The NCAER
State Investment Potential Index

N-SIPI 2016

The NCAER Study Team

20 December, 2016
1. India: Socio-political & economic dynamics
2. Methodology
3. The Five Pillars and Findings
4. Overall Ranking of States under N-SIPI 21 and N-SIPI 30
5. Movers and Shakers
Political Dynamics

- A union of 29 states & 7 Union territories
- Govt democratically elected on basis of universal adult franchise
- Present govt led by BJP which won 282 out of 543 seats in lower house in May 2014 elections.
- 1st time since 1984 that a single party won a majority
States are at widely disparate levels of development: per capita income ranges from Delhi (Rs 219,979) to Bihar (Rs 31,199).
## Social Dynamics

### Chart 2

#### Ranking of Indian states in the world according to 2015 Human Development Report

<table>
<thead>
<tr>
<th>INDIAN STATES</th>
<th>Constructed HDI score</th>
<th>Hypothetical HDI ranks</th>
<th>COMPARABLE COUNTRIES</th>
<th>HDI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerala</td>
<td>0.7117</td>
<td>104</td>
<td>Maldives</td>
<td>0.706</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>0.6701</td>
<td>116</td>
<td>Uzbekistan</td>
<td>0.675</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>0.6663</td>
<td>118</td>
<td>Philippines</td>
<td>0.668</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>0.6659</td>
<td>119</td>
<td>South Africa</td>
<td>0.666</td>
</tr>
<tr>
<td>Punjab</td>
<td>0.6614</td>
<td>124</td>
<td>Bolivia</td>
<td>0.662</td>
</tr>
<tr>
<td>Haryana</td>
<td>0.6613</td>
<td>125</td>
<td>Kyrgyzstan</td>
<td>0.655</td>
</tr>
<tr>
<td>Jammu and Kashmir</td>
<td>0.6489</td>
<td>128</td>
<td>Iraq</td>
<td>0.654</td>
</tr>
<tr>
<td>Karnataka</td>
<td>0.6176</td>
<td>137</td>
<td>Tajikistan</td>
<td>0.624</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>0.6165</td>
<td>138</td>
<td>Tajikistan</td>
<td>0.624</td>
</tr>
<tr>
<td>Gujarat</td>
<td>0.6164</td>
<td>139</td>
<td>Honduras</td>
<td>0.606</td>
</tr>
<tr>
<td><strong>ALL INDIA</strong></td>
<td><strong>0.6087</strong></td>
<td><strong>142</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Bengal</td>
<td>0.6042</td>
<td>142</td>
<td>Bhutan</td>
<td>0.605</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>0.5768</td>
<td>151</td>
<td>Ghana</td>
<td>0.579</td>
</tr>
<tr>
<td>Odisha</td>
<td>0.5567</td>
<td>154</td>
<td>Bangladesh</td>
<td>0.57</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>0.5567</td>
<td>155</td>
<td>Bangladesh</td>
<td>0.57</td>
</tr>
<tr>
<td>Assam</td>
<td>0.5555</td>
<td>156</td>
<td>Cambodia</td>
<td>0.555</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>0.5415</td>
<td>161</td>
<td>Pakistan</td>
<td>0.538</td>
</tr>
<tr>
<td>Bihar</td>
<td>0.5361</td>
<td>163</td>
<td>Myanmar</td>
<td>0.536</td>
</tr>
</tbody>
</table>

**STATE HDI:**

International comparison

Sources: UNDP 2015 Human Development Report; RBI (for state per capita income); Desai, Somanade, and Reeve Vanneman. India Human Development Survey-II, 2011-12 (for education indicators); SRS Based Life Tables 2009-13 and Mint calculations.
Growth has been robust: IMF gives India a thumbs up

<table>
<thead>
<tr>
<th>YoY</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Advanced economies</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>US</td>
<td>2.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Euro area</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>UK</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Japan</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Emerging economies</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>China</td>
<td>6.6</td>
<td>6.6</td>
</tr>
<tr>
<td>India</td>
<td>7.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Country</td>
<td>Share of Manufacturing in GDP</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>-------------------------------</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

Figures relate to 2013
The global context: Growth and competitiveness

India third largest market in the world

India emerging out of the shadows of its BRICS competitors

India’s demographic dividend could add up to 2% a year in real rates of growth (IMF estimates)

The Global Competitiveness Index (2016) ranks India at 39th place

The World Bank’s Ease of Doing Business ranks India at 130th place
N-SIPPI focuses on the policy and structural backdrop that determines the business environment in any state.

Ranks states on comprehensive score based on five pillars.

The World Bank/DIPP Index is more procedure- and transactions-driven.

Ranks states based on the progress on a 98-point action plan on business reforms.

N-SIPPI therefore complements the work of the World Bank and DIPP.

Both increase state level competitiveness and performance.
With ongoing policy reforms and the Make in India and Start-up India campaigns, there is now a greater stress on more inclusive and broad-based economic growth.

States are now vying with one another in their effort to make it easier to do business and attract investment.

While India is growing as a land of investment opportunities, informational asymmetries quite often drive a wedge between investment decisions and spatial location.

In this context, the N-SIPI:

- Reflects on the competitiveness of business ecosystem in states
- Serves as a credible benchmark
- Is Fair, Reliable, Representative, and Replicable
2. Methodology
Methodology: The Five Pillars

- Factor Driven: Pillar 1: Labour
- Efficiency Driven: Pillar 2: Infrastructure
- Perceptions Driven: Pillar 5: Survey based responses
- Growth: Pillar 3: Economic Climate
- Driven: Pillar 4: Political Stability and Governance

* Land has not been added as a factor as comparable good quality data was not available across all the 30 states.
Perception driven index

Unique component of N-SIPI

The Perceptions Pillar forms the fifth pillar of N-SIPI

Constructed using extensive and scientifically based industry surveys across 21 states

Percent respondents finding acquiring land a problem

Yes 27%
No 73%
Two rankings

- The industry survey was conducted in 21 states
  - Only Assam covered among 7 North-Eastern states
  - Goa, J&K and Sikkim also not covered

- Hence, this study reports two types of rankings
  - **N-SIPI 21**: This is the main Index in this study. N-SIPI 21 ranks 21 states based on all 5 pillars and 51 sub-indicators.
  - **N-SIPI 30**: This Index ranks 30 states based on 4 pillars and 44 sub-indicators. N-SIPI 30 does not include the fifth pillar based on the surveys.

N-SIPI 21 is the comprehensive ranking on all five pillars.
N-SIPI 21 is the **SIGNATURE INDEX** of NCAER.
3. The Five Pillars and Findings
N - SIPI 21 Ranking on Labour

Top guns
- Kerala
- Tamil Nadu
- Karnataka

Close seconds
- Gujarat
- Odisha
- Uttar Pradesh

Miles to go …
- Delhi
- Bihar
- Haryana
N - SIPI 21 Ranking on Infrastructure

Top guns
- Delhi
- Punjab
- Gujarat

Close seconds
- Uttarakhand
- Kerala
- West Bengal

Miles to go ...
- Rajasthan
- Jharkhand
- Uttar Pradesh
N - SIPI 21 Ranking on Economic Climate

Top guns:
- Delhi
- Andhra Pradesh
- Maharashtra

Close seconds:
- Gujarat
- Telangana
- Tamil Nadu

Miles to go …:
- Punjab
- West Bengal
- Uttar Pradesh
N - SIPI 21 Ranking on Governance and Political Stability Base

Top guns
- Gujarat
- Tamil Nadu
- Madhya Pradesh

Close seconds
- Chhattisgarh
- Haryana
- Karnataka

Miles to go …
- Himachal Pradesh
- Jharkhand
- Bihar
N - SIPI 21 Ranking on Perception of a good industrial climate

Top guns
- Gujarat
- Rajasthan
- Chhattisgarh

Close seconds
- Uttarakhand
- Andhra Pradesh
- Madhya Pradesh

Miles to go …
- Uttar Pradesh
- Jharkhand
- Punjab
4. Overall Rankings under N-SIPI 21 and N-SIPI 30
N-SIPI 21: Overall Index (5 Pillars)

- Gujarat
- Delhi
- Tamil Nadu
- Andhra Pradesh
- Maharashtra

- Karnataka
- Chhattisgarh
- Uttarakhand
- Rajasthan
- Kerala

- Odisha
- Madhya Pradesh
- Telangana
- Assam
- West Bengal

- Haryana
- Himachal Pradesh
- Punjab
- Bihar
- Uttar Pradesh
- Jharkhand
N-SIPI 30: Overall Index (4 Pillars)

Delhi
Gujarat
Tamil Nadu
Goa
Maharashtra

Karnataka
Andhra Pradesh
Kerala
Uttarakhand
Odisha

West Bengal
Telangana
Chhattisgarh
Punjab
Madhya Pradesh

Rajasthan
Tripura
Haryana
Assam
Sikkim

Nagaland
Mizoram
Himachal Pradesh
Meghalaya
Uttar Pradesh

Manipur
Bihar
Jharkhand
Jammu & Kashmir
Arunachal Pradesh
Movers and shakers if the fifth pillar on Perceptions is included

States which move up:
- Andhra Pradesh
- Chhattisgarh
- Rajasthan
- Madhya Pradesh
- Assam

States which move down:
- Kerala
- West Bengal
- Punjab
- Odisha

States that maintain their ranking:
- Tamil Nadu
- Maharashtra
- Karnataka
N-SIPI 21 and the World Bank/DIPP Index

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>N-SIPI 21</th>
<th>DIPP/World Bank Index</th>
<th>N-SIPI Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gujarat</td>
<td>35</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>Delhi</td>
<td>30</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Tamil Nadu</td>
<td>25</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>Andhra Pradesh</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Maharashtra</td>
<td>15</td>
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</tr>
<tr>
<td>6</td>
<td>Karnataka</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Chhattisgarh</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>
Thank You