



# India's Most Competitive States

Rank	State	Overall score	GDP per capita (in Rs)	Population (in '000s)	Factor conditions		Demand conditions		Strategic context		Supporting conditions	
					SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK
1	Maharashtra	58.38	48,171	104,160*	48.55	5	69.49	2	56.32	3	66.24	3
	Goa <sup>#</sup>	58.02	79,387*	15,864*	49.37	2	58.93	10	63.71	1	66.35	2
2	Tamil Nadu	57.16	39,315	65,435	48.81	3	59.36	8	59.36	2	66.65	1
	Delhi <sup>#</sup>	56.96	66,431*	1,562*	56.00	1	77.27	1	43.86	10	46.33	29
3	Gujarat	55.01	45,882	55,475	47.94	7	61.02	4	51.98	5	62.90	4
4	Punjab	53.82	45,731	26,983	48.47	6	60.18	5	52.68	4	56.40	12
5	Karnataka	53.04	31,271*	55,592*	46.05	10	59.71	7	49.74	6	60.21	7
6	Andhra Pradesh	52.70	32,533	81,219	45.82	11	57.86	13	49.73	7	61.25	5
7	Haryana	52.23	53,661	23,569	44.93	14	59.81	6	48.56	8	59.20	9
8	Himachal Pradesh	51.39	41,973	67,420	46.78	8	57.76	14	42.73	12	60.14	8
9	Uttar Pradesh	50.76	16,880	185,330	46.25	9	62.77	3	39.91	18	54.51	18
10	Kerala	50.20	37,635	33,763	45.61	12	55.86	16	46.85	9	54.52	17
11	Rajasthan	49.11	22,563	62,951	44.57	15	58.68	11	40.59	15	53.60	20
12	Madhya Pradesh	49.10	19,108	67,093	44.97	13	56.18	15	39.96	17	56.61	11
13	West Bengal	49.09	27,821	85,769	44.10	17	57.91	12	41.45	14	54.45	19
14	Uttarakhand	48.54	32,113	9,305	40.38	25	58.95	9	43.2	11	55.14	14
15	Orissa	46.69	23,227	39,243	44.28	16	51.37	19	38.85	20	52.93	23
16	Assam	46.41	22,506	28,896	43.24	19	52.14	18	37.68	23	53.52	22
17	Meghalaya	45.40	28,343	2,488	42.87	20	49.02	22	37.11	24	53.57	21
18	Bihar	45.36	10,286	91,631	42.47	21	51.13	20	37.07	25	51.47	25
19	Jharkhand	44.84	23,591	29,567	37.56	29	53.64	17	40.19	16	51.24	26
20	Chhattisgarh	44.16	22,873*	22,700*	38.30	28	51.11	21	38.71	21	51.15	27
21	Sikkim	43.06	34,821	586	48.57	4	32.45	29	31.52	29	58.24	10
22	Arunachal Pradesh	41.92	25,685*	1,163*	41.01	23	32.47	27	42.35	13	54.91	16
23	Manipur	41.88	25,059	2,569	40.50	24	32.52	26	36.88	27	60.96	6
24	Tripura	41.48	26,915*	3,390*	41.04	22	32.59	25	39.58	19	55.25	13
25	Mizoram	40.66	29,165	1,025	44.07	18	32.46	28	33.18	28	52.43	24
26	Nagaland	40.20	22,542**	2,372**	38.91	27	32.60	24	37.03	26	55.10	15
27	Jammu & Kashmir	39.93	21,813**	11,124**	39.57	26	33.08	23	38.38	22	50.57	28

<sup>#</sup>Delhi and Goa are not included in the ranking as they were union territories recently converted into states; GDP and population figures as of Dec 2007 unless otherwise mentioned; \*figures for year ended Dec 2006; \*\*figures for year ended Dec 2005 Source: CMIE, Institute for Competitiveness

## METHODOLOGY

THE STATE COMPETITIVENESS REPORT ANALYSES and grades competitiveness of Indian states using a well-defined conceptual structure and theoretical construct backed by a rigorous statistical methodology.

The report uses the Porter's Diamond (see page 33) as its core structure and is inspired by the World Economic Forum's framework on national competitiveness. Fundamentally, it incorporates hard data rather than soft data such as executive opinion surveys, etc., which might introduce sampling errors and bias. This hard data path allows a more current assessment of competitiveness ranking with mapping of incremental or quantum changes in values of input indicators. From an execution and policy formulation perspective, this approach pro-

vides clarity to the choice of relatively important indicators; a virtual Pole Star for those keen to enhance competitiveness.

Competitiveness is a measure of productivity, that is, returns per rupee invested. GDP is a reflection of productivity as it reflects the prosperity of the state. Factors directly determining or affecting the same have been selected to capture the essence of competitiveness.

Appropriately, the result is an integrated index grounded in rigorous academic research and objective empiricism. Over 300 indicators were utilised to provide fine granularity. The series were subjected to statistical normalisation to allow comprehensive clubbing under weights to evolve composite indices; this annulled their disparate genres and units. Care has also been



# Rankings By Parameters

State	FACTOR CONDITIONS										DEMAND CONDITIONS				STRATEGIC CONTEXT				SUPPORTING CONDITIONS					
	Financial		Physical		Communication		Administrative		Human capacity		Innovation		Demographics		Income & consumption		CI & diversity firms		Business incentives		Supplier sophistication		Institutional support	
	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE	RANK	SCORE
Andhra Pradesh	4	61.63	12	55.43	9	61.40	26	-25.40	7	64.05	26	48.53	4	72.35	13	54.23	6	65.25	8	26.45	7	64.44	8	59.12
Arunachal Pradesh	17	55.81	24	50.61	29	42.28	5	-16.08	21	46.34	5	62.11	27	44.92	25	29.36	28	47.58	3	34.51	28	47.88	7	59.60
Assam	20	54.65	29	47.63	18	49.96	2	-11.55	11	60.38	15	51.21	15	53.69	18	51.75	22	50.88	26	17.88	20	51.54	18	54.84
Bihar	29	50.87	28	49.32	19	49.19	24	-23.88	2	71.69	29	45.64	5	72.05	22	45.90	24	49.33	23	18.70	25	48.78	23	53.26
Chhattisgarh	18	55.75	16	53.28	27	44.31	23	-23.62	25	42.46	14	51.24	18	51.80	19	50.94	19	52.09	24	18.65	18	51.89	26	50.66
Delhi	28	50.95	1	83.64	1	104.40	1	-9.59	17	49.40	22	50.18	14	53.78	1	83.14	15	53.90	6	28.81	21	51.01	29	43.21
Goa	1	72.65	2	66.22	14	54.89	20	-22.48	22	44.83	3	76.01	26	44.93	3	62.43	1	80.80	1	38.07	2	76.14	6	59.82
Gujarat	11	58.27	6	59.01	8	64.38	4	-15.42	9	62.56	18	50.30	10	62.91	7	60.55	3	70.89	12	23.60	3	72.17	12	56.72
Haryana	3	61.70	7	58.77	10	61.00	29	-31.76	12	59.69	16	50.62	17	51.82	6	61.81	7	63.31	9	26.44	6	65.63	16	54.92
Himachal Pradesh	6	60.22	8	58.46	7	64.79	11	-19.41	16	51.47	9	59.69	21	46.65	8	60.53	10	56.94	13	21.41	12	55.00	4	63.56
Jammu & Kashmir	26	53.29	27	49.62	13	55.21	9	-18.97	24	43.84	23	49.64	19	48.13	29	29.32	23	50.83	17	19.94	22	50.94	27	50.31
Jharkhand	25	53.35	18	52.74	28	43.97	14	-20.21	26	41.63	27	47.45	13	53.82	16	53.60	13	54.25	22	19.12	13	54.01	28	49.39
Karnataka	13	56.98	11	56.34	6	68.14	21	-22.87	13	59.59	21	50.19	8	63.84	9	58.68	8	62.82	5	30.12	5	66.59	14	55.95
Kerala	5	60.97	23	50.89	2	75.23	17	-20.81	18	49.03	10	55.44	12	56.73	12	55.64	9	62.20	11	23.82	9	58.04	25	52.18
Madhya Pradesh	19	55.57	21	52.40	12	55.78	27	-27.12	3	71.57	20	50.27	7	64.69	14	54.06	17	53.19	16	20.11	16	52.94	9	59.06
Maharashtra	7	59.91	4	59.91	5	68.27	25	-24.73	5	66.42	12	51.77	2	79.62	2	64.46	4	69.94	2	35.89	4	68.41	3	64.79
Manipur	14	56.31	25	50.27	21	46.50	19	-22.40	23	44.43	4	63.50	25	45.21	26	29.35	25	49.24	25	18.34	26	48.71	1	69.13
Meghalaya	15	56.18	17	53.27	21	46.50	18	-21.21	15	54.41	6	60.75	24	45.35	20	49.94	26	49.07	21	19.19	24	48.93	13	56.67
Mizoram	9	59.13	22	51.84	21	46.50	6	-16.28	29	33.41	2	90.76	28	44.88	24	29.36	29	47.58	28	11.60	27	47.90	15	55.46
Nagaland	24	53.61	26	49.86	21	46.50	8	-18.16	27	38.22	8	60.00	22	45.62	27	29.35	21	51.46	27	15.38	23	50.70	10	58.03
Orissa	22	54.49	14	53.43	17	50.67	12	-19.46	6	65.95	19	50.30	11	57.73	21	49.78	20	51.49	18	19.88	19	51.88	21	53.62
Punjab	12	58.26	3	65.65	3	73.67	13	-19.84	14	54.72	17	50.55	16	53.27	4	61.90	5	68.89	7	28.36	8	62.37	24	52.42
Rajasthan	23	53.65	20	52.53	11	56.67	22	-22.96	4	67.95	25	49.16	9	63.57	10	57.45	14	54.20	15	20.17	15	53.78	22	53.47
Sikkim	8	59.24	9	57.46	21	46.50	3	-14.67	20	46.39	1	94.26	29	44.80	23	29.36	27	47.63	29	7.34	28	47.88	2	65.15
Tamil Nadu	2	61.93	5	59.66	4	70.38	10	-19.39	10	61.06	13	51.53	6	68.42	11	57.10	2	76.24	4	34.43	1	76.15	5	60.31
Tripura	21	54.53	19	52.57	21	46.50	15	-20.25	19	46.75	7	60.43	23	45.55	28	29.35	18	53.07	20	19.35	17	52.50	11	57.09
Uttar Pradesh	27	52.40	15	53.34	16	51.46	28	-28.60	1	86.29	28	46.90	1	100.01	17	53.45	16	53.39	19	19.69	14	53.95	17	54.88
Uttarakhand	10	58.80	10	57.40	20	47.31	7	-17.98	28	37.52	11	54.50	20	47.41	5	61.84	11	55.76	10	24.37	10	56.59	19	54.17
West Bengal	16	56.03	13	54.16	15	53.49	16	-20.67	8	62.69	24	49.35	3	73.60	15	53.99	12	54.92	14	21.23	11	55.20	20	53.95

CI: competition intensity

Source: CMI, Institute for Competitiveness

taken to eliminate multicollinearity. Thus, scores emanate from four pillars of competitiveness — factor conditions (which are endowments), demand conditions (which reflects income and consumption), strategic context (which includes diversity of businesses) and supporting conditions (which includes institutional support and supplier sophistication) — with each pillar factored at sub-index levels.

**Grouping indicators:** As regards grouping of indicators, the model categorises the various influences on competency to gauge the different processes behind the impacts. The groups are positioned hierarchically to highlight the summation of these individual factors in forming the whole. The grouping of the indicators is self-evident mostly, apart from a few which are based on discretion and judgement. Basic education is assigned under demography to emphasise its role in shaping a person to partici-

pate effectively in society and its foundation. Institutional support includes advanced institutions. It was imperative that the indicators used must be understood in terms of their impact on the productivity of a state, both in terms of its magnitude as well as direction. Some indicators wield a negative influence on the competitiveness measure, while others enhance it. It thus becomes important to understand these measures and build upon them for the purpose of the study. In the summation process, the individual weighting allotted to the indicators plays a pivotal role in every index model. The elements of the framework are grossed to arrive at an overall competitiveness score.

The data utilised was the one authenticated by official sources of repute. To ensure reliability, data was collected from public sources accumulating statistics, information and aggregates. Data from Statistical Abstracts of States, data from the Reserve Bank of India and data

from Centre for Monitoring Indian Economy and IndiaStats have been chiefly utilised for the study. Where required, the time line series of up to last 6-8 years was employed plugging gaps with extrapolation and interpolation.

In an elaborate exercise of this scale, absence of data is but natural, given the proclivity of Indian governance apparatus in not compiling up-to-date relevant data on multifacets of administration and economy. Again certain states are of recent birth. This absence of data was substituted with similar size or character entity's data, so that undue favourable leaning for positive data and undue unfavourable leaning for negatively correlated data does not colour the computations.

**Calculating and interpreting the index:** Calibrated weights are applied to set an indicators value to generate an overall index as well as score for each category. The competitiveness of

the states is an aggregation of factors, hence, they do not get the benefit of mere size, over others. Larger states would increase their probability of winning on the index, if size was accounted for.

The study is an indicator of prosperity and clearly concentrates on the quality of factors rather than measuring their quantitative aspect. Per capita numbers ensure that the factors are considered qualitatively and absolute proportions do not bias the outcome.

The index is a guide to understand the shortcomings and challenges faced by the states and a qualitative aggregation of their current state. It highlights the pillars, the factors on which states can base their decisions and ensure a more progressive, all-encompassing path to its overall qualitative improvement. The index upholds paramount standards of academic research to facilitate the needs of the practitioners and the policymakers in the country.