

‘Be the Bank of Choice for a Transforming India’

**MARCH 08, 2019**  
**ISSUE NO:94, FY19**

## **HUMAN DEVELOPMENT INDEX ACROSS INDIAN STATES: IS THE GLASS STILL HALF EMPTY?**

The recently released data on Subnational Human Development Index (SHDI) for Indian States for the period 1990 to 2017 throw up some interesting results. This index, which follows the UNDP method, is an average of the subnational values of three dimensions, mainly Education, Health and Standard of Living. India’s performance in some of the metrics is praiseworthy.

Since, Human Development is a continuous process, we estimated the comparative SHDI of Indian states for the 27 year period ended 2017. We find that states like Haryana, Himachal Pradesh, Tamil Nadu and Punjab along with Kerala remain at the pole position.

The preponderance of southern states is not a surprise, but it also reflects an emerging concern. This is because ‘Southern India’ population is turning old and is currently witnessing a significantly low population growth and this could potentially result in imminent pressure on Southern states in terms of inter-state migration (both social & physical).

Another interesting fact is that the States which were the worst performing states in HDI during 1990s are presently doing well on the social parameter since 2014. For e.g. Rajasthan, UP, Odisha & MP have seen the largest jump in change in HDI value among the 25 major States in India, though not in positions.

The region wise trend of HDI scores suggest mostly Southern States and Northern States have performed much better as compared to their respective peers. Eastern States have a poor performance in Human development Index. The gap between Eastern region and rest of the regions, which was widening till 2014, has either declined or remain same since 2015. This could be attributed to higher economic growth in Eastern States mainly Odisha and Bihar. However, it is not clear why North-eastern States, which rapidly caught up in HDI value and were till now well performing, have slowed down in recent period.

To check the validity of whether increased social expenditure does push up the HDI ranking, we looked into the CAGR growth of social expenditure between 2017 and 1990. Interestingly, the correlation between growth in social expenditure and improvement in HDI scores is low which further reveals that presence of institutional bottlenecks, lack of awareness, implementation issues are still present and hence the benefits of increased social expenditure is uneven across Indian states with some states like Haryana clearly benefitting, but some like Assam not so.

We believe the Ayushman scheme, which is the world’s largest Govt. funded health care scheme, once properly rolled out and adopted across states could improve the HDI value both at national and sub-national level in the coming years.



## STATE WISE TREND OF HUMAN DEVELOPMENT INDEX (HDI) IN INDIA

- ◆ Though India's situation in human development has improved significantly over the years (between 1990 and 2017, India's HDI value increased from 0.427 to 0.640, an increase of nearly 50%), its position is still lowest among its peer countries (Asian and Developing economies). As per UNDP's Human Development Index (HDI) India is ranked 130 among 189 countries. The HDI is a summary measure for assessing long-term progress in three basic dimensions of Human Development: a long and healthy life, access to knowledge and a decent standard of living. However, India's performance in some of the metrics is commendable : between 1990 and 2017, India's life expectancy at birth has increased by nearly 11 years, with even more significant gains in expected years of schooling where today's Indian school going children can expect to stay in school for 4.7 years longer than in 1990.
- ◆ In this regard, the recently released data on Subnational Human Development Index (SHDI) for Indian States during the period 1990 to 2017 by Global Data Lab throws some interesting results. This index is an average of the subnational values of three dimensions, *mainly education, health and standard of living*. The HDI is the geometric mean of normalized indices for each of the three dimensions. The first indicator 'Education' has been measured with the variables 'Mean years of schooling of adults aged 25+' and 'Expected years of schooling of children aged 6'. The 'Health' indicator is measured with 'Life Expectancy at Birth' and standard of living is measured with 'Gross National Income per capita (PPP, 2011 US\$)'.
- ◆ To have a clear insight, we ranked the States based on their scores (highest scores ordered as Rank 1). The 2017 HDI scores indicate that the States like Kerala, Goa and Punjab occupy the top three positions while States like Bihar, UP and MP are in the bottom of the rank.
- ◆ However, if we look at the change in ranks for all the States between 1990 to 2017, Haryana, Himachal Pradesh, Tamil Nadu and Karnataka have seen a significant jump in their HDI rank, while most of the North Eastern states like Nagaland, Meghalaya and Manipur have seen slippages in the ranking. Both UP and Bihar have continued to remain at the bottom of the rank in the last 27 years.
- ◆ Another interesting fact is that the States who were the worst performing states in HDI during 1990s are presently doing well in the social parameter since 2014. For e.g. Rajasthan, UP, Odisha & MP have seen the largest jump in change in HDI value among the 25 major States in India.
- ◆ To check whether social expenditure has pushed the HDI ranking, we also looked into the CAGR growth of social expenditure between 2017 and 1990. The correlation between growth in social expenditure and improvement in HDI scores is at 0.45 which further reveals that presence of institutional bottlenecks, lack of awareness, implementation issues are still present.

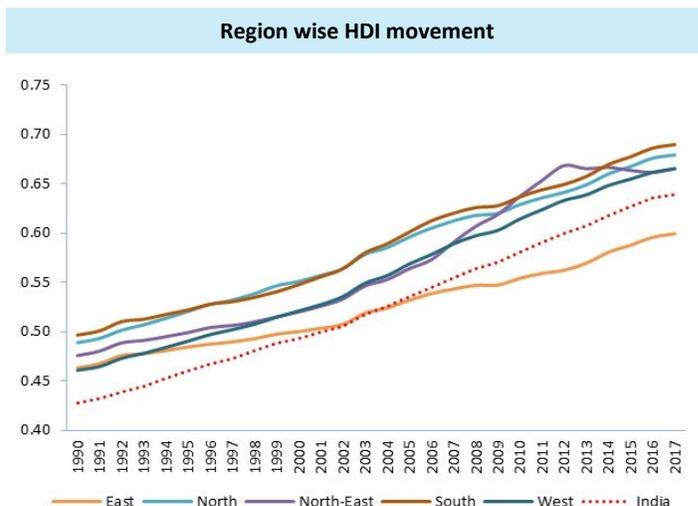
India's Position in HDI (2017)	
Country	HDI Rank
Hong Kong	7
Singapore	9
UAE	34
Saudi Arabia	39
Argentina	47
Russia	49
Malaysia	57
Turkey	64
Sri Lanka	76
Brazil	79
Thailand	83
China	86
South Africa	113
Indonesia	116
India	130
Myanmar	148
Source: UNDP; SBI Research	

Improvement in HDI across States								
States	1990		2017		Change (2017 over 1990)	CAGR of Social Expenditure (2017 over 1990)	Ayushman Bharat (MoU Joined)	Change in Rank in Per capita Income (2017 over 1990)
	Index	Rank	Index	Rank				
Haryana	0.46	13	0.70	6	7	15.7%	✓	1
Himachal Pradesh	0.48	10	0.72	4	6	14.0%	✓	2
Tamil Nadu	0.47	11	0.70	7	4	13.4%	✓	0
Karnataka	0.44	16	0.68	12	4	14.8%	✓	6
Punjab	0.49	6	0.72	3	3	12.6%	✗	-9
Arunachal Pradesh	0.43	18	0.65	15	3	15.1%	✓	-7
Rajasthan	0.40	22	0.62	20	2	15.2%	✓	4
Kerala	0.54	2	0.77	1	1	13.6%	✓	12
Andhra Pradesh	0.42	19	0.64	18	1	12.9%	✓	1
Odisha	0.40	23	0.60	22	1	15.1%	✗	4
Goa	0.55	1	0.75	2	-1	14.4%	✓	0
Maharashtra	0.49	8	0.69	9	-1	14.3%	✓	-1
Tripura	0.44	15	0.65	16	-1	13.6%	✓	7
Assam	0.41	20	0.61	21	-1	15.1%	✓	-6
Sikkim	0.54	3	0.71	5	-2	14.8%	✓	5
Jammu & Kashmir	0.49	9	0.68	11	-2	14.6%	✓	3
Gujarat	0.47	12	0.67	14	-2	14.1%	✓	-2
West Bengal	0.44	17	0.63	19	-2	13.3%	✓	-6
Madhya Pradesh	0.40	21	0.60	23	-2	13.9%	✓	0
Mizoram	0.52	5	0.70	8	-3	12.0%	✓	4
Manipur	0.49	7	0.69	10	-3	12.9%	✓	-3
Meghalaya	0.45	14	0.65	17	-3	13.5%	✓	-6
Nagaland	0.53	4	0.67	13	-9	12.7%	✓	-7
Uttar Pradesh	0.39	24	0.59	24	0	14.0%	✓	-2
Bihar	0.38	25	0.57	25	0	13.8%	✓	0
All India	0.43	-	0.64	-	-	14.6%	-	-

Source: SBI Research, UNDP, Global Data Lab Green Shade indicate Social Exp. Pushed up HDI

## REGION WISE TREND IN HDI

- ◆ We constructed region-wise HDI score where States are divided into five regions i.e., East, West, North, South, and North-East region based on their geographical situation and average scores estimated from the individual states of the respective zones.
- ◆ The region wise trend of HDI scores suggest mostly Southern States and Northern States have performed much better as compared to their respective peers. Eastern States have a poor performance in Human development Index. The gap between Eastern region and rest of the regions which was widening till 2014 has either declined or remain same since 2015. This could be attributed to higher economic growth in Eastern States mainly Odisha and Bihar.
- ◆ North-eastern States which have rapidly caught up in HDI value and were well performed among other regions have slowed down in recent period and even the HDI value is declining.



Source: Global Data Lab; SBI Research

## WAY AHEAD

- ◆ In Sep'18 Government launched Ayushman Bharat Yojana or Pradhan Mantri Jan Arogya Yojana (PMJAY) which is a centrally sponsored scheme with an aim to cover over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. We believe the PMJAY scheme, which is the world's largest Government funded health care scheme, once properly rolled out and adopted across states could improve the HDI value both at national and sub-national level in the coming years.

\*\*\*\*\*

## ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management , corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

## DISCLAIMER

The *Ecowrap* is not a priced publication of the Bank. The opinion expressed is of Research Team and not necessarily reflect those of the Bank or its subsidiaries. The contents can be reproduced with proper acknowledgement. The write-up on Economic & Financial Developments is based on information & data procured from various sources and no responsibility is accepted for the accuracy of facts and figures. The Bank or the Research Team assumes no liability if any person or entity relies on views, opinion or facts & figures finding in Ecowrap.

## CONTACT DETAILS

### **Dr. Soumya Kanti Ghosh**

Group Chief Economic Adviser  
State Bank of India  
Corporate Centre  
Madam Cama Road  
Nariman Point  
Mumbai - 400021

**Email:** [soumya.ghosh@sbi.co.in](mailto:soumya.ghosh@sbi.co.in)  
[gcea.erd@sbi.co.in](mailto:gcea.erd@sbi.co.in)

**Phone:** 022-22742440

 : [@kantisoumya](https://twitter.com/kantisoumya)