



DAILY EDITORIAL ANALYSIS

TOPIC

**ROAD TO A \$1 TRILLION ECONOMY
FOR INDIAN STATES**

www.nextias.com

ROAD TO A \$1 TRILLION ECONOMY FOR INDIAN STATES

Context

- Achieving a \$1 trillion economy is an ambitious goal for several states in India requires a multifaceted approach, combining industrial expansion, infrastructure development, and digital transformation.

Economic Landscape of Indian States

- India's GDP is **currently around \$3.7 trillion**, with the vision of becoming a **\$5 trillion economy by 2027-28**, and a **\$35 trillion economy by 2047**.
- Several states set ambitious goals of reaching a \$1 trillion economy, like:
 - Maharashtra, the largest contributor to India's GDP, aims to reach \$1 trillion soon, followed by states like Uttar Pradesh, Tamil Nadu, and Gujarat.

Indian States	Current GDP (Approx, in billion)	Targets Year	States Share of National GDP (%) (Budget 2024-25)
Maharashtra	\$500-550	\$1 Trillion by 2027-28	13.3
Tamil Nadu	\$320-350	\$1 Trillion by 2030	8.9
Uttar Pradesh	\$250-300	\$1 Trillion by 2028-29	8.4
Karnataka	\$250-280	\$1 Trillion by 2032	8.2
Gujarat	\$340-345	\$1 Trillion by 2030	8.1
Telangana	\$200	\$1 Trillion by 2034-35	4.9
Andhra Pradesh	\$210-220	\$2.4 trillion by 2047	4.7
Kerala	\$155-160	\$1 Trillion by 2047	3.8

Challenges

- Mismatch in Current Growth & Required Growth Rates:** For example, states like Tamil Nadu need to grow at a nominal rate of about 18% and a real rate of 13%.
 - However, according to the Survey, the State grew at an annual average rate of 8.2% over the last two years.
- Unemployment & Skill Gap:** High unemployment rates, especially among educated youth, pose a significant challenge. Bridging the skills gap is essential to create a workforce aligned with industry needs.
- Regional Disparities:** Uneven development across regions can hinder overall progress. Inclusive policies are needed to ensure equitable growth.
- Global Competition:** Competing with global economies requires innovation, efficiency, and a favorable business environment.

State Specific Sectors & Challenges

States	Key Sectors	Challenges
Maharashtra	Financial services, IT, manufacturing, and entertainment	Urban congestion, high living costs, and socio-economic disparities.
Tamil Nadu	Automotive, textiles, IT, and electronics manufacturing	Water scarcity, environmental concerns, and dependence on the automobile sector.
Uttar Pradesh	Agriculture, MSMEs, manufacturing, and tourism	Population density, employment generation, and industrial diversification
Gujarat	Petrochemicals, gems & jewelry, textiles, and renewable energy	Environmental sustainability and the need for greater skilled workforce development.

Key Strategies To Achieve Stated Objectives

- **Manufacturing and Industrial Growth:**
 - ♦ Strengthening Make in India and Production Linked Incentives (PLI) schemes.
 - ♦ Promoting MSMEs and industrial clusters in sectors like automobiles, electronics, and textiles.
 - ♦ Encouraging foreign direct investment (FDI).
- **Digital Economy and Technology Innovation:**
 - ♦ Expanding IT and software exports from Bengaluru, Hyderabad, and Chennai.
 - ♦ Leveraging AI, blockchain, and fintech to boost digital transformation.
 - ♦ Promoting start-ups and innovation hubs.
 - ♦ States are investing in data centers, IT parks, and digital connectivity.
- **Infrastructure Development:**
 - ♦ Expanding expressways, metro rail projects, and smart cities.
 - ♦ Investing in renewable energy, green hydrogen, and electric mobility.
 - ♦ Improving connectivity through port development and logistics corridors.
- **Agricultural Modernization and Rural Economy:**
 - ♦ Promoting agritech and food processing industries.
 - ♦ Strengthening rural employment through schemes like PM-KISAN and MNREGA.
 - ♦ Encouraging organic farming and precision agriculture.
- **Climate Resilience:** Addressing climate risks through sustainable practices and renewable energy adoption is crucial for long-term economic stability.
- **Export Growth:** Enhancing exports in sectors like software, textiles, and pharmaceuticals can significantly contribute to economic growth.
- **Public-Private Partnerships:** Collaborations between governments and private entities can accelerate infrastructure development and innovation.
- **Sustainable Development:** Adopting green technologies and practices can attract investments and ensure long-term growth.

Policy Reforms and Governance

- Improve Ease of Doing Business (EoDB) rankings
- Implement land and labor reforms
- Streamline taxation and GST compliance
- Focus on education and skill development to build a future-ready workforce

Way Forward

- A coordinated approach between the central and state governments, private sector participation, and innovation-driven policies will be essential.
- With the right mix of reforms and investments, India's leading states can achieve the \$1 trillion economy dream, contributing significantly to India's vision of a \$5 trillion economy.

Source: TH

Mains Practice Question

[Q] What key strategies and policy interventions are essential for states in India to achieve the ambitious goal of a \$1 trillion economy, and how can they address challenges like regional disparities, unemployment, and global competition?

