

# GROSS STATE DOMESTIC PRODUCT

Or

State Income  
and its derivate  
Per Capita Income



# INTRODUCTION

State income or the income of the resident population of a state represents the net value of all goods and services produced within the geographical boundaries of the state. The adjustment on account of net outflow/inflow between the states in a country is not possible due to open boundaries and scarcity of statistical data. Therefore, the scope of the term “state income” is restricted only to home produce income or income originated only to home geographical boundaries of a state. The possibility that a state with a lower originating per capita may in fact be more affluent in respect of per capita income received than one with a higher originating per capita income as a result of repatriation of income, cannot be ruled out.



# METHODOLOGY AND DATA SOURCE


- Estimates of Gross/Net State Domestic Product(GSDP) are one of most important single indicator to measure the economic development as well as to study the sectoral shifts in a state. The per capita state domestic product is used to determine both the absolute and relative performance of the economy of the state. it is also an important tool to measure the regional imbalances and the level of living of people. The growth rates in various individual sectors and the pattern of investment therein help in indicating the extent to which the postulated growth rates are achievable and are commensurate with the investment targets. The estimates are also useful in measuring the effects of implementation of planned programs.

- The sector wise composition gives an idea of relative position of different sectors of the economy and their comparison over a period of time provides a measure of structural changes in the pattern of production of goods and services which is of vital importance for purpose of economic analysis in the wake of balanced growth. These sectoral estimates of S.D.P are also used for policy formulation in various given sectors. The income generated in agricultural activities for example can be used for purpose like measuring productivity differentials among states or the taxable capacity of agricultural workers. The estimates of agricultural output per hectare in different areas is one of the indicators used for identifying backward areas for formulating agricultural development programmes.



- The S.D.P estimates are also used for assessing the impact of budgetary transactions on the economy of the state. In budgetary work the S.D.P. estimates are used for studying the scope of resource mobilization from different sectors and also for shaping the fiscal policy in a rational basis. Per capita income and estimates of income at sectoral level can be used for assessing the tax burden. Before introducing a new tax or increasing any existing tax or determining a new source of taxation, the levels of output at the sectoral level are to be first considered.



- The per capita GSDP estimates are regarded as an important tool to measure regional disparities and are now being used by various policy makers. The planning commission has been using the estimates at the state level as one of the criteria for determining the extent of central assistance to individual states. Likewise, the finance commission also considers the per capita income in a state as an important yardstick for obtaining an idea of development and uses this measure as the criteria for assessing the relative economic position of the states.
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# Methods of Estimation

- The particular method to be followed for estimation of state income depends upon the object of these estimates and the availability of data for the purpose. Basically state income can be estimated by any of these three approaches viz:
  - (i) output approach
  - (ii) Income approach
  - (iii) Expenditure approach.
- For estimating the Gross State Domestic Product, the methodology suggested by Central Statistical Organization is followed as far as practicable. The economy for this purpose has been divided in to following 14 sectors:-

- Agriculture including Animal Husbandry
- Forestry and Logging
- Fishing
- Mining and Quarrying
- Manufacturing Registered
- Manufacturing Un-registered
- Construction





- Electricity, Gas and Water Supply
  - Transport, Storage and Communications
  - Trade, Hotel and Restaurants
  - Banking and Insurance
  - Real Estate, Ownership of Dwellings and Business Services
  - Public Administration
  - Other Services
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- In the estimates presented in this house output approach has been followed for agriculture, forestry and logging. Fishing, mining and quarrying and manufacturing registered and un-registered sectors. Income approach is followed for the remaining sectors except for construction sector, where expenditure method has been used. The total state domestic product has been estimated by subsequent aggregation of All the results. Sector wise methodology used and changes in the new series are discussed in the following presentations.

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