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Gujarat: An "Alternative" Economic Model?

The discourse around Narendra Modi, as a Prime Ministerial aspirant, has been largely driven by the claim of the Bharatiya Janata Party (BJP) that Gujarat represents an alternative development model. The BJP has received ample support for this claim from the corporate sector, Right-wing economists, a section of the Indian liberal writers and a heavily compromised media. The claims of the BJP could be summarized thus: first, under the Chief Ministership of Modi, Gujarat witnessed unprecedented economic growth; Modi has claimed that Gujarat was actually "the growth engine of India". Secondly, under Modi, "Gujarat became synonymous with Development"; specifically, there was "a significant increase in income and employment levels" in Gujarat. Thirdly, under Modi, there was an increase in the standards of living for the majority of citizens of Gujarat; it is claimed that Gujarat's growth was "inclusive growth", made possible by "good governance".

The claims of Modi and the BJP have been heavily contested. A number of social scientists have questioned the claims and presented evidence to show that the claims are at best half-truths, indeed exaggerated and based on selective use of data. This article tries to put together data on developmental achievements across Indian States to examine the claim that Gujarat presents an alternative development model.

I. ECONOMIC GROWTH IN GUJARAT

How true is the claim that Gujarat was the growth engine of India under Modi?

No analysis of Gujarat's economic growth would be possible without reference to its history. As economic historians have argued, an outcome of colonialism in India was the emergence of peculiar dualisms across regions: between traditional agricultural regions and islands of industrial growth (see Bharadwaj, 1982). In other words, the colonial growth process was associated with uneven emergence and growth of capitalist and financial classes, which determined the nature of long-term differentials in the rate of economic growth across regions. Gujarat's per capita income was historically one of the highest for any State in India. Right from the inter-War years, Gujarat was among the relatively favoured regions for public investment in irrigation as well as the establishment of manufacturing industries.

Gujarat was one of the regions that experienced early penetration of capitalist relations in agriculture. The cities of Ahmedabad and Baroda were, along with Bombay, one of the earliest centres of growth in cotton textile industry in the first half of the 20th century (see Bagchi, 1972). The surplus from cotton textile industry was also reinvested by the capitalist classes of these cities in new industrial sectors like cement, sugar and chemicals.

Level of per capita incomes

These historical specificities had a significant influence over the rates of economic growth in Gujarat after independence. In 1960-61, Gujarat was ranked third among all Indian States in the level of per capita income (see Table 1). Gujarat retained its position within the top five States with respect to per capita incomes in 1980-81 as well as 2009-10. Clearly, the high per capita incomes in Gujarat in the 2000s is a legacy of its rather fortuitous past and no achievement of the Modi government. The position of Gujarat at the top is also a reflection of

Table 1 *Top five States in the descending order of per capita incomes, India, 1960-61 to 2010-11*

Top five States according to per capita income (descending order)		
1960-61	1980-81	2010-11
Maharashtra	Punjab	Haryana
West Bengal	Maharashtra	Maharashtra
Gujarat	Haryana	Gujarat
Punjab & Haryana	Gujarat	Tamil Nadu
Tamil Nadu	West Bengal	Punjab

Sources: Bharadwaj (1982); *Handbook of Statistics on the Indian Economy*, RBI, various issues.
Notes: In the preparation of this table, for comparability, only the most populous 15 States were considered.

the persistence of sharp regional imbalances in economic growth after independence.

Growth of Net State Domestic Product (NSDP)

Gujarat enjoyed higher growth rates of Net State Domestic Product (NSDP) than the national average in the 1980s, 1990s and 2000s (Table 2). Gujarat was also consistently ranked among the top three States in the growth rates of NSDP in all the three decades. While the growth rates in Gujarat have risen between the 1990s and the 2000s (from 6.8 per cent to 8.6 per cent), the phenomenon appears to be neither unique nor associated with the Chief Ministership of Modi. First, in terms of ranks of growth rates, Gujarat slipped from first in the 1990s to third in the 2000s. Bihar and Haryana had higher NSDP growth rates in the 2000s compared to Gujarat. In addition, the improvement in growth rates between the 1990s and 2000s was more pronounced in States like Haryana, Bihar and Odisha than in Gujarat. Secondly, the rise in growth rates in Gujarat was also part of a revival of growth rates that the nation as a whole witnessed in the 2000s. Most Indian States, and particularly Maharashtra, Andhra Pradesh, Tamil Nadu and Kerala, also recorded higher growth rates in the 2000s than in the 1990s (see Table 2). In other words, there was nothing special in the economic growth rates that Gujarat recorded after Modi became the Chief Minister.

Economists who have studied Gujarat's economic growth in the 1990s and 2000s make two important points. First, as Ghatak and Roy (2014, p. 14) argue, "there is no evidence to suggest that Gujarat succeeded in widening its lead over the national average in the 2000s,

Table 2 *Rate of growth of NSDP at constant prices and the corresponding ranks of States, India, 1980 to 2010*, in per cent per annum

State/UT	Rate of growth of NSDP between (%)			Rank of States (descending)		
	1980-89	1990-99	2000-10	1980-89	1990-99	2000-10
Andhra Pradesh	6.8	5.2	7.9	2	10	5
Assam	4.1	2.5	4.9	13	16	16
Bihar	4.6	2.8	8.9	12	14	1
Gujarat	6.5	6.8	8.6	3	1	3
Haryana	6.4	5.1	8.9	4	11	1
Himachal Pradesh	5.2	5.8	6.8	9	8	9
Karnataka	5.6	6.7	6.1	7	2	12
Kerala	2.9	6.0	7.5	16	7	7
Madhya Pradesh	3.9	5.6	5.3	15	9	15
Maharashtra	6.3	6.6	8.4	5	4	4
Odisha	5.2	2.7	7.1	9	15	8
Punjab	5.8	4.3	5.5	6	12	13
Rajasthan	7.5	6.5	6.7	1	5	10
Tamil Nadu	5.4	6.3	7.7	8	6	6
Uttar Pradesh	4.9	3.2	5.4	11	13	14
West Bengal	4.1	6.7	6.3	13	2	11
India	**5.4**	**5.8**	**7.2**	-	-	-

Source: Ghatak and Roy (2014).
Note from Ghatak and Roy: Bihar in the 1980s and 1990s is undivided Bihar including Jharkhand. Bihar in the 2000s is excluding Jharkhand.

relative to the 1990s". In other words, they argue that the difference between the NSDP growth rate of Gujarat and of India has largely remained constant between the 1990s and 2000s. Secondly, they argue more specifically that "we do not find any evidence in favour of the hypothesis that Modi's economic leadership has had any significant additional effect on its growth rate in the 2000s" (p. 15).

Indeed, both in the 1990s and 2000s, Gujarat recorded the second highest growth rate of GSDP from manufacturing among all States. However, there are two major features of the nature of industrial growth in Gujarat in the 1990s and 2000s that demand specific attention. First, Gujarat's industrial performance is significantly lopsided and focused only on a few selected sectors. Most of the incremental output in manufacturing in the 2000s came from just one sector: petroleum refining. Nagaraj and Pandey (2013) argue that the share in gross value added of petroleum refining in Gujarat's registered manufacturing rose from 4.1 per cent in 2000-01 to 25 per cent in 2008-09. Even within petroleum refining, they argue, just two refineries accounted for most of the output: the shore-based refineries of Reliance and the Essar plant in Jamnagar. From these data, Nagaraj and Pandey reach two conclusions. First, the relative contribution of other manufacturing industries in Gujarat actually declined in the 2000s. Secondly, the linkages of the growth in petroleum refining with the rest of Gujarat's economy are likely to be weak, as it is "an import-dependent, capital-intensive, coast-based, export-oriented industry" (p. 41). Indeed, the poor growth of employment in Gujarat in the 2000s supports such a conclusion (see discussion in sub-section on employment).

Land as a source of private enrichment in industry

Industrial growth in Gujarat exemplifies the neo-liberal model of private enrichment. In the process of Gujarat's industrial growth in the 1990s and 2000s, dilution of land reform laws, freeing of regulations on land and gifting of public land to private players have played a critical role. Irrespective of whether the Congress (until 1995) or the BJP (after 1996) was in power, the policy shift has continued uninterrupted.

Neo-liberalism as context

A feature of regional growth in India under neo-liberalism has been the withdrawal of the state from public investment and the promotion of "competition" between States to attract private investment. Ahluwalia (2000) provides an eloquent discussion of the new policy. According to him, the use of public investment in reducing regional disparities in India is limited, as "public investment is a poor substitute for private investment", and as "the private sector is likely to be more competitive and efficient" (p. 1644). Under the new policy, the onus of attracting private investment lies largely with the States. If inter-State disparities have widened after 1991, the primary reason is the inability of backward States to be able to attract adequate private investment; Ahluwalia says: "competition has greatly increased the incentive for private corporate investment to locate where costs are minimised" (p. 1643). Finally, a necessary condition for States to attract more private investment is the increase in the "degree of flexibility allowed with regard to labour laws", which helps to minimize investment costs (p. 1646).

In practice, however, there has emerged an anarchic and irrational competition between States to attract private investors. Any difference between States in the cost of establishment of private industries is sought to be overcome by State governments offering attractive tax incentives to the investors. Since State governments are forced to rely almost exclusively on private investment, a "race to the bottom" has been ongoing with regard to the taxes imposed on new private investment. Private investors, on the other hand, use this opportunity to their advantage by bargaining on the tax sops with more than one State government. Location of new industries is, thus, no longer dependent on actual cost advantages (which was what the reform process was to achieve in theory), but on the extent of implicit transfer from the exchequer to the investors; these implicit transfers have also been called "social bribes" (see Patnaik, 2006).

Gujarat was an early practitioner of "social bribery" among all States irrespective of the party in power. In the early-1990s, Gujarat incentivised new private investors by reducing, exempting and deferring sales tax. Dholakia (2006) estimated that the loss to Gujarat government on account of sales tax foregone was Rs 210 crore per year between 1991 and 1995. After the BJP came to power in 1995, the foregone amount rose sharply. The sales tax foregone was Rs 1343 crore in 1997-98 and Rs 2000 crore in 1998-99. Further, the turnover tax was abolished by the government in 1997. Still further, Octroi was also abolished in 143 towns and 14,000 villages in May 2001. In 2001, Octroi was allowed to continue in the seven biggest cities of Gujarat, because of revenue considerations. However, in 2007, Octroi was totally abolished in the State, including the seven biggest cities. Sud (2014) estimates the State's loss from Octroi abolition at Rs 1800 crore per annum.[1]

Further, just as Ahluwalia advised, Gujarat also introduced a slew of labour reforms and removed protection to labourers (Shah, 2013). Shah notes that the stipulated minimum wages in Gujarat were fixed lower in all occupations than in Maharashtra and other competing States. Absolute levels of wages are also lower in Gujarat compared to other States. Estimates from the latest employment surveys of NSSO in 2011-12 show that rural wages in Gujarat were about 20 per cent lower than the national average, and urban wages in Gujarat were about 15 per cent lower than the national average (Chandrasekhar and Ghosh, 2014). As a result, in 2006, the ratio of wage bill to invested capital in Gujarat was just 2.42, while the corresponding figure was 4.04 for Karnataka, 4.4 for Maharashtra, 4.94 for Andhra Pradesh, 5.42 for Haryana and 5.5 for Tamil Nadu (Shah, 2013). Chandrasekhar and Ghosh (2014) concluded that “the much-vaunted ‘growth’ in Gujarat is not only overstated - its fruits are also very unequally distributed, so that workers in Gujarat are among the worst off anywhere in India.”

While all States did try to incentivize new investors with tax sops, and some States with partial labour reforms, the Gujarat government used an important additional instrument: *freeing the land market*. In fact, land has been the most important source of private enrichment in Gujarat in the 2000s surpassing all other tax and subsidy sops. Land reforms laws were freely amended for this purpose. Both the Congress and the BJP governments were equally complicit in legally facilitating such rural loot.

Reversal of land reforms

Till the late-1980s, land reforms in Gujarat were guided by a set of legislations passed from the 1940s onwards. Outside the Saurashtra region, which had its own land reform legislations, the rest of the State was governed by the Bombay Tenancy and Agricultural Land Act, 1948. A number of changes were made to the existing legislations by both the Congress and BJP governments in order to free the land markets and facilitate private takeover of large tracts of land (see Sud, 2014).

First, in 1987, the Congress government withdrew Section 2(6) from the Bombay Tenancy and Agricultural Land Rules. Section 2(6) disallowed any person to buy or sell agricultural land beyond 8 km of one’s residence. Such a clause was enacted to discourage absentee landlordism. Under the new amended law, any person could buy agricultural land anywhere in the State. Initially, this was applicable only for drought-affected regions; in 1995, it was implemented across the State. The then Congress government justified the amendment and stated that it would “facilitate mobility and entrepreneurship” (Sud, 2014, p. 238).

Secondly, in 1995, the BJP government introduced an amendment to Section 65 of the Bombay Land Revenue Act. This amendment removed all restrictions on the conversion of agricultural land to non-agricultural land. Suresh Mehta, the Industries Minister, called this move "revolutionary" (Sud, 2014, p. 238). However, within Gujarat, the move was criticised immediately (see Ramachandran and Ramakumar, 2000). A former Commissioner of Land Reforms in the State was reported to have said that it was an attempt by the BJP Government to bring back the Zamindari system, "depriving poor farmers of their land holdings and reducing them to the level of landless labourers" (Dasgupta, 1995). He said that the measure "would not only reduce the cultivable land area, but would also affect the rural economy seriously and increase the number of people living below the poverty line" (*ibid*.).

A Gujarat correspondent of *The Hindu* wrote that:

> Politicians and experts are surprised at the speed with which the BJP intends to rush through a measure to abolish all restrictions on land sharks and big industrial houses from grabbing agricultural land... [From] the way the draft bill was circulated among members, it is clear that the exercise was taken up by the BJP from day one after the swearing-in ceremony of the new Cabinet, apparently under heavy political pressure from influential land sharks and business houses. It is learnt that the party has been promised liberal financial assistance towards its election funds for the coming parliamentary elections if the restrictions on land purchase were withdrawn promptly by the State Government (cited in Ramachandran and Ramakumar, 2000).

Thirdly, a New Land Policy was adopted by the BJP government in 1996 (Sud, 2014). All beneficiaries of land reforms in the 1960s and 1970s, and beneficiaries of waste land development schemes, were provided with *navi sharat* (or, new tenure); such land was not saleable. The new policy allowed people holding *navi sharat* over land for 15 years to convert it to *juni sharat* (or, old tenure) and become eligible to sell it. The change of tenure, now, allowed industry to freely buy land from *navi sharat* holders and use for non-agricultural purposes. Sud further documents that in 2003, after Modi became Chief Minister, the land policy was further liberalized and all *navi sharat* lands were automatically and immediately converted to *juni sharat* lands. All permissions required to sell lands were waived.

Fourthly, in 2005, the government allowed *gauchar* land or village common land and all wasteland to be sold to industry for non-agricultural uses. According to Sud (2014), the 2005 amendment transferred about 46 lakh hectares of state-controlled wasteland to industrial houses to establish industries or introduce corporate farming. Wherever wastelands were suitable for cultivation, one private player was provided up to 2000 acres of land for 20 years, of which the first 5 years were rent-free; for the remaining period, the rent was fixed at Rs 40-100 per acre.

Thus, in the 1990s and 2000s, the Congress and BJP governments in Gujarat facilitated the transfer of lakhs of hectares of agricultural and public land to industrial houses at cheap rates. In 2014, there were around 60 Special Economic Zones (SEZ) in Gujarat, covering an area of approximately 27,125 hectares acquired under the new land regulations. There were two implications. First, such policies significantly reduced the extent of land that could have been allotted to landless agricultural labourers and small peasants as part of a continuing land reform programme. Secondly, hundreds of crores worth public assets were gifted away for private corporate aggrandisement. Writing on such social bribery through land transfers, Nikita Sud wrote:

> . . . land has been deregulated in Gujarat in order to facilitate an open market. However, in the face of continued imperfections and power imbalances, the state quite openly takes sides in the land market and in the process continues to be a key player in the economy of a liberalized resource . . . Institutions of the state, ranging from government departments to local councils, are involved in deft manoeuvring between market- and business-friendly practices, both legal and extra-legal. (Sud, 2014, p. 239)

Promotion of crony capitalism

In practice, the Gujarat government's attempts to entice investors through sops did not just drain the public exchequer and squeeze the money for social investments. The policy also brazenly promoted a worst form of crony capitalism, and destroyed all level-playing fields in the State's so-called capitalist market. Crony capitalism in Gujarat implied that a select set of industrial houses received disproportionate attention and assistance from the state. These select industrial houses were also allowed to freely manipulate the system for their own gains.

Three sets of illustrations of cronyism during Modi's period of governance have been widely highlighted.

First, the case of Adani group's land in Mundra for an SEZ in the Gulf of Kutch. The *Forbes* magazine recently reported that the Adani group received more than 7,000 hectares of land on a renewable 30-year lease from the Gujarat government in the 2000s (Bahree, 2014). A large part of this land was grazing land, which was taken over from villages under the newly amended land reform laws. The land was leased out to Adani group at a rent of 45 cents to $1 per square metre. In some villages, the rent was as little as 19 cents per square metre. The land was not fully utilized by the Adani group for industrial purposes; large parts of it were also sub-leased out to public sector entities like the Indian Oil Corporation at a higher rate of $11 per square metre. In other words, it was not just that public land was gifted away, but the public exchequer suffered further losses on account of sub-leasing-in the same public land.

Secondly, the case of the Nano plant of Tata Motors, which was shifted from Singur to Sanand. In 2008, after the plant was shifted to Sanand, an anonymous cabinet note was leaked out. This cabinet note listed out the series of concessions dished out to the Tata Motors, which the Gujarat government has refused to either confirm or deny till date. The *Indian Express* reported on the note thus:

· West Bengal had only leased the Singur land to Tata Motors for 90 years at a graded lease rate. However, Modi sold about 1000 acres of land in Sanand to Tata Motors, payable over eight annual installments. Further, the company was also exempted from stamp duty, registration charges and land transfer charges.
· Including land price, the Gujarat government was to give a soft loan of Rs 9,570 crore to Tata Motors payable over 20 years at 0.1 per cent annual interest.
· West Bengal was to sell power to Tata Motors at Rs 3 per KWH. However, the company had demanded total waiver of electricity duty from Gujarat government.
· Tata Motors also asked for exemption from Gujarat's labour laws, which demanded that 85 per cent of total employment and 60 per cent of managerial and supervisory employment be locally sourced.
· Tata Motors also wanted exemption from the rule that 50 per cent of the concession amount should be invested in Gujarat itself.
· The concessions given to Tata Motors were to be "special exceptions", which other industrial groups would not be eligible for.

Thirdly, according to the Comptroller and Auditor General's (CAG) report for 2012-13, "undue benefits" were provided by the Gujarat government to industrial houses like Reliance Industries Ltd (RIL), Essar Steel and Adani Power Ltd (APL) (see also Tehelka, 2013).

· In 2007, the government's Gujarat State Petronet Ltd had entered into an agreement with RIL for transportation of gas from Bharuch to Jamnagar. The CAG noted that "deviation from the agreed terms of recovery of transportation charges for transportation of gas from the specified entry point of the Company's pipeline network led to passing of undue benefit of Rs 52.27 crore" to the RIL (CAG, 2013, p. 84).
· In 2007, the government's Gujarat Urja Vikas Nigam Limited entered into a power purchase agreement with APL to purchase 1000 MW electricity from a power project of APL at Mundra. The CAG report noted that "non-adherence to the terms of Power Purchase Agreement led to short recovery of penalty of Rs 160.26 crore and passing of undue benefit to a private firm" (*ibid*, p. 91).
· The Essar Steel Company Ltd (ESCL) had encroached up on 724,897 square metres of government land in Hazira, Surat district. On ESCL's request in 2009, the government decided to regularise the encroachment by levying a charge 2.5 times the ad-hoc value of land at Rs 700 per square metre. The CAG noted that the value of Rs 700 per sq m was "not justifiable", and that it had resulted in a short recovery of ad-hoc occupancy price to the extent of Rs 238.50 crore.
· In 2008, Ford India Pvt Ltd was allotted 460 acres of land, valued at Rs 205 crore, for an automobile project at Rs 1,100 per square feet. This valuation was done by the State Level Approval Committee (SLAC), which had no authority to value land for projects with more than Rs 1000 crore investment. The CAG charged that the government was "playing around rules" to assist private industrial houses.
· In 2008, Larson and Toubro Ltd was allotted 853,247 square metres of land at Hazira for a steam-generation plant. The District Level Approval Committee (DLAC) had valued the land at Rs 1000-1050 per square metre. However, in February 2008, the State cabinet decided to provide a 30 per cent concession on the DLAC valuation and allotted the land at Rs 700-735 per square metre. The CAG concluded that the "non-adoption of the value of land fixed…resulted in loss of revenue of Rs 60.66 crore".
· Again, another CAG report in 2013 pulled up the Gujarat State Petroleum

> Corporation (GSPC) for purchasing gas as spot prices between 2006 and 2009 and reselling it at lesser than the purchase price to Adani Energy (Gujarat) Ltd. The CAG report noted that this had resulted in "undue benefit" to the Adani group valued at Rs 70.54 crore.

The Gujarat government was hand-in-hand with the state bureaucracy in providing largesse to the select set of corporate houses and promoting crony capitalism. Shah (2013) noted that bureaucrats in Gujarat "were functioning like entrepreneurs". He pointed out that:

> In several cases, the officers worked on behalf of investors to expedite the process of procuring license from the Union government. In some cases, to expedite the process, bureaucrats used to take first a license in the name of the GoG [Government of Gujarat] and shift it to the joint sector. Later, its full ownership was transferred to the private party . . . (p. 67)

II. POVERTY AND EMPLOYMENT

Gujarat's economy did indeed grow fast in the 1990s and 2000s, though it was not the fastest growing State. However, given that much of the economic growth emanated from public loot, in the form of largesse to corporate houses, the question is: did Gujarat's economic growth adequately translate into faster poverty reduction and employment growth? All evidence indicate that while poverty fell and employment rose, there were other States with lower growth rates than Gujarat that recorded much faster poverty reduction and employment growth.

Growth of consumption expenditures

There are two indicators that could be employed to understand poverty reduction in Gujarat, and the State fails to impress in both. First, let us consider State-wise monthly per capita consumption expenditures (MPCE) for 2011-12. I considered the 19 most populous States and ranked the States in the descending order of MPCE (see Table 3). For urban areas, the MPCE in Gujarat in 2011-12 was Rs 2472.49, which was slightly lower than the national average of Rs 2477.02. For rural areas, the MPCE of Gujarat was above the national average in 2011-

Table 3 *Ranks of States in monthly per capita consumption expenditure (MPCE), 19 States, rural and urban, India, 1993-94 and 2011-12*

State/UT	Ranks of States in MPCE			
	MPCEr, 1993-94	MPCEr, 2011-12	MPCEu, 1993-94	MPCEu, 2011-12
Andhra Pradesh	10	6	14	7
Assam	14	14	8	13
Bihar	17	16	19	19
Jharkhand	19	17	13	15
Gujarat	6	10	9	10
Haryana	3	3	5	1
Himachal Pradesh	4	4	1	2
Karnataka	11	11	11	5
Kerala	2	1	7	3
Madhya Pradesh	15	15	14	16
Chattisgarh	16	19	16	18
Maharashtra	11	8	2	4
Odisha	18	18	17	17
Punjab	1	2	3	6
Rajasthan	5	9	12	12
Tamil Nadu	8	5	10	8
Uttar Pradesh	13	7	18	11
Uttarakhand	7	13	4	14
West Bengal	9	12	6	9

Source: NSSO reports.
Note: MPCE figures refer to Mixed Reference Period (MRP). Subscript 'r' is rural and 'u' is urban.

12. Among the 19 States, Gujarat was ranked 10th in the MPCE for rural and urban areas in 2011-12. More importantly, the rank of Gujarat in the MPCE had slipped between 1993-94 and 2011-12. In 1993-94, Gujarat ranked 6th in the rural MPCE and 9th in the urban MPCE. Thus, between 1993-94 and 2011-12, Gujarat's rank dropped from 6th to 10th with respect to rural MPCE and from 9th to 10th with respect to urban MPCE.

For a State whose NSDP grew at about 7 per cent in the 1990s and about 8 per cent in the 2000s, the lack of growth of rural and urban MPCE relative to other States is a grave concern. In other words, growth of production in Gujarat did not translate into growth of consumption. It is a telling comment on the unequal nature of capitalist growth in the State that (a) its rank in MPCE dropped in comparison with other States that grew slower in the 1990s and 2000s; and (b) its rank in rural MPCE dropped faster than its rank in urban MPCE.

Table 4 *Ranks of States in head count ratios (HCR) of poverty, rural and urban, India, 1993-94 and 2011-12*

State/UT	Ranks of States in HCR of poverty			
	HCRr, 1993-94	HCRr, 2011-12	HCRu, 1993-94	HCRu, 2011-12
Andhra Pradesh	10	4	17	3
Assam	14	15	7	15
Bihar	18	16	20	20
Jharkhand	20	19	19	18
Gujarat	9	10	8	8
Haryana	6	6	4	9
Himachal Pradesh	4	2	2	1
Jammu & Kashmir	2	5	1	5
Karnataka	16	13	15	13
Kerala	3	3	5	2
Madhya Pradesh	11	17	13	16
Chattisgarh	15	20	9	17
Maharashtra	17	12	11	6
Odisha	19	18	16	14
Punjab	1	1	6	7
Rajasthan	7	9	10	11
Tamil Nadu	13	8	14	4
Uttar Pradesh	12	14	18	19
Uttarakhand	5	7	3	10
West Bengal	8	11	12	12

Source: Computed from data in Planning Commission (2010) and Panagariya and More (2013).
Note: Subscript 'r' is rural and 'u' is urban.

Reduction of income-poverty

The share of persons living in poverty (head count ratio; HCR) is estimated in India by using a poverty line based on MPCE. The rate of poverty reduction in Gujarat between 1993-94 and 2011-12 is hardly impressive (Table 4). Both in 1993-94 and 2011-12, HCR in Gujarat was lower than the national average in both rural and urban areas. Yet, Gujarat's rank in the HCR across 20 States deteriorated in rural areas and remained stagnant in urban areas between 1993-94 and 2011-12. Between 1993-94 and 2011-12, Gujarat's rank in rural HCR dropped from 9th to 10th. In the same period, Gujarat's rank in urban HCR remained stagnant at 8th.

Gujarat's inability to reduce poverty substantial enough to improve its rank among States, many of whom had lower economic growth rates, underlines our earlier argument that economic growth in Gujarat failed to improve levels of consumption among its masses.

Growth of employment

Two features of economic growth in Gujarat have influenced employment generation within the State. First, industrial growth in Gujarat in the 1990s and 2000s originated largely from petroleum refinery; as a result, the regional linkages of such growth were extremely weak. Secondly, industrial growth in Gujarat was also heavily capital-intensive and export-intensive; as a result, the quantum of employment it might have generated is likely to have been lower than an alternative strategy based on a labour-intensive and small-scale industries. Indeed, data show that both these features significantly limited the growth of employment in the context of Gujarat.

The major sources of employment data are the Census of India and the National Sample Survey Organisation (NSSO). For the sake of simplicity, I have confined the analysis in this article to only rural Gujarat. First, the Census provides data on work participation rate (WPR), i.e., the share of workers in the population. Between 2001 and 2011, the rural work participation rate in Gujarat fell from 47.2 per cent to 44.9 per cent. In the same period, the rural work participation rate in India as a whole rose, *albeit* slightly, from 41.7 per cent to 41.8 per cent. An argument could be raised that his might be because of more numbers of prospective workers going to schools and colleges, and not looking for work. Hence, further corroboration is required before concluding that the fall in work participation rate implies lack of employment growth.

Secondly, NSSO provides data on the share of households with the non-farm sector as the major source of income. "Major source of income" is that from which a household derives more than 50 per cent of its income during the last 365 days preceding the date of survey. Both in India and in Gujarat, the share of rural households with non-farm sector as the major source of income rose between 1993-94 and 2004-05. However, while the share of rural households with non-farm sector as the major source of income continued to rise in India between 2004-05 and 2009-10 (from 38.3 per cent to 42.5 per cent), the same in Gujarat fell (from 34 per cent to 30.4 per cent). As in India, in States like West Bengal too, the corresponding share rose from 40.5 per cent to 43.2 per cent between 2004-05 and 2009-10. In other words, industrial growth in Gujarat in the 2000s failed to increase the share of rural households whose major source of income was outside agriculture.

Of course, an argument could be raised that Gujarat's growth in agriculture in the 2000s – a claim of Modi – might have retained more workers within agriculture between 2004-05 and 2009-10. If that was so, the share of cultivators in the State's rural workforce should have risen. However, as Census data show, the share of cultivators in the rural workforce in Gujarat fell from 38 per cent to 33.7 per cent. On the other hand, the share of agricultural labourers in the rural workforce in Gujarat rose from 33.2 per cent to 41.6 per cent. This is in line with the argument in Hirway and Shah (2011) who noted for Gujarat that "the higher shares of the non-primary sectors in the SDP are not accompanied by structural transformation in the workforce" (p. 58). According to them, there is a widening productivity gap between the primary and secondary sectors in Gujarat, which had persisted in spite of higher levels of agricultural growth in the State in the 2000s.

Thirdly, manufacturing employment is one of most important casualties of Gujarat's so-called industrial success. If we consider usually employed persons in the rural areas, the share of such persons employed in manufacturing stood at 9.2 per cent in 1993-94 in Gujarat. This share fell to 7.8 per cent in 2004-05 and 5.8 per cent in 2009-10. If we consider a State like West Bengal, the corresponding share had risen from 13.5 per cent in 2004-05 to 16.6 per cent in 2009-10.

In sum, (a) the rural work participation rate in Gujarat fell between 2001 and 2011; (b) the share of rural households with the major share of income outside agriculture fell between 2004-05 and 2009-10; (c) the share of cultivators in the workforce fell, and that of agricultural labourers rose, between 2001 and 2011; and (d) the share of manufacturing employment in the rural areas fell between 2004-05 and 2009-10.

Thomas (2013) has summarized the trends in employment generation in India in terms of absolute numbers by considering *both rural and urban areas*. From NSSO data, he calculated the actual net increase in employment in different States between 2004-05 and 2009-

10 across different sectors (see Table 5). The table shows that in the five years between 2004-05 and 2009-10:

· the number of workers employed in agricultural and allied activities in Gujarat fell by 7 lakhs;
· the number of workers employed in manufacturing in Gujarat fell by 8 lakhs;
· the number of workers employed in rural non-agricultural sectors in Gujarat fell by 4.2 lakhs;
· the only two sectors in Gujarat where the number of workers rose in absolute terms were non-agricultural sectors (considering both rural and urban areas), and construction (considering both rural and urban areas). The number of workers in non-agricultural sectors rose by 3.2 lakhs and in construction rose by 2.5 lakhs.

On the other hand, the experience of a State like West Bengal was quite the opposite. In West Bengal, the absolute number of workers rose in all the sectors that Thomas reports on, except agriculture and allied activities (see Table 5). The rise in the number of workers was 22.6 lakh in non-agricultural sectors considering rural and urban areas; 21.5 lakh in non-agricultural sectors in rural areas; 9.9 lakhs in manufacturing; and 5.2 lakhs in construction. It is notable that West Bengal's industrial growth in the 2000s was neither lop-sided nor capital-intensive.

Between 2009-10 and 2011-12, there was a revival of manufacturing employment in India. However, even if we consider data for 2011-12, Gujarat is only a distant second in terms of employment generation as compared to a State like West Bengal. Updated data, provided to me by Jayan Jose Thomas, shows that between 2004-05 and 2011-12, manufacturing employment in West Bengal rose by 27.4 lakhs as compared to 9.5 lakhs in Gujarat. Out of the rise of 9.5 lakh manufacturing workers in Gujarat, only 70,000 were women. The entire rise in Gujarat's manufacturing employment was based in urban areas; in rural areas, manufacturing employment actually fell between 2004-05 and 2011-12.

III. STANDARDS OF LIVING

Social sector expenditures

An important outcome of the cronyism in the economy of Gujarat

Table 5 *Net increases in employment in selected sectors between 2004-05 and 2009-10, State-wise, India, in lakh numbers*

States	Net increase in the number of workers (in lakhs) employed in				
	Agriculture & allied activities	Non-agriculture	Rural non-agriculture	Manufacturing	Construction
Andhra Pradesh	-12.7	11.4	9.8	2.5	13
Assam	-4.5	4.5	3.2	0.4	1.2
Bihar	-35.2	26.4	24.8	-1.6	20.2
Chhattisgarh	-9	1.3	-0.1	0.9	-0.3
Gujarat	-7.1	3.2	-4.2	-8	2.5
Haryana	-4.4	9.4	2	3.1	3.5
Himachal	-1.8	2	2.1	-0.5	1.3
Jammu & Kashmir	0.5	4.6	2.8	-0.4	1.2
Jharkhand	-24.8	9	6.8	-3.2	9.2
Karnataka	-16.5	13.2	8.1	-0.5	7.2
Kerala	-7.5	8.3	6.2	-1.9	5.7
Madhya Pradesh	-1.2	4.1	0.3	-4.3	10.3
Maharashtra	-10.8	21.8	0.4	-2.1	2.3
Orissa	-8.4	3	-0.9	-4.3	6.1
Punjab	-6.5	4.4	1.4	-0.4	4.6
Rajasthan	-19.2	27.1	22.8	-6.7	26.5
Tamil Nadu	-8	-5.5	-4	-11	10.6
Uttar Pradesh	-27.8	37.2	32	-11	41.8
Uttaranchal	-3.8	3.6	2.1	0.7	2.2
West Bengal	-6.3	22.6	21.5	9.9	5.2
India	**-208.1**	**223.6**	**139.8**	**-36.7**	**181.1**

Source: Thomas (2013).

has been an absence of growth of revenues of the State. The RBI provides data on receipts and expenditures for each State. These data show that revenue receipts of Gujarat, as a ratio to the GSDP, were lower than for all States together between 2004 and 2013 (Table 6). Between 2010 and 2013, the average ratio of revenue receipts to GSDP stood at 10.3 per cent in Gujarat, while the corresponding ratio for all States was 12.5 per cent. Within revenue receipts, Own Tax Revenues (OTR) form a major chunk of State's revenues. In all the three periods of 2004-08, 2008-10 and 2010-13, the OTR/GSDP ratio in Gujarat was above the national average. However, when I ranked the OTR/GSDP ratios across States, Gujarat's rank was just 11th in 2004-08 and 10th in 2010-13. For the period 2010-13, if Gujarat had an OTR/GSDP ratio of 7.2 per cent, five other States (Karnataka, Tamil Nadu, Madhya Pradesh, Kerala and Andhra Pradesh) had OTR/GSDP ratios above 8 per cent.

As a consequence, the overall expenditure stance of the

Table 6 *Ratio to GSDP of revenue receipts, revenue expenditure, development expenditure and social sector expenditure, Gujarat and all States, India, 2004 to 2013, in per cent*

Item	Share in GSDP (%)	
	Gujarat	All States
Revenue receipts/GSDP		
2004-08 (Avg)	10.5	11.9
2008-10 (Avg)	10.1	12.1
2010-13 (Avg)	10.3	12.5
Revenue expenditure/GSDP		
2004-08 (Avg)	10.7	11.9
2008-10 (Avg)	10.9	12.2
2010-13 (Avg)	10.3	12.4
Development Expenditure/GSDP		
2004-08 (Avg)	8.8	9.1
2008-10 (Avg)	9.5	10.0
2010-13 (Avg)	9.1	9.8
Social sector expenditure/GSDP		
2004-08 (Avg)	4.7	5.2
2008-10 (Avg)	5.2	6.0
2010-13 (Avg)	5.3	6.1

Source: RBI (2013).

government was deeply conservative. Between 2004 and 2013, the ratio of revenue expenditure to GSDP was lower in Gujarat than in all States together. The average ratio of revenue expenditure to GSDP between 2010 and 2013 stood at 10.3 per cent, while the corresponding ratio for all States was 12.4 per cent.

The "quality" of expenditures in Gujarat was also no better than in all States. The ratio of development expenditure to GSDP was lower in Gujarat than in all States. Between 2010 and 2013, the ratio stood at 9.1 per cent for Gujarat and 9.8 per cent for all States.

As a consequence of the conservative stance of fiscal policy, social sector expenditures as a ratio of GSDP have been lower in Gujarat than in all States. Between 2010 and 2013, the ratio was 5.3 per cent for Gujarat and 6.1 per cent for all States. Gujarat's standing among all States in social sector indicators is nothing to be written about, as we shall see below. As such, it was even more imperative for the State to raise its expenditures in the social sector.

In the following sections, we shall examine the progress in Gujarat across a specific set of indicators: sex ratio, maternal mortality rate, anaemia among women, literacy rate, infant mortality rate and a composite index of quality of life.

Table 7 *Sex ratios in Gujarat and India, 1901 to 2011, women per 1000 men*

Year	Sex ratios in	
	Gujarat	India
1901	954	972
1911	946	964
1921	944	955
1931	945	950
1941	941	945
1951	952	946
1961	940	941
1971	934	930
1981	942	934
1991	934	927
2001	920	933
2011	918	940

Source: Census of India, various issues.

Sex ratio

Gujarat's performance in ensuring that the biologically normal share of women is maintained in the population is nothing short of a disaster. In 2011, the sex ratio in Gujarat was 918, which was significantly lower than for India as a whole: 940 (Table 7). In other words, in comparison with India as a whole, there were 22 additional missing women in Gujarat for every 1000 men.

The sex ratio in Gujarat also fell regularly between 1981 and 2011. Between 1981 and 2011, the sex ratio in Gujarat fell from 942 to 918, while the sex ratio in India rose from 934 to 940. Survival at birth is the most basic indicator of women's empowerment and freedom. Here, Gujarat's performance is not just worse than India, but is also constantly deteriorating.

Maternal mortality and anaemia among women

We can also use two other indicators of women's health – maternal mortality rate (MMR) and percentage of women with anaemia – to understand developments in women's health in Gujarat.

The MMR of Gujarat was lower than the national average both in 1999-01 and 2007-09 (Table 8). To judge the progress of Gujarat in reducing MMR, two indicators of change could be used: first, the change in the MMR between the two endpoints and secondly, the

Table 8 *Maternal mortality rates, State-wise, India, 1999 to 2009, in deaths per 100,000 live births*

States	Maternal mortality rates 1999-01	Maternal mortality rates 2007-09	Rank, 1999-01	Rank, 2007-09	Change, 1999-01 to 2007-09
Andhra Pradesh	220	134	8	4	-86
Assam	398	390	10	15	-8
Bihar/Jharkhand	400	261	11	11	-139
Gujarat	202	148	6	6	-54
Haryana	176	153	4	7	-23
Karnataka	266	178	9	9	-88
Kerala	149	81	1	1	-68
Madhya Pr/Chhattisgarh	407	269	12	12	-138
Maharashtra	169	104	3	3	-65
Odisha	424	258	13	10	-166
Punjab	177	172	5	8	-5
Rajasthan	501	318	14	13	-183
Tamil Nadu	167	97	2	2	-70
Uttar Pradesh/Uttarakhand	539	359	15	14	-180
West Bengal	218	145	7	5	-73
India	**327**	**212**	-	-	**-115**

Source: "Family Welfare Statistics in India, 2011", Ministry of Health and Family Welfare.

rank among States at the two end points. On both counts, the performance of Gujarat turns out to be poor compared to other States.

First, between 1999-01 and 2007-09, the MMR in Gujarat fell from 202 to 148, or by 54 points. In the same period, the MMR in India as a whole fell from 327 to 212, or by 115 points. It may be argued that lower the MMR in a State, the more difficult it becomes to reduce MMR. Gujarat cannot enjoy the luxury of such an excuse because all the 5 States that had lower MMR than Gujarat in 2007-09 viz., Kerala, Tamil Nadu, Maharashtra, Andhra Pradesh and West Bengal, reduced MMR by more number of points (see Table 8). For instance, Kerala reduced its MMR by 68 points and Tamil Nadu reduced its MMR by 70 points between 1999-01 and 2007-09. Secondly, the rank of Gujarat in the list of States arranged in the ascending order of MMR remained 6th during both 1999-01 and 2007-09.

In terms of the prevalence of anaemia among women also, Gujarat performed poorer than India as a whole. The National Family Health Survey (NHFS) provides data on the incidence of anaemia for the year 2005-06; the data are also broken down into the incidence of severe, moderate and mild anaemia. NFHS data show that the share

Table 9 *Prevalence of anaemia among women, India and Gujarat, NFHS, 2005-06, in per cent of women*

State	Percentage of women with			
	Mild anaemia	Moderate anaemia	Severe anaemia	Total
Gujarat	36.2	16.5	2.6	55.3
India	38.6	15.0	1.9	55.5

Source: NFHS reports.

of women with severe and moderate anaemia was higher in Gujarat than in India as a whole in 2005-06 (Table 9).

Literacy rates

Even on a basic educational indicator, such as literacy rate, Gujarat's performance in the 2000s does not transcend that of any other State. Gujarat's rank in the States arranged in the descending order of literacy rates remained unchanged at 6th both in 2001 and 2011 (Table 10).

Infant mortality rates (IMR)

In terms of the ranks of States in the levels of IMR, Gujarat's rank improved from 11th to 9th between 2003 and 2012 (Table 10). However, in the levels of IMR, Gujarat's performance was not significantly better than in India as a whole. Between 2003 and 2012, the IMR for Gujarat fell from 57 to 38, or by 19 points. During the same period, the IMR for India as a whole fell from 60 to 42, or by 18 points. At best, Gujarat stood close to the national average both in the level of IMR and in the rate of reduction of IMR between 2003 and 2012. If we rank the States with respect to the number of points by each State reduced its IMR, Gujarat comes only at the 9th rank.

Physical Quality of Life Index (PQLI)

Finally, as a composite index of social development, I employ the Physical Quality of Life Index (PQLI) to judge the overall performance of Gujarat in the social sector. The PQLI, originally formulated in the 1970s, is a simple average of literacy rate, infant mortality rate and life expectancy at the age of 1. Estimations made by Nagaraj and Pandey (2013) show that, in 1991, if the PQLI index for India stood at 100,

Table 10 *Ranks of States in literacy rate and infant mortality rate, India, 2001, 2003, 2011 and 2012*

State	Ranks of States			
	Literacy rate, 2001	Literacy rate, 2011	IMR, 2003	IMR, 2012
Andhra Pradesh	15	17	12	12
Assam	13	12	15	19
Bihar	20	20	14	14
Chhattisgarh	11	13	16	15
Gujarat	6	6	11	9
Haryana	9	9	12	13
Himachal Pradesh	3	2	7	8
Jammu & Kashmir	18	16	5	11
Jharkhand	19	18	9	9
Karnataka	10	10	10	5
Kerala	1	1	1	1
Madhya Pradesh	12	14	19	20
Maharashtra	2	3	3	3
Orissa	14	11	20	17
Punjab	7	8	7	4
Rajasthan	16	19	17	16
Tamil Nadu	4	4	4	2
Uttar Pradesh	17	15	18	17
Uttarakhand	5	5	2	7
West Bengal	8	7	6	5

Source: Census of India, 2001 and 2011.

the PQLI index for Gujarat was 109.9 (Table 11). In 2011, if the PQLI index for India was 100, the PQLI index for Gujarat stood at 104.3.

Further, if we consider ranks of States according to the PQLIs, Gujarat's rank among 17 States was 7th both in 2001 and 2011. Nagaraj and Pandey conclude that "Gujarat has not improved its position in social development relative to other States" (2013, p. 41).

IV. CONCLUSIONS

Much of the so-called claims of the BJP and Modi about Gujarat's "development model" is nothing but empty political rhetoric. Gujarat was just one of the many fast growing States in India in the 2000s, and its increase of growth rates in the 2000s, as compared to the 1990s, was shared by most Indian States.

Indeed, Gujarat's industrial growth in the 2000s was impressive in terms of overall growth rates. However, an explanation of Gujarat's high industrial growth rates cannot simply end by stating its historical

Table 11 *Ranking of States by the levels of Physical Quality of Life Index (PQLI), India, 2001 and 2011*

States	PQLI ranking in 2001	PQLI ranking in 2011
Andhra Pradesh	11	11
Assam	14	15
Bihar	13	13
Gujarat	7	7
Haryana	8	10
Himachal Pradesh	2	4
Jammu & Kashmir	10	9
Karnataka	9	8
Kerala	1	1
Madhya Pradesh	15	17
Maharashtra	3	2
Orissa	16	14
Punjab	4	5
Rajasthan	12	12
Tamil Nadu	5	3
Uttar Pradesh	17	16
West Bengal	6	6

Source: Nagaraj and Pandey, 2013.

advantages. Under neo-liberal policy, public investment retreated, and States were forced to entice private businesses to attract investment. Gujarat was one of the earliest to take advantage of the new rules that neo-liberal policy set for States. In 2003, Modi told a summit of investors: "if you plant a Rupee in the Gujarati soil, you will get a dollar in return". The promise of such returns was accompanied by the actual provision of extraordinary sops, concessions and subsidies to global and domestic investors. A large number of rules and regulations were violated and tweaked to provide such benefits. Land reform laws were amended repeatedly to facilitate the transfer of lakhs of hectares of agricultural land to industrial houses at unbelievably cheap rates. In other words, at the base of Gujarat's industrial growth was the covert and overt transfer of massive amounts of public resources to private corporates. Both the Congress and the BJP in Gujarat were equally complicit in such blatant engineering of transfers, which has been aptly called crony capitalism.

Yet, Gujarat's industrial growth remained lop-sided and lacked diversification. As a result, both in the 1990s and 2000s, Gujarat could not reduce income-poverty among its population more than any other State could. In 2011-12, the State was ranked 10^{th} among all States in the levels of HCR. Employment was a major casualty in the State between 2004-05 and 2009-10. In this period, about 7 lakh people lost jobs in the agricultural sector and about 8 lakh people lost jobs in the manufacturing sector.

Gujarat's absolute and relative status in social sector indicators is thoroughly unimpressive; it remains a socially backward State that has failed to decisively improve its human development indicators. Its sex ratio was 22 points lower than the national average in 2011. Regular largesse to investors meant lesser revenues that could be invested in the social sector. It is then no surprise that Gujarat's record in reducing maternal and infant mortality rates was poorer than a number of other States that recorded lower economic growth rates. Both during 1999-2001 and 2007-09, the State was ranked 6th among all States in the levels of MMR. With respect to the levels of IMR, Gujarat was ranked 9th among all States in 2012.

In sum, for an Indian State, Gujarat's economic model is far from an "alternative". To be an alternative, one has to be swim against the tide; one has to resist the dominant and hegemonic discourse; and one has to traverse a path that is divergent. The fact is that Gujarat was a State that swam best with the neo-liberal tide; a State that actively promoted the dominant, hegemonic and corporate-led neo-liberal discourse; and a State that was the most compliant and religious in implementing neo-liberal policies handed down from the centre. Given its record, it shows up as nothing but an exemplar of the perils of neo-liberalism.

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NOTES

[1] In the 2000s, direct subsidies to new investors increasingly substituted for the reduction, exemption and deferment of sales tax in Gujarat (Dholakia, 2006).