the Convergence Index. If β is <0 then there is convergence. It implies that the special status is justified.

The next research question is:

How have different States' growth patterns performed during the regimes of NDA vs. UPA governments?

To address this question, we estimate a set of Semi-log regression equations. The Semi-log growth equations are loaded with three intercept and three corresponding slope dummies. Through a similar model we also verify the estimated growth pattern of former J&K State during four political regimes.

Here, we compare the growth rates during four political regimes.

- UPA 1- from 1994 to 2004;
- NDA 1- from 2004 to 2009;
- UPA 2- from 2009 to 2014; and
- NDA 2- from 2014 to 2016.

(We have stopped at 2016 because of the problem of demonetization).

This growth analysis enables:

- Comparison between All States, Non-Special Status and Special.
- The pattern of growth in Jammu and Kashmir.

3.6 Graphical analysis

With the help of Semi-log equations which are loaded with intercept and slope dummies we are able to obtain more precise estimates of the predicted level of SGDP. This helps us to compare graphically, the actual and predicted 'Y'. The graphs so obtained clarify whether the equation is a good fit. If the fit is close it shows that the dummy variable exercise is successful in interpreting growth patterns in terms of Political Regimes. While there have been certain historical accidents during these phases the graphs are able to capture if the impact of these events is permanent or temporary. This also allows us to observe if there are any abnormal years where the SDPs are abnormally high or low. If 'Y' and 'Predicted Y' lie close to each other then it implies that such aberrations have failed to sway the general growth pattern.

4.0 Results and Analysis

Returning to the main question about whether the special status given to 11 states in India is justified, a preliminary graphical analysis is desirable. To begin with we consider the case of non-special states. They are 20 in number and are large states.

4.1 Growth patterns

In the following section we study the broad pattern of growth amongst different categories of states.

For this purpose, four graphs are presented:

- Growth in Special states;
- Growth in Non-Special states;
- Growth in all States combined; and
- Comparative growth in all categories.

The regression output of the semi-log growth equation is given in Table 3.

Growth in Non-Special States started at a very low level. In the UPA1 period it grew at 13.78 instant growth rates and 14.78 ACGR. During NDA1 the initial level increased substantially. The growth rate during this period was 7.85 instant and 8.17 ACGR. In the next period, UPA2 the initial level fell further but the growth rate in instant terms was 15.28 and the ACGR was 16.58. The best so far. The best was yet to

come. The instant rate in NDA2 was 18.61 and ACGR was 20.46% p.a.! Since these states are the majority states they weigh a lot in terms of the overall growth of All States.

Table 3: Growth Pattern of Non-Special States

SUMMARY OUTPUT				
Regression Statistics				
Multiple R	0.999692796			
R Square	0.999385686			
Adjusted R Square	0.999099007			
Standard Error	0.026588273			
Observations	23			
ANOVA				
	Df	*SS*	*MS*	*F*
Regression	7	17.25101109	2.464430156	3486.071321
Residual	15	0.010604044	0.000706936	
Total	22	17.26161514		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-256.9242445	16.78227252	-15.30926423	1.45485E-10
Year	0.137863508	0.00840795	16.39680393	5.48901E-11
NDA1	118.5475642	21.05879114	5.629362265	4.79635E-05
NDA2	-97.43369385	41.43434574	-2.351520028	0.03278116
TNDA1	-0.059319696	0.010539923	-5.628095643	4.80765E-05
TNDA2	0.048293369	0.020595187	2.344886105	0.03320656
UPA2	-31.4692462	18.14384051	-1.734431372	0.103337263
TUPA2	0.015550244	0.009081624	1.712275692	0.107435184

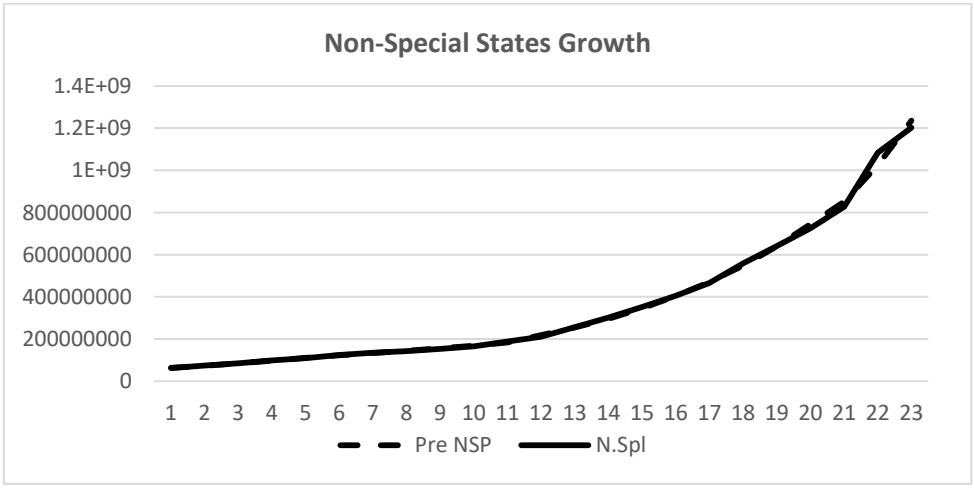
Source: Compiled by author

We now examine Figure 4. An exponential growth curve without breaks or jumps is visible. There are no outliers, either in between or at the ends. The entire period, including the Global Financial Crisis shows that there was no abnormal pattern. The pattern is smooth irrespective of accounting for four different policy regimes.

The predicted trend closely hugs the actual curve. This speaks for the underlying estimation model. The growth pattern is smooth and exponential. It does not indicate an internal crisis during the whole period. However, this is a single growth trend. We need to study other evidence as well. The pattern in Special states as well as the All India trend needs to be studied (Figure 5).

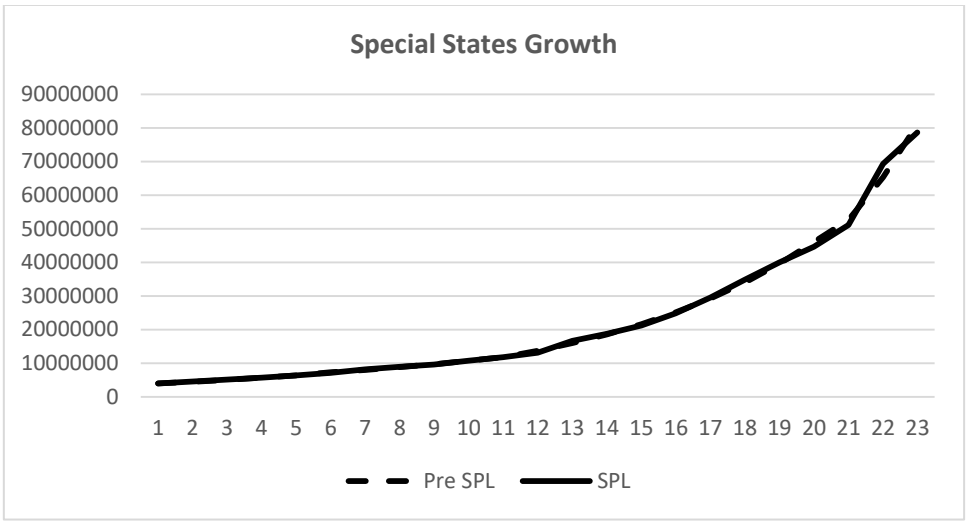
The initial level during UPA1 was quite low (Table 4). The growth rate (instant) was 11.80%. The ACGR was 12.53 p.a. At the beginning of NDA1 the intercept was slightly higher, but it was still low.

Figure 4: Growth- Non-Special States



Source: Compiled by author

Figure 5: Growth in Special States



Source: Compiled by author

The growth rate during this period showed an instant rate of 9.8 and an ACGR of 10.25. There was a slight slippage in growth. In UPA2 period the intercept fell. The growth rate in instant terms was 15.10 and the ACGR was 16.37.

Table 4: Growth Pattern of Special States

SUMMARY OUTPUT					
Regression Statistics					
Multiple R	0.999643				
R Square	0.999286				
Adjusted R Square	0.998952				
Standard Error	0.029281				
Observations	23				
ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	7	17.99281	2.570402	2998.00202	1.96875E-22
Residual	15	0.012861	0.000857		
Total	22	18.00567			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	-220.244	18.48184	-11.9168	4.75366E-09	
Year	0.118074	0.009259	12.75179	1.87587E-09	
NDA1	40.93575	23.19145	1.765123	0.097887102	
NDA2	-195.427	45.63047	-4.28282	0.000654028	
TNDA1	-0.02047	0.011607	-1.76381	0.098114612	
TNDA2	0.097145	0.022681	4.2831	0.00065366	
UPA2	-67.3237	19.9813	-3.36934	0.004214789	
TUPA2	0.033547	0.010001	3.354207	0.004347659	

This was a substantial jump. The last period of NDA2 saw a fall in the intercept. However, the growth rate rose to 21.51 in instant terms and an impressive 24.01% per annum!! Clearly, the NDA2 regime had a 'special' for Special States. The graph of Special States also shows a similar pattern of growth. Figure 2 makes it evident that the underlying growth model neatly fulfils the structural pattern of four underlying political regimes. The graph is exponential. It shows undisturbed growth and uniform growth patter irrespective of the political regime. Of course, the post demonetization period has been excluded from the study. If the latter period had been included may be the results would have been quite different. The pattern of Special States looks very deceptively close to that of Non-Special states because the difference in the exponential growth patterns is not very large. The actual contribution Special States seems rather small. The overall growth increases only by 0.32% per annum when we account for how Special States converge to Non-Special States. We now examine all states. Since Non-Special States are the large and dominant states in terms of their size the pattern of Special States

and All States are very similar. Given in Table 5 is the regression output of all States in India.

Table 5: Growth Pattern of All States

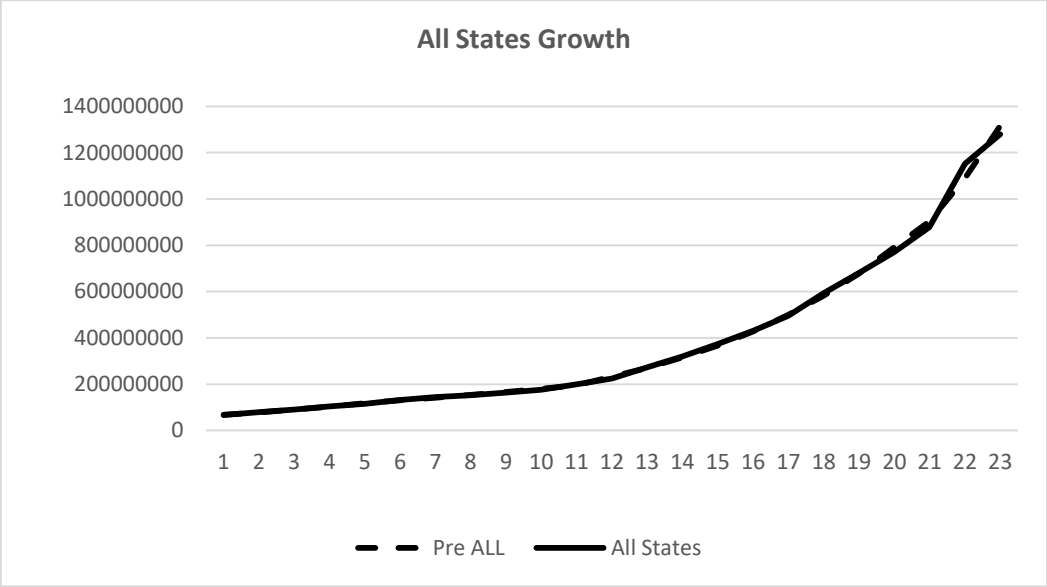
SUMMARY OUTPUT					
Regression Statistics					
Multiple R	0.999699				
R Square	0.999399				
Adjusted R Square	0.999119				
Standard Error	0.026328				
Observations	23				
ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	7	17.29262	2.470374498	3563.847196	5.38909E-23
Residual	15	0.010398	0.000693176		
Total	22	17.30302			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	-254.638	16.61814	-15.32290148	1.43663E-10	
Year	0.136747	0.008326	16.4246702	5.35774E-11	
NDA1	114.1333	20.85284	5.473274669	6.41925E-05	
NDA2	-103.158	41.02912	-2.514262344	0.023825135	
TNDA1	-0.05711	0.010437	-5.471986723	6.43479E-05	
TNDA2	0.051147	0.020394	2.507953347	0.024123976	
UPA2	-33.4782	17.9664	-1.863378102	0.082105875	
TUPA2	0.016559	0.008993	1.841322596	0.085436632	

The growth equation of All States shows an instant growth of 13.67 and 14.65 respectively in terms of instant growth and ACGR during UPA1. During NDA1 the ACGR is 8.29% and in UPA2 it goes up to 16.56. Finally, in NDA2 it goes up to 20.61% per annum!! The pattern of All States clearly follows that of Non-Special states.

The graphical analysis is not essentially different from Non-Special states. The dotted line Predicted All States is almost the same as the actual pattern. Once again this speaks for the goodness of fit of our proposed model. It includes the effects of appropriate dummies and a semi-log growth equation which results in a pattern that almost exactly emulates the actual growth pattern on account of the four policy periods. It demonstrates stable growth in all four periods.

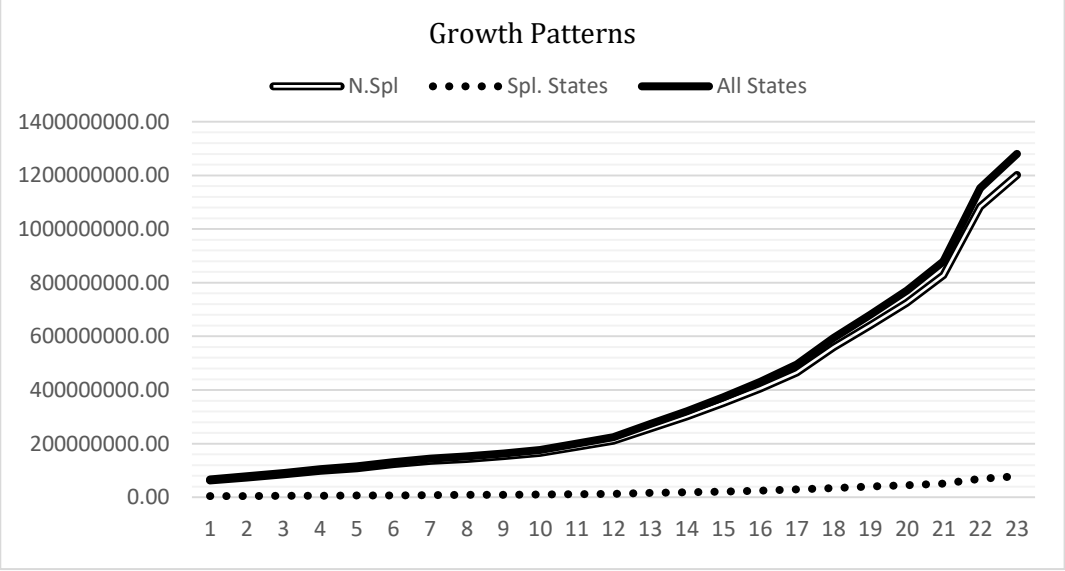
In Figures 6 and 7, it is evident that Special states are still at low level in absolute terms. They are backward states and are vulnerable. The level of the dotted line is much lower. But the growth rates of Special States are significantly higher. Although the gap between the two groups may not be very large in terms of growth rates. Also, the overall growth rates are still dominated by the large and Non-Special states.

Figure 6: Growth in All States



Source: Compiled by author

Figure 7: Comparative Growth Patterns



Source: Compiled by author

4.2 Convergence index

Table 6 and Figure 8 explains how the growth pattern of Special states has converged to that of Non-Special states. Although in an overall sense the ratio of Non-Special States' GDP to that of Special States has decline at the rate of almost 0.29% per cent per annum, there are periods of violent swings. These can be explained in terms of the political regimes.

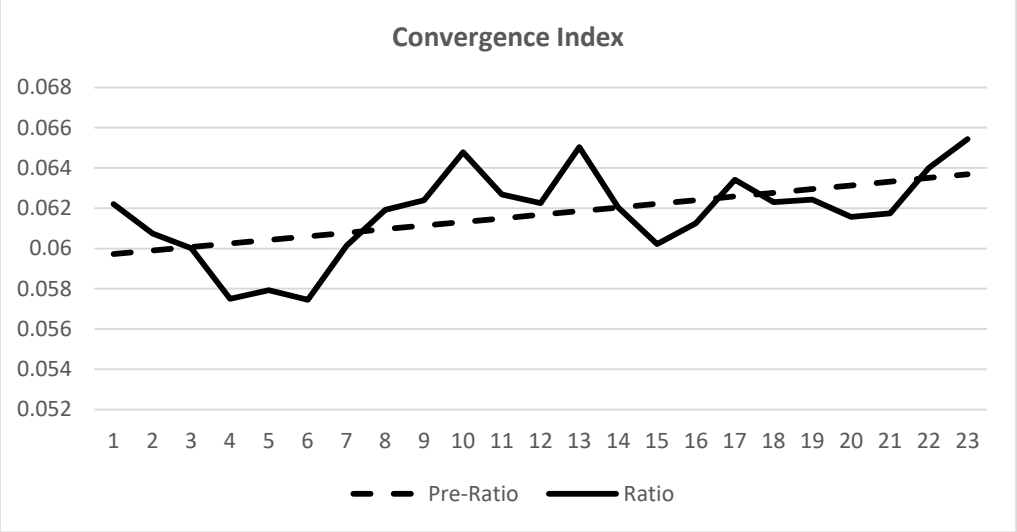
Table 6: Convergence Index

Year	Pre-Ratio	Ratio
1994	0.059727	0.062213
1995	0.059901	0.06075
1996	0.060077	0.06001
1997	0.060252	0.057491
1998	0.060428	0.057927
1999	0.060605	0.057445
2000	0.060782	0.060135
2001	0.06096	0.061916
2002	0.061138	0.062395
2003	0.061317	0.064782
2004	0.061496	0.062679
2005	0.061676	0.062251
2006	0.061856	0.065043
2007	0.062037	0.062037
2008	0.062218	0.06022
2009	0.0624	0.061244
2010	0.062583	0.063407
2011	0.062766	0.062305
2012	0.062949	0.062423
2013	0.063133	0.061564
2014	0.063318	0.061738
2015	0.063503	0.063995
2016	0.063689	0.065433

Source: Compiled by author

The main conclusion of this paper is that Special states, which were disadvantaged have gain during UPA1 and UPA2. They have receded during NDA1 and NDA2 as compared to Non-Special states (Table 7).

Figure 8: Convergence Index



Source: Compiled by author

Table 7: Convergence or Divergence

Regime	Growth rate of Ratio of Spl./N.Spl	Convergence/ Divergence
UPA1	(-)1.96%	Convergence
NDA1	(+)1.92%	Divergence
UPA2	(-)0.18%	Convergence
NDA2	(+)2.95%	Divergence

Source: Compiled by author

4.3 Jammu and Kashmir growth

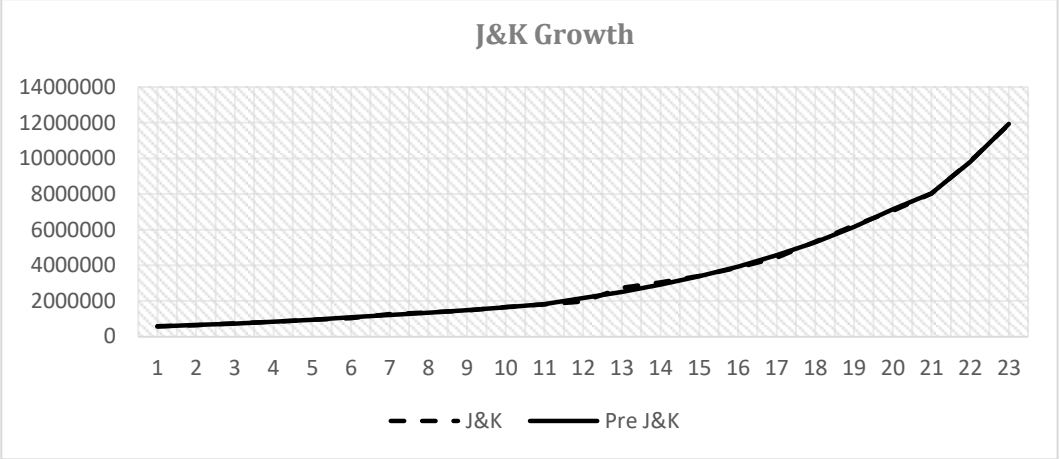
During the UPA1 regime the instant growth rate was 12.35% p.a. and the ACGR was 13.14% (Table 8). In the beginning of NDA1 the initial level grew but it was not statistically significant. During NDA1 the instantaneous growth fell to 10.31 and the ACGR to 10.86%. However, even this was not significant. This was perhaps because there was an atmosphere of uncertainty. At the beginning of UPA 2 regime the initial level of State GDP fell. But the instantaneous growth rose to 14.90 and the ACGR to 16.06%. Finally, at the beginning of NDA2 regime the intercept certainly fell but the growth rate jumped. During NDA2 the instantaneous growth rose to 19.77 and the ACGR to 21.86!!

Table 8: Jammu and Kashmir Growth

Regression Statistics					
Multiple R	0.999326				
R Square	0.998652				
Adjusted R Square	0.998024				
Standard Error	0.040875				
Observations	23				
ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	7	18.5721	2.653157	1587.997	2.29819E-20
Residual	15	0.025061	0.001671		
Total	22	18.59716			
	Coefficients	*Standard Error*	*t Stat*	*P-value*	
Intercept	-233.057	25.79986	-9.03326	1.87E-07	
Year	0.123529	0.012926	9.556769	9.04E-08	
NDA1	40.77519	32.37427	1.259494	**0.227098**	
NDA2	-149.209	63.69818	-2.34243	0.033365	
TNDA1	-0.02039	0.016203	-1.25808	**0.227596**	
TNDA2	0.07417	0.031662	2.342585	0.033355	
UPA2	-51.0994	27.89303	-1.83198	0.086884	
TUPA2	0.025471	0.013961	1.824405	0.088073	

The one thing that the is apparent is that in spite of different political regimes (Figure 9) the growth pattern of former J&K has been smooth.

Figure 9: J&K Growth Pattern



Source: Compiled by author

There are no violent shifts or declines in the growth pattern. That is why the actual and predicted closely follow each other just is the case with all other figures of different growth patterns. This conclusion establishes that J&K has developed a resilience in its economy.

4.4 Final note

In the concluding part we raise another research question for posterity (Table 9). *Research Question 3:* Should Special status continue?

Table 9: Growth in State GDP- 1993-94 to 2015-16

	Instant Growth Rate	Annual Compound Growth Rate	P-Value
All States	13.00%	13.88%	7.6906E-22
Non-Special States	12.98%	13.86%	9.1544E-22
Special States	13.27%	14.20%	9.7890E-31

Source: Compiled by Author

Through an overall comparison it becomes evident that apparently the growth rate of Special States is greater. However, if we observe the growth rate of Special States in comparison to growth of All States then the actual contribution Special States seems rather small. The overall growth increases only by 0.32% per annum. Although it must be said that this is statistically significant. Compounded over 1994-2016 this small contribution would also be somewhat sizeable. In any case, it is an unambiguous conclusion that Special States have performed well. Some have grown faster others are slightly slower. On the whole, their performance outstrips that of Non-Special States.

5.0 Conclusion

While there is a difference amongst Special states as a trend they have done well in terms of economic growth. For the initial 8 years the performance of Special states was worsening in relation to Non-Special state. Later it started converging at a rate of almost 0.29% per cent per annum. Also, the latter growth phase does not belong to any particular political regime. It is partly covered by UPA1, then NDA1 followed by UPA2 and finally, NDA2. This is clearly indicative of a permanent trend.

The main conclusion of this paper is that Special states, that were disadvantaged have gained during UPA1 and UPA2. They have receded during NDA1 and NDA2 as compared to Non-Special states.

The final question, therefore, is answered in the affirmative. By all counts Special status should continue. Although, one view is that since the growth of Special states in recent years is irrespective of political regimes the status may be withdrawn because the initial period of backwardness and vulnerability is over.

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