
[Scenarios]
**India: The Challenge of
Contrasted Regional Dynamics**

EXPLAINER - FEBRUARY 2025




Institut Montaigne is a leading independent think tank based in Paris. Our research and ideas aim to help governments, industry and societies to adapt to our complex world. Institut Montaigne's publications and events focus on major economic, societal, technological, environmental and geopolitical changes. We aim to serve the public interest through instructive analysis on French and European public policies and by providing an open and safe space for rigorous policy debates.

EXPLAINER - February 2025

[Scenarios] **India:** The Challenge of Contrasted Regional Dynamics



Institut Montaigne's Explainers are analytical short-reads, setting out key facts and figures to make sense of the world we live in and how it is evolving.



Explainer

To understand the world in which we operate

Issue Paper

To break down the key challenges facing societies

Policy Paper

To provide practical recommendations

Exclusive Insights

Unique data-driven analyses and practical scenario exercises

Report

Deep-dive analyses and long-term policy solutions

India occupies a unique position between China and the West, to the extent that it envisions the 21st century as its own through the concept of “India’s century.” In Europe, this assertion is generally welcomed: eager to assert its historic status as a non-aligned power, committed to multilateralism, and home to a seemingly limitless labor force, India appears to be an ideal partner in countering the emergence of a U.S.–China duopoly.

To determine whether this vision is a mere illusion or a credible prospect, the Institut Montaigne has chosen to explore India’s possible futures through a scenario-based approach. This follows the methodology we initiated to study Russia and China in 2024, focusing on key uncertainties. We have deliberately selected four themes that we believe capture the main challenges India must address: food security, environmental sustainability, industrial development, and regionalism.

At the end of 2024, our analysis of food insecurity underscored the urgency of diversifying India’s agricultural production and modernizing its value chain to combat malnutrition and lay the foundation for truly sustainable development. Our examination of environmental transition identified a set of priority actions to address India’s triple crisis of water, air, and forest degradation.

Now, in early 2025, we extend our analysis to two additional challenges that will shape India’s trajectory. The first examines the ambitions of the “Make in India” initiative in light of persistent weaknesses in the country’s manufacturing sector. The second examines economic policy disparities among Indian states and their implication on our engagement strategies—too often framed solely through the lens of the federal government.

Taken together, these four scenarios present a nuanced portrait of India, one that challenges conventional perceptions—an essential prerequisite for any meaningful partnership.

Marie-Pierre de Bailliencourt
Institut Montaigne's Managing Director

Foreword 5

Introduction 9

1 **Contrasting Social Indicators** 12

1.1. Wealth Disparities 12

1.2. Education 14

1.3. Health 18

2 **Diverging Development Strategies** 20

2.1. What Public Policies? 20

2.2. What Kind of Economic Modernization? 25

**2.3. Gujarat vs. Tamil Nadu: Two Very Different
Industrialization Strategies** 27

2.4. What Service Sectors? 30

3 **When the South Refuses to Pay for
the North—Or to Be under Its Political
Domination** 35

4	European companies in Bihar, Gujarat, and Tamil Nadu	41
5	Bihar, Gujarat, and Tamil Nadu in 2050	43
	5.1. Bihar Continues to Lag Behind	44
	5.2. Gujarat: A Typical Case of Unequal Development	45
	5.3. Tamil Nadu: A Model of Social Development	46
	Conclusion	49
	Appendix	52
	Acknowledgements	65

Christophe Jaffrelot

Dr. Christophe Jaffrelot is Senior Fellow on India at Institut Montaigne, among other research topics he covers for Montaigne. He is also a Senior Research Fellow at CERI (Centre de recherches internationales) at Sciences Po Paris, Research Director at the CNRS (Centre national de la recherche scientifique), and Professor of Indian Politics and Sociology at the King's India Institute (London). He has been Global Scholar at Princeton University, and visiting professor at Columbia University, Yale, and SAIS (Johns Hopkins). He also works for the Carnegie Endowment for International Peace as a Non-Resident Scholar and chairs the British Association for South Asian Studies since 2023.

Vignesh Rajahmani

Vignesh Rajahmani is a postdoctoral research fellow of Indian and Indonesian politics at the Royal Netherlands Institute of Southeast Asian and Caribbean Studies, Leiden.

Neal Bharadwaj

Neal Bharadwaj studies at Delhi University.

India is as large as the European Union (EU) and, with its federal structure, has as many states as the EU has Member States. Moreover, the type of federalism practiced by India, in spite of its centralizing tendencies, gives a **great deal of autonomy to the regional governments**, which are largely in charge of education, agriculture, industry, infrastructure, and so on. The variety of languages is another measure of the diversity of the Indian Union: each state has its own language, and the Hindi Belt states are the only part of the country to share a common idiom.

In this context, an understanding of the geography of India that enables one to identify regional disparities—whether in terms of economic resources, human capital, means of transportation, or standards of living—is crucial from a European perspective to shape public and private decisions in relation to India. European companies need to know the economic and social environments they will encounter if they choose one state over another for an investment, be it a unit of production or their subsidiary's headquarters. This is especially true given the **stark contrasts between the Hindi-speaking North¹ and the South.²** This *summa divisio* lingers at the back of the mind of every Indian today, particularly because of the stark political divide: while the ruling party governs many states in the North, it holds no power in the South. It is, however, important to go beyond the North–South dichotomy and bring the West of India into the picture because of the key role of two western states: Maharashtra and Gujarat.

Although regions certainly matter—as is evident from the North–South divide—the analysis needs to focus on the state level for two reasons. First, the states have their own identities in terms of culture (including

¹ The Hindi Belt comprises the following states: Delhi, Uttar Pradesh, Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh, Rajasthan, Haryana, Himachal Pradesh, and Uttarakhand.

² The South Indian states comprise Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, and Telangana.

language) and sociology (their borders usually coincide with those of the largest caste group). Second, even if the Modi government has promoted centralization since 2014, the **states still have considerable margin** to implement their own policies in terms of infrastructure (roads, ports, etc.), education (at the primary and secondary levels at least), health, and in all sectors of the economy, including agriculture and industry. It is in this context that this note attempts to show how three states from three different regions illustrate three development strategies—with clear implications for potential foreign partners.

Among the states of the Hindi Belt, Bihar is known as the poorest, although its situation is not terribly different from that of the other North Indian states, including Madhya Pradesh and Uttar Pradesh—which, with 250 million inhabitants, is the largest state in India. Bihar comes next with 130 million. Bihar’s development is hindered by a very rigid caste system, low rates of literacy, and a lack of infrastructure. As a result, the state cannot create enough jobs for its population—which is growing quickly—and Biharis tend to migrate more than Indians from any other state to Mumbai, for instance. **Bihar represents a case of persistent underdevelopment.**

In contrast, Gujarat, in the West, is the richest state in the country in terms of per capita wealth. Like its neighbor Maharashtra, this prosperity is largely due to its achievements in the field of industry. However, this success has tended to find expression in the development of infrastructure (roads, ports, and energy—all of which are highly capital-intensive domains) rather than investments in human resources, as is evident from the rather low level of education. As a result, inequalities in the state are not decreasing, and Gujarat has not been in a position to promote the IT sector for which India is still known abroad. The trajectory of **Gujarat**—which Narendra Modi presented as a “model” when he was at the helm of the state between 2001 and 2014—**represents a case of highly capital-intensive infrastructure-based industrialization.**

Tamil Nadu has also developed a very robust industrial sector, but it has relied more on small and medium enterprises (SMEs) and has invested heavily in human resources. Not only are the inequalities more limited in Tamil Nadu than in most of the other states, but the level of education is also well above average. This other success story has also been seen as a “model”³ by its supporters, who have emphasized its societal dimension: for them, the state has capitalized on the egalitarian ethos of the Dravidians, the low-caste locals who emancipated themselves from the Brahminical elite in the twentieth century, arguing that they were the “sons of the soil,” whereas the upper castes were Aryan invaders. **Tamil Nadu is a case of human resources–based development, combining industrialization and a service economy.**

To compare these three states—and the three megaregions they represent—we have selected a limited number of indicators. First, a whole series of data will help us measure the (very uneven) degree of emancipation from poverty achieved by states that were all rather poor decades ago. Then, we will examine the level of development in economic terms, as well as in terms of education, access to healthcare, etc. Third, this approach will help us typify the development strategies presented briefly above. In the fourth section, we will focus on the tensions resulting from the widening gap between North and South, as well as from government policy that is perceived in the South as pro-North and pro-Gujarat. In the last part, we will explore the future with a view to suggesting possible trajectories these three states may follow over the coming twenty-five years.

³ Kalaiyaran A. and Vijaybaskar M., *The Dravidian Model: Interpreting the Political Economy of Tamil Nadu* (Cambridge University Press, 2021).

1 Contrasting Social Indicators

1.1. WEALTH DISPARITIES

The wealth gap between North and South continues to widen at the expense of the former. In Karnataka, Kerala, Tamil Nadu, and Andhra Pradesh, per capita net state domestic product (at constant 2011–12 prices) for 2021–22 stands at €1,835.82, €1,661.01, €1,725.16, and €1,311.13, respectively. Only three northern states are doing as well or better: Haryana (€1,927.19), Uttarakhand (€1,663.30), and Himachal Pradesh (€1,603.29). The others lag far behind, with per capita incomes around two, three, four, or even five times lower than those of the southern states. In order, Bihar is by far the poorest, with a net per capita income of €320.11, followed by Uttar Pradesh (€484.65), Jharkhand (€631.31), Madhya Pradesh (€686.84), Chhattisgarh (€874.84), and Rajasthan (€899.04). In this respect, Western India is closer to the South than to the North: Maharashtra records a net income per head of €1,545.82, while Gujarat, the number one state in India from this viewpoint, is at €1,901.82.

If we focus on our three case studies, we can measure not only the disparities between them but also how these gaps have evolved, based on the percentage of the population living below the poverty line. In 2004–05, this proportion was 54.4 percent in Bihar, compared with 31.8 percent in Gujarat and 28.9 percent in Tamil Nadu; hence, there was a difference of 22.6 and 25.5 percentage points, respectively, between Bihar and the other two states, and 2.9 percent between Gujarat and Tamil Nadu. In 2011–12, these figures were 33.7 percent, 16.6 percent, and 11.3 percent; i.e., there were differences of 17.1 and 22.4 percentage points between Bihar and the other two states, respectively, and of 5.3 between these two states. The gap between Bihar and the other two states remains very wide, even if it is narrowing slightly, while the gap between Gujarat and Tamil Nadu is widening at the expense of the former.

As the method of calculating poverty in India has changed several times, making comparisons over time after 2011–12 is difficult. But if we refer to World Bank criteria, **in 2023, the proportion of people living below the poverty line (€3.02 a day) in our three states was, respectively, 5.8 percent in Tamil Nadu, 21.8 percent in Gujarat, and 23.3 percent in Bihar.**⁴

However, monthly per capita consumption expenditure (MPCE) is an even more accurate instrument for measuring Indians' living standards. From that point of view, the North and the West lag behind the South. In 2022–23, the MPCE of Gujarat and Maharashtra were, respectively, at €73.90 and €74.31 in the urban milieu and €42.39 and €44.76 in the rural part of these states, far from what it was in Tamil Nadu (urban: €85.17 and rural: €59.27), Kerala (€79.00 and €66.12), Karnataka (€85.57 and €49.08), or Andhra Pradesh (€75.70 and €54.36). Among the northern states, only Haryana (€88.30 and €54.24) could compete with the South. Bihar sits at the bottom of the range, with figures almost half those of the South, with €53.22 in the cities and €37.77 in the countryside, compared with €56.26 and €35.62 for Uttar Pradesh and €66.00 and €47.58 for Rajasthan.⁵

Poverty levels are partly a function of wage levels. In 2022–23, the average daily wage for men working in rural areas as “non-agricultural laborers” was much higher in the South than in the North: €7.78 in Kerala and €5.37 in Tamil Nadu, compared with €3.62 in Uttar Pradesh and €3.49 in Bihar—but the correlation is not perfect: the average daily wage was only €3.74 in Karnataka and €3.05 in Gujarat, the richest state in India in terms of per capita wealth, where—strangely enough—this figure is the

⁴ “India: Population Living below National Poverty Line by State 2021,” Statista, 2024, <https://www.statista.com/statistics/1269976/india-population-living-below-national-poverty-line-by-state>.

⁵ “Major State Wise Average Monthly Per Capita Consumption Expenditure (MPCE) (Rs.) by Household Type in 2022–23, Rural & Urban (Without and With Imputation),” Government of India, Ministry of Statistics and Programme Implementation, <https://www.mospi.gov.in/major-state-wise-average-monthly-capita-consumption-expenditure-mpce-rs-household-type-2022-23-rural>.

lowest in India, Madhya Pradesh excepted, the average being €3.88.⁶ This pattern is largely repeated for agricultural laborers, who are paid €8.53 per day in Kerala and €5.25 in Tamil Nadu but only €3.45 in Uttar Pradesh, €3.44 in Bihar, and a meager €2.69 in Gujarat—only Madhya Pradesh, again, does worse, at €2.56.⁷

This data is corroborated by the daily wages paid to construction workers in rural areas. In 2022–23, this income was over €9.51 in Kerala and over €5.58 in Tamil Nadu, while everywhere in the North—except Himachal Pradesh—it was below the national average of €4.39. In the vast Hindi-speaking North, it ranged from €3.10 in Madhya Pradesh to €4.39 in Rajasthan. Western India is also below the national average, with Maharashtra at €4.14 and Gujarat at €3.61.⁸

1.2. EDUCATION

The South is far better educated than the North. The southern states all have high literacy rates⁹—with the exception of Andhra Pradesh (72.6 percent). Kerala still tops the list at 95.3 percent, followed by Tamil Nadu (85.5 percent) and Karnataka (82.7 percent). In the North, only Haryana (84.8 percent) and Himachal Pradesh (82.8 percent) do as well, with all other states having at least 20 percent illiteracy, with rates of 75.2 percent (Madhya Pradesh), 75.8 percent (Rajasthan), 76.7 percent (Jharkhand), 78.5 percent (Chhattisgarh), 78.82 percent (Uttarakhand), and 74.3 percent (Bihar). In the West, Gujarat and Maharashtra again fall

⁶ “Publications,” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22177>.

⁷ “Reserve Bank of India – State-Wise Average Daily Wage Rates in Rural India (Men – General Agricultural Labourers),” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22175>.

⁸ “State-Wise Average Daily Wage Rates in Rural India (Men – Construction Workers),” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22174>.

⁹ “State-Wise Literacy Rate,” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22070>.

between North and South, with 84.6 percent and 87.3 percent, respectively, albeit closer to the South than the North.¹⁰

In 2017–18, the National Sample Survey looked at the language of instruction in elementary schools in its household questionnaire survey. At least 80 percent of parents surveyed in the South responded that their child(ren) received instruction in English. In Tamil Nadu, the figure was a record 91 percent—while across the country, only 38 percent of those declaring Hindi as their mother tongue said their child(ren) received education in English at elementary school. Gujarati speakers were still below this level, at 27 percent—while Marathi speakers occupied an intermediate position at 43 percent.¹¹

According to **the National Sample Survey Office 2018** educational survey, the percentage of English-medium schools teaching up to class 12 was 63 percent in Telangana, 60.7 percent in Kerala, 59 percent in Andhra Pradesh, 44 percent in Tamil Nadu, and 35 percent in Karnataka, compared to just 6 percent in Bihar and 14 percent in Uttar Pradesh. In the South, the proportion of English-medium schools never falls below 35 percent, whereas in the Hindi Belt, it never exceeds 15 percent. Notably, in Western India, Maharashtra aligns more with the southern approach, with 29 percent of schools offering English-medium teaching, while Gujarat mirrors its northern counterparts at just 12.8 percent.

According to the All India Survey on Higher Education (AISHE, 2020–21), the gross enrollment ratios (GER) in the southern states are much higher than in their northern counterparts. Nearly half of young people aged 18–23 are engaged in some form of higher education in the South,

¹⁰ “Periodic Labour Force Survey, Annual Report 2023–24,” Government of India, Ministry of Statistics and Programme Implementation/National Sample Survey Office, Appendix A-10, September 23, 2024, https://www.mospi.gov.in/sites/default/files/publication_reports/AnnualReport_PLFS2023-24L2.pdf.

¹¹ “NSS Report n° 585: Household Social Consumption on Education in India, NSS 75th Round, July 2017 – June 2018,” Ministry of Statistics and Programme Implementation, National Statistical Office, July 2020, https://mospi.gov.in/sites/default/files/publication_reports/Report_585_75th_round_Education_final_1507_0.pdf.

compared to the national average of 27 percent. Tamil Nadu leads with a GER of 47 percent, followed by Kerala at 43 percent and Telangana at 39 percent. In stark contrast, Bihar ranks lowest at 16 percent, followed by Uttar Pradesh at 23 percent.

In fact, none of the states below the Vindhyas (the mountains demarcating the North from the South) stands below the average GER for India—27.3 percent—whereas all the Hindi Belt states (except Haryana and Himachal) are below it—along with Gujarat, once again, and the eastern as well as northeastern parts of the country. Besides higher education, the South has also been a pioneer in promoting a culture of reading by building public libraries. Of the 27,682 public libraries in India, 20,705 (75 percent) are located in southern states.

However, these data alone do not provide a complete picture of the level of education. They need to be supplemented with data on the number of graduates to better understand the composition of the elite in the regions concerned. In this respect, too, the South wins out over the North. Tamil Nadu has 13.4 percent graduates, Kerala 13 percent, Karnataka 11.2 percent, and Andhra Pradesh 9.8 percent, while in the North, only Haryana (13.2 percent), Uttarakhand (11.5 percent), Himachal Pradesh (10.3 percent), and Uttar Pradesh (10.4 percent) reach double digits. The other states in the zone are lower: Rajasthan (9.7 percent), Jharkhand (7.4 percent), Chhattisgarh (7.1 percent), and Bihar (6.8 percent). Interestingly, Gujarat once again stands out in Western India—while Maharashtra's rate is remarkable (13.5 percent), the rate in this wealthy state is rather low: 8.9 percent.

These figures reflect a surprisingly high drop-out rate in Gujarat and a massive one in Bihar, compared with Tamil Nadu. While in 2021–22, the GER for children in upper elementary school was 86 in Bihar, it fell to 35.9 by the end of higher secondary school. In contrast, the respective figures for Tamil Nadu are 98.3 and 81.5, while Gujarat's ratios are only 91.1 and 48.2 (well below the national averages of 94.7 and 57.6).

Beyond that, in 2016–17, the GER of the southern states, in secondary education, ranged from 82 to 99 (Andhra Pradesh was behind at 76), while in the North it oscillated between 68 and 80 (with the exceptions of Haryana at 86 and, more surprisingly, Chhattisgarh at 88). While Maharashtra did as well as the South, at 92, Gujarat lagged behind again at 75. Higher secondary figures are even more telling: while GER remains high in the far South (79 in Kerala, 84 in Tamil Nadu), it plummets in the North (29 in Bihar, 37 in Jharkhand) and falls to a very average level in Gujarat at 43, compared with 71 in Maharashtra and 59 in Uttar Pradesh...¹²

These differences partly reflect contrasting educational policies, the symbol of which is the “free midday meal,” which strongly encourages parents to send their children to school. In 2017–18, Tamil Nadu, a pioneering state in this field, served a free midday meal in 85.4 percent of secondary schools, and a number of southern states did even better: 86.9 percent in Andhra Pradesh, 92.8 percent in Karnataka, and 97.5 percent in Telangana. In contrast, the proportions of schools offering a free midday meal in the northern states were all between 5.5 percent and 13.1 percent, and Gujarat was at the same level (11 percent), while Maharashtra remained in an intermediate position at 24.3 percent.¹³

In the higher education sector, during 2018–19, except for Delhi, only the southern states—Tamil Nadu, Kerala, and Telangana—achieved GERs above 35, ranging from 36 in Telangana to 49 in Tamil Nadu—a record!—and 37 in Kerala. In contrast, the northern states oscillated between 14 in Bihar (India’s lowest ratio) and 26 in Uttar Pradesh, with 22 in Madhya Pradesh and 23 in Rajasthan. In the West, Maharashtra held an intermediate position (at 32), while Gujarat performed worse than most northern states, with a GER of 20.¹⁴

¹² R. S. Nilakantan, *South vs North: India’s Great Divide* (Juggernaut, 2022), p. 65.

¹³ “NSS Report n° 585: Household Social Consumption on Education in India,” Ministry of Statistics and Programme Implementation, National Statistical Office.

¹⁴ “All India Survey on Higher Education Report, 2018–19,” Ministry of Human Resource Development, Department of Higher Education, August 2019, https://www.education.gov.in/sites/upload_files/mhrd/files/statistics-new/AISHE%20Final%20Report%202018-19.pdf.

Differences in education levels partly explain the differences in birth rates. Bihar's fertility rate remains high: it fell from 4.2 children per woman to 3.6 between 2003 and 2011, while it was half that in Tamil Nadu (1.7 in 2011, compared with 1.9 in 2003). Here too, Gujarat holds an intermediate position, with a rate of 2.4 in 2011, compared with 2.8 in 2003.

As a result, Bihar's ten-year growth rate remains very high at 25.42 percent between 2001 and 2011 (compared to 28.62 percent in the previous decade). In contrast, Tamil Nadu's growth rate stands at 15.61 percent, which is an improvement from 1991–2001 due to an influx of migrants attracted by the job opportunities in the state. Gujarat, on the other hand, is growing faster—at 19.28 percent—though this is slower than the previous decade, when it was 22.66 percent. While all the northern and western states saw their populations more than double between 1971 and 2011, Tamil Nadu's population increased by just 75 percent and Kerala's by 56 percent.¹⁵

1.3. HEALTH

Many public health indicators testify to the coexistence of several Indias within this vast territory.

From the moment they are born, Indians are not equal in the face of death, with the South faring much better than the North and even the West.¹⁶ The infant mortality rate varies significantly, ranging from a record low of 6 per 1,000 in Kerala to 24 in Andhra Pradesh, with Karnataka and Tamil Nadu in-between at 19 and 13, respectively. In Bihar, the risk of losing an infant is twice as high as in Tamil Nadu, with

¹⁵ "All India Survey on Higher Education Report, 2018–19," p. 147.

¹⁶ "State-Wise Infant Mortality Rate," Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22075>.

an infant mortality rate of 27 per 1,000. It is even worse elsewhere in the Hindi-speaking area, at 38 per 1,000 in Uttar Pradesh and Chhattisgarh, and 43 per 1,000 in Madhya Pradesh—a state whose score here is comparable to that of Afghanistan. Rajasthan (32), Jharkhand (25), and Haryana do better but are still far from matching the performance of the South. The only northern states to rival the South are, once again, the smallest ones: Himachal Pradesh (17) and Uttarakhand (24). The West is closer to the South than to the North, with infant mortality rates of 16 per 1,000 in Maharashtra and 23 in Gujarat.

It should be noted that Tamil Nadu divided its infant mortality rate by 3.1 between 2004 and 2020, compared to 2.2 for Bihar and 2.3 for Gujarat. Similarly, the maternal mortality rate is more than twice as high in Bihar (118 per 100,000) as in Tamil Nadu (54) or Gujarat (57). Between 1999–2001 and 2018–2020, the former has divided it by 3.4, almost the same as the latter (3.5), while Gujarat only recorded a division by 3.

Life expectancy is also higher in the South: a record 75 years in Kerala, 73.2 years in Tamil Nadu, 70.6 years in Andhra Pradesh, and 69.8 years in Karnataka. In the North, only Himachal Pradesh (73.5 years) and Uttarakhand (70.6 years) reach such levels. In the other Hindi Belt states, septuagenarians defy the statistics, with life expectancy at 64.8 in Chhattisgarh, 66 in Uttar Pradesh, 67.4 in Madhya Pradesh, 67.6 in Jharkhand, 69.4 in Rajasthan, and 69.9 in Haryana. Life expectancy in Maharashtra is 72.9 years and 70.5 years in Gujarat.¹⁷

The contrast between North and South is even greater when it comes to malnutrition: in 2015–16, the percentage of emaciated (“stunted”) children under five varied between 20 percent and 31 percent in the South—with the exception of Karnataka (36 percent)—whereas it was between 39 percent and 48 percent in the North—with the exception of

¹⁷ “State-Wise Life Expectancy,” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=22078>.

Haryana (34 percent). Maharashtra, at 34 percent, is closer to the South, while Gujarat, at 39 percent, is in the North Indian range.¹⁸

2 Diverging Development Strategies

The highly contrasting picture emerging from the first part of this note is the product of various factors. Certainly, **the social structure of the three states plays a major role**. Bihar has been handicapped by the quasi-feudal order inherited from the colonial era and by a rather rigid caste system. In Gujarat, the caste system has also favored inequalities, but very enterprising trading groups prepared the ground for economic dynamism. In Tamil Nadu, the rise of plebeians dislodged the conservative upper caste from power over the course of the twentieth century. However, over the last few decades, the diverging trajectories of the three states have had much to do with the policies of their governments. While **Gujarat** is known for its emphasis on **infrastructure** (energy, transport, etc.), **Tamil Nadu** has invested more in **human capital** (healthcare, education), while **Bihar**, constrained by limited resources, has largely been **unable to prioritize either**.

2.1. WHAT PUBLIC POLICIES?

The social spending patterns of our three test states are indicative of their priorities. Bihar, despite its meager resources, invests massively in this area, while Tamil Nadu allocates even more. In contrast, Gujarat lags behind, with its budgets for education, health, and housing—among other sectors—being lower, not only falling short of those of Tamil Nadu but also those of Bihar! Tamil Nadu's long-standing approach is

¹⁸ Nilakantan, *South vs North: India's Great Divide*, p. 30.

characteristic of the South, where the emphasis on what is known in India as “human development” is fairly general, whereas Bihar’s policy is atypical for the Hindi-speaking region, which generally places less focus on social development.

Social spending in our three test states generally aligns with their priorities in education and health—the two main components of this category: in 2022–23, Tamil Nadu spent €13,412.41 million, compared with €13,240.7 million for Bihar and much less—against all expectations—for Gujarat (€9,838.62 million).

Table 1. Social spending in India’s main states in 2021–22
(in million euros)

States	Social services	Incl. education	Incl. health	Incl. housing	Incl. welfare of SCs/STs & OBCs	Incl. Social Security and Welfare	Nutrition
Tamil Nadu	9,906.14	4,262.15	1,407.49	459.81	334.54	1,187.06	404.04
Odisha	5,280.96	2,125.68	917.82	35.86	35.86	615.81	131.11
Kerala	5,658.62	2,764.85	1,217.84	11.76	289.35	966.74	0.08
Madhya Pradesh	7,996.81	3,293.27	1,246.06	681.13	540.03	815.73	144.79
Maharashtra	15,908.39	7,651.96	2,038.89	175.04	1,837.69	777.02	532.51
Himachal	1,549.55	748.78	213.10	14.68	17.39	168.02	9.84
J&K	2,336.55	1,211.22	510.03	10.05	11.76	154.50	64.17
Jharkhand	2,750.23	1,247.26	483.24	2.43	119.97	440.14	60.81
Karnataka	8,907.68	3,252.62	1,323.38	356.44	845.36	1,178.97	217.90
Chhattisgarh	3,121.30	1,743.44	664.83	25.73	20.04	245.69	65.43
Gujarat	7,618.50	3,075.81	1,152.42	289.10	452.71	366.06	364.47
Haryana	4,568.33	1,720.33	643.29	27.30	44.21	1,088.35	31.25
Andhra	7,729.02	2,524.88	815.50	243.04	2,474.94	372.79	197.13
Assam	3,703.80	2,004.24	689.93	233.53	135.75	199.33	72.55

States	Social services	Incl. education	Incl. health	Incl. housing	Incl. welfare of SCs/STs & OBCs	Incl. Social Security and Welfare	Nutrition
Bihar	8,495.89	3,769.36	1,075.98	757.17	471.70	853.48	206.27
Telangana	5,936.06	1,602.48	471.83	28.41	1,724.57	1,152.76	242.56
Uttarakhand	1,738.23	930.03	289.11	0.85	20.08	210.39	NA
Uttar Pradesh	13,504.51	6,489.87	1,375.51	71.55	378.16	1,837.71	NA
West Bengal	11,438.25	4,179.92	1,612.70	20.32	467.73	3,474.37	198.74
India	1,47,731.25	63,595.42	21,498.42	3,640.14	10,932.03	18,860.90	3,292.14

Source: "National Capital Territory of Delhi, Puducherry, All States and UTs," Reserve Bank of India, December 11, 2023, <https://rbi.org.in/Scripts/PublicationsView.aspx?id=22318>.

Public health policy shows wide variations in terms of budget. Here again, **although Gujarat is wealthy, it lags behind in terms of public spending progression:** while it spends more than Bihar (€1.16 billion vs. €0.90 billion in 2019–20), its healthcare expenditure grew by only 10.5 percent between 2012–13 and 2019–20, compared with 29.5 percent in Bihar. **In Tamil Nadu, where the increase was 20.5 percent, twice as much as in Gujarat, healthcare expenditure is more than 25 percent higher!**

As a result, in 2018, the number of public hospital beds per million inhabitants was over 1,000 in Karnataka, Tamil Nadu, and Kerala, while it was just 98 in Bihar, 289 in Jharkhand, 333 in Uttar Pradesh, and 378 in Madhya Pradesh. Gujarat is below Madhya Pradesh, with 316 public hospital beds per million inhabitants. Maharashtra (426) is also a long way from the figures for the South—except for Andhra Pradesh (438).¹⁹ These figures go hand in hand with those concerning the number of doctors: while Tamil Nadu has 1,353 doctors per million inhabitants, Bihar has only 637, and Gujarat barely has more at 755.²⁰ In the case of Tamil Nadu, quantity is matched by quality: Kalaiyaran A. points out

¹⁹ Nilakantan, *South vs North. India's Great Divide*, p. 39.

²⁰ Nilakantan, *South vs North. India's Great Divide*, pp. 46–47.

that the affirmative action policy implemented by this state has made the population of doctors representative of society, enabling the most disadvantaged to find more accessible contacts.²¹

The data on social sector expenditure as a percentage of gross state domestic product (GSDP) (Table 14 in Appendix) further illustrate the contrasting priorities of Bihar, Gujarat, and Tamil Nadu. **Bihar has consistently allocated a significantly higher share of its GSDP to social spending**, reaching an impressive 22.25 percent in 2021–22. This reflects its emphasis on bridging developmental gaps despite limited resources. In contrast, **Gujarat**, known for its infrastructure-led growth, **has maintained relatively low social spending**, with figures stagnating around 4.46 percent in 2021–22. **Tamil Nadu**, with its focus on human development, **displays a steady commitment to social sector investments**, maintaining expenditure between 4.90 percent and 6.01 percent during the same period. These trends reaffirm that Tamil Nadu prioritizes social welfare in line with its southern counterparts, while Gujarat’s model remains skewed toward infrastructure development. Bihar’s higher expenditure underscores its unique position among the Hindi-speaking states in prioritizing social investments despite fiscal constraints.

Although Gujarat lagged behind in terms of social spending, it is more committed than nearly any other state to investing in energy and transport infrastructure—including roads and ports, its two strong points. Over the 2021–22 period, its electricity and road budgets were higher than those of Bihar. However, they still fell significantly short of the amounts Tamil Nadu allocated to these sectors, positioning the southern state as a leader across the board.

While Tamil Nadu has invested in human resources (education and health in particular), Gujarat has focused on infrastructure (energy and

²¹ Kalaiyaran A., “NEET Could Undo Tamil Nadu’s Achievements in Public Health,” *Economic and Political Weekly* 52, no. 38 (2017). <https://www.epw.in/engage/article/need-could-undo-tamil-nadus-achievements-public>.

transport). This explains why the state has a power generation capacity of 45,913 megawatts, compared with 37,514 for Tamil Nadu (and only 7,555 for Bihar). As a result, the per capita electricity supply stands at 2,288.3 kWh in Gujarat, 1,588.7 kWh in Tamil Nadu, and only 373.4 kWh in Bihar.

**Table 2. Electricity and road budgets
for India's main states**
(2021-2022, in million euros)

States	Power	Roads and Bridges
Tamil Nadu	1,689.93	136.91
Odisha	78.24	25.58
Kerala	39.27	297.85
Madhya Pradesh	2,613.40	158.43
Maharashtra	1,342.59	825.83
Himachal Pradesh	183.69	175.26
J&K	349.49	69.29
Jharkhand	408.34	32.05
Karnataka	1,947.20	258.25
Chhattisgarh	424.15	118.96
Gujarat	1,153.19	535.79
Haryana	753.35	9.67
Andhra	1,211.15	136.86
Assam	145.19	123.28
Bihar	997.71	390.05
Telangana	1,240.26	64.94
Uttarakhand	0.02	44.97
Uttar Pradesh	2,285.31	540.96
West Bengal	172.98	55.90
All states and UTs	21,307.35	5,096.19

Source: "States: Andhra Pradesh, Arunachal Pradesh, Assam, Bihar," Reserve Bank of India, December 11, 2023, <https://rbi.org.in/Scripts/PublicationsView.aspx?id=22311>.

2.2. WHAT KIND OF ECONOMIC MODERNIZATION?

The table below shows that **industry never accounts for more than 30 percent of GDP in the Hindi-speaking northern states, whereas it fluctuates between 36 and 41 percent in the southern and western states**, which are indistinguishable in this respect. By the same token, the share of agriculture remains very high in the northern states, which fall into two categories: in half of them, this proportion ranges from a quarter to a third, while in the other half, it oscillates between 12 and 20 percent. By contrast, in the West and South, the share of agriculture is much smaller and the gap is narrower, ranging from 8 to 12 percent.

Table 3. Share of agriculture, industry, and services in the economies of the major states of the Indian Union

States	Agriculture	Industry	Services
North			
Uttarakhand	17.78	26.00	56.22
Haryana	12.50	30.00	57.50
Himachal Pradesh	15.63	27.19	57.19
Chhattisgarh	30.00	25.67	44.33
Jharkhand	23.64	22.18	54.18
Rajasthan	26.92	26.15	46.92
Madhya Pradesh	33.33	28.33	38.33
Uttar Pradesh	18.75	25.00	56.25
Bihar	20.2	24.5	55.9
West			
Gujarat	10.00	40.00	50.00
Maharashtra	9.52	38.10	52.38
South			
Andhra Pradesh	12.14	36.43	51.43

States	Agriculture	Industry	Services
Karnataka	10.56	40.00	49.44
Kerala	7.78	37.78	54.44
Tamil Nadu	8.82	41.18	50.00

The weight of agriculture in the economies of India's various states can be measured in different ways. The ratio of gross state value added by agriculture to GSDP is a good indicator. This ratio does not exceed 5 percent in Tamil Nadu, Kerala, or Telangana but is 11 percent in Andhra Pradesh, while it hovers between 10 and 13 in most Hindi-speaking northern states (with the exception of Haryana, at 8, and Madhya Pradesh, at 21).²²

Measuring the weight of the secondary sector is more difficult, as it includes fairly heterogeneous categories, from manufacturing to mining and construction. The weight of manufacturing does not appear to be a discriminating factor for the subject at hand, as we find western, southern, and northern Hindi-speaking states roughly comparable in terms of the share of manufacturing value added in gross domestic product. In Gujarat, manufacturing value added accounts for 32.6 percent of GSDP, in Himachal Pradesh for 29.9 percent, and in Tamil Nadu for 22 percent. **Generally speaking, the South is not more industrialized than the North or the West.**

The relative weights of agriculture, industry, and services in the different states go hand in hand with the rate of urbanization. In South India, this rate ranges from 33.5 percent in Andhra Pradesh to 48.5 percent in Tamil Nadu, with 38.6 percent in Karnataka and 47.7 percent in Kerala. These figures are comparable to those in Western India (45.2 percent in Maharashtra and 42.6 percent in Gujarat), while no northern state exceeds 33 percent (except Haryana, which is at 34.8 percent due to the presence

²² *Handbook of Statistics on Indian States, 2019–20*, Reserve Bank of India, 2020, https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/HS13102020_F947063857A8E4515A045CC91EE92BFAB.pdf.

of Gurgaon): Himachal Pradesh stands at 10 percent, Bihar at 11.3, Uttar Pradesh at 22.3, Chhattisgarh at 23.2 percent, Jharkhand at 24.1, Rajasthan at 24.9, Madhya Pradesh at 27.6, and Uttarakhand at 30.6 percent.

While some Indian states are known for having played the IT services card—this is mainly the case for Karnataka, whose capital, Bangalore, is known as India’s “Silicon Valley”—none of our three test states is in this situation, which makes them, all in all, more representative of the country’s dominant trajectory and the challenge it faces: industrialization, without which the economy will remain weighed down by an agricultural sector that fails to provide work for all rural dwellers. While Bihar is a good illustration of the problems arising from the importance of the rural world, Gujarat and Tamil Nadu are following two very different trajectories in terms of economic modernization.

2.3. GUJARAT VS. TAMIL NADU: TWO VERY DIFFERENT INDUSTRIALIZATION STRATEGIES

As already noted, **Gujarat has chosen to invest more in infrastructure than in human resources—unlike Tamil Nadu, which, as we have seen, has done more to promote the education and health of its inhabitants than Gujarat,** without ignoring the electricity and road sectors.

Gujarat has developed a strong energy infrastructure with thermal plants, solar panels, and wind turbines, generating 137.92 billion megawatt-hours (MWh) of electricity in 2022–23. This placed it ahead of Tamil Nadu (114.72 billion MWh) but behind Maharashtra (186.46 billion MWh), the country’s top producer. In terms of installed power generation capacity, Gujarat is also at the forefront, with 45,913 megawatts, compared with 37,514 in Tamil Nadu and 45,546 in Maharashtra, making it India’s number one.²³ Besides, the largest refineries in the country are

²³ “State-Wise Installed Capacity of Power,” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22202>.

in Gujarat. All these activities are highly capital-intensive and, therefore, stay in the hands of very large companies such as Reliance, the Adani Group, Tata, and Essar. In terms of road networks, by 2022, Gujarat had 7,885 km of national highways and 16,746 km of state highways, compared with 6,858 and 11,169, respectively, in Tamil Nadu.²⁴

Our three “test” states experienced relatively differentiated industrialization processes. Bihar, which is still very rural, had just 3,429 factories in 2019–20, compared with 1,674 in 2004–05 (an increase of 104.8 percent), while Tamil Nadu, at the other extreme, had more than ten times as many factories (for a much smaller population), 38,837, compared with 21,053 in 2004–05 (+84.5 percent). Gujarat, in an intermediate situation, had 10,000 fewer factories than Tamil Nadu—28,479, to be precise—for an equivalent population, compared with 13,603 in 2004–05 (+109 percent).²⁵ One explanation for Bihar’s low ranking is that it was only twenty-sixth (out of the twenty-nine states of the Indian Union) according to the criteria defining the “ease of doing business” index, while Tamil Nadu ranked fourteenth and Gujarat tenth. Gujarat’s good ranking reflects the weight of the business community in the state and the links it has forged with both the political class and the administration.

Although Gujarat has almost 25 percent fewer factories than Tamil Nadu, its industrial output accounts for 18 percent of the Indian total, whereas Tamil Nadu accounts for only 10 percent.²⁶ These figures reflect a very different economic structure. While Tamil Nadu’s industrial fabric remains dominated by SMEs (sometimes of considerable size), Gujarat is the realm of large, highly capital-intensive companies specializing

²⁴ “State-Wise Length of National Highways,” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22205>.

²⁵ *Ibid.*

²⁶ Padmini Sivarajah, “Tamil Nadu Is the Most Industrialised State but Gujarat Has the Highest Industrial Output: Governor RN Ravi,” *The Times of India*, May 1, 2024, <https://timesofindia.indiatimes.com/city/chennai/tamil-nadu-is-the-most-industrialised-state-but-gujarat-has-the-highest-industrial-output-governor-rn-ravi/articleshow/109756951.cms>.

in the energy and petrochemical sectors. In 2015–16, Tamil Nadu had 4.95 million SMEs, compared with 3.32 million in Gujarat (which was less than in Bihar: 3.45). Even these SMEs were highly capital-intensive: in 2006–07, they had already invested €18.61 billion, compared with €8.69 billion for those in Tamil Nadu (and only €0.94 billion for those in Bihar). In contrast, SMEs in Tamil Nadu are far more “labor intensive”: in 2015–16, they employed 9.67 million people, compared with just 6.12 million in Gujarat (and little more than 5.31 million in Bihar). Fixed capital invested in Gujarat was twice as high as in Tamil Nadu in 2011–12: €34.91 billion versus €18.02 billion (compared with a meager €0.84 billion in Bihar). The capital intensity of Gujarat’s production base is such that the state had just 1,589,730 factory workers in 2019–20, compared with 2,209,217 in Tamil Nadu (and just 108,416 in Bihar).

Gujarat’s ability to attract large-scale capital investments has been bolstered by favorable policies from the union government and targeted initiatives such as GIFT City that position the state as a hub for high-value financial and industrial activities. These concerted efforts often include tax incentives, infrastructure subsidies, and regulatory advantages that amplify Gujarat’s attractiveness to big capital, further entrenching its industrial dominance. However, **such preferential treatment has sparked criticism and heightened friction between the Union government and the southern states, including Tamil Nadu.**

The southern states often perceive these policies as being skewed toward Gujarat and the northern states, undermining the federal balance. This tension is exacerbated by long-standing demands for greater fiscal autonomy and concerns over the redistribution of central resources. **Southern states** such as Tamil Nadu **argue that their SME-driven, labor-intensive economies, which contribute significantly to national tax revenue, are disadvantaged by central policies** that prioritize capital-intensive models. Such dynamics risk deepening regional disparities, eroding trust in cooperative federalism, and creating uneven economic opportunities across India.

2.4. WHAT SERVICE SECTORS?

The economic trajectories of our three states differ not only because of the role agriculture and industry play in each of them but also because of the service sectors.

**Table 4. The evolution of the service sector
in Bihar, Gujarat, and Tamil Nadu
(2011-2012 to 2023-2024)**

Year	Service – GVA (constant Prices) (in Mil euros)	GSDP (constant Prices) (in Mil euros)	Percent of GSDP
Bihar			
2011–12	14,750.11	27,185.84	54.26
2012–13	15,841.61	28,253.61	56.07
2013–14	16,442.63	29,661.48	55.43
2014–15	16,856.90	30,743.07	54.83
2015–16	18,396.44	32,613.70	56.41
2016–17	19,332.40	35,067.72	55.13
2017–18	21,481.45	37,843.06	56.76
2018–19	24,475.64	41,952.08	58.34
2019–20	25,592.75	43,816.22	58.41
2020–21	22,377.55	40,586.68	55.14
2021–22	24,022.44	42,598.11	56.39
2022–23	26,889.74	46,792.23	57.47
2023–24	29,783.53	51,099.45	58.29
Gujarat			
2011–12	22,289.66	67,716.67	32.92
2012–13	25,054.32	75,091.52	33.37
2013–14	26,537.11	80,771.23	32.85
2014–15	28,813.66	89,257.04	32.28

Year	Service – GVA (constant Prices) (in Mil euros)	GSDP (constant Prices) (in Mil euros)	Percent of GSDP
2015–16	31,044.48	98,391.19	31.55
2016–17	33,501.54	107,947.62	31.04
2017–18	36,678.66	119,522.67	30.69
2018–19	40,724.73	130,132.17	31.29
2019–20	43,924.13	139,180.51	31.56
2020–21	41,855.10	136,522.96	30.66
2021–22	44,639.49	150,214.62	29.72
2022–23	48,041.42	161,259.73	29.79
2023–24	–	–	–
Tamil Nadu			
2011–12	38,480.77	82,663.43	46.55
2012–13	41,116.12	87,100.67	47.21
2013–14	44,798.12	93,717.31	47.80
2014–15	48,697.55	98,330.66	49.52
2015–16	50,601.90	106,431.87	47.54
2016–17	53,863.43	114,043.83	47.23
2017–18	57,426.06	123,837.28	46.37
2018–19	60,672.71	132,513.41	45.79
2019–20	63,295.54	136,821.91	46.26
2020–21	63,052.56	136,911.50	46.05
2021–22	67,056.87	147,709.85	45.40
2022–23	72,625.25	159,712.18	45.47
2023–24	79,344.02	172,850.50	45.90

In Bihar, the service sector has consistently been the largest contributor to the GSDP, with its share ranging from 54.26 percent in 2011–12 to 58.41 percent in 2019–20, before stabilizing at around 57–58 percent in later years. However, while its service sector’s gross value added (GVA) nearly doubled during this period, growing from €14.75 billion in 2011–12 to €29.78 billion in 2023–24, this is 1.6 times less than what the service sector represented in Gujarat and 2.6 times

less than in Tamil Nadu. This is **because the service sector in Bihar relies heavily on trade and tourism**, whereas **in Gujarat and Tamil Nadu, more sophisticated services are gaining momentum**.

Gujarat has maintained a relatively low service sector contribution to its GSDP, consistently hovering around 30–33 percent. This reflects Gujarat's strong industrial base, driven by manufacturing and heavy industries, which dominate the economy. Still, the service sector GVA in Gujarat grew from €22.29 billion in 2011–12 to €48.04 billion in 2022–23, indicating some robust growth in absolute terms in spite of a slower pace relative to its booming industrial sector. **Financial services have experienced the most spectacular growth in Gujarat, especially since the creation of the Gujarat International Finance Tec-City in 2015.** In 2020, GIFT International Financial Services Centre (IFSC) bagged tenth place in the finance industry category and top rank in emerging financial centers in the Global Financial Centres Index. The rise of GIFT City is largely due to the transfer of some financial activities that were traditionally based in Mumbai. Interestingly, for decades in Mumbai, financial activities were developed by Gujaratis who had migrated to the city as early as the nineteenth century, a reflection of the financial expertise of the trading castes: some of their members have transitioned to the industry sector, others have invested in banking activities. While in 2011–12, the financial service sector of Gujarat represented 72 percent, this share rose to 87 percent in 2022–23.

Table 5. The evolution of the financial service sector in Bihar, Gujarat, and Tamil Nadu
(2011-2012 to 2023-2024)

Year	Banking and Insurance-GVA (constant Prices) (in Mil Euros)	GSDP (constant Prices) (in Mil euros)	Percent of GSDP
Bihar			
2011–12	972.33	27,185.84	3.58
2012–13	1,053.80	28,253.61	3.73
2013–14	1,130.04	29,661.48	3.81
2014–15	1,281.81	30,743.07	4.17
2015–16	1,348.40	32,613.70	4.13
2016–17	1,273.15	35,067.72	3.63
2017–18	1,476.81	37,843.06	3.90
2018–19	2,015.67	41,952.08	4.80
2019–20	2,097.12	43,816.22	4.79
2020–21	2,127.67	40,586.68	5.24
2021–22	2,081.20	42,598.11	4.89
2022–23	2,192.30	46,792.23	4.69
2023–24	2,361.17	51,099.45	4.62
Gujarat			
2011–12	3,237.02	67,716.67	4.78
2012–13	3,732.18	75,091.52	4.97
2013–14	4,145.26	80,771.23	5.13
2014–15	4,443.71	89,257.04	4.98
2015–16	4,834.76	98,391.19	4.91
2016–17	5,076.53	107,947.62	4.70
2017–18	5,721.25	119,522.67	4.79
2018–19	6,505.06	130,132.17	5.00
2019–20	6,901.87	139,180.51	4.96
2020–21	7,581.01	136,522.96	5.55
2021–22	7,262.04	150,214.62	4.83
2022–23	7,355.72	161,259.73	4.56
2023–24	–	–	–

Year	Banking and Insurance-GVA (constant Prices) (in Mil Euros)	GSDP (constant Prices) (in Mil euros)	Percent of GSDP
Tamil Nadu			
2011–12	4,421.56	82,663.43	5.35
2012–13	4,848.52	87,100.67	5.57
2013–14	5,412.99	93,717.31	5.78
2014–15	5,966.70	98,330.66	6.07
2015–16	6,126.74	106,431.87	5.76
2016–17	6,287.47	114,043.83	5.51
2017–18	7,026.04	123,837.28	5.67
2018–19	7,301.57	132,513.41	5.51
2019–20	7,530.57	136,821.91	5.50
2020–21	8,051.89	136,911.50	5.88
2021–22	8,071.33	147,709.85	5.46
2022–23	8,438.30	159,712.18	5.28
2023–24	9,221.94	172,850.50	5.34

The service sector GVA in Tamil Nadu increased from €38.48 billion in 2011–12 to €79.34 billion in 2023–24, more than doubling over the period. **The state's consistent investment in education and human resources has played a key role in fostering this growth.** Tamil Nadu's stable service sector share, despite rapid overall GSDP growth, points to a sustainable and diversified economic model that reduces dependency on any single sector.

If Gujarat is making progress in the domain of the financial services sector, it remains weak in the IT sector, largely because it lacks skilled manpower due to the absence of a proper university system. In contrast, **Tamil Nadu is implementing a highly voluntarist IT policy**²⁷ on the basis of a complete ecosystem: the state has developed

²⁷ "IT Sector in TN Aiming to Create 25,000 New Jobs Every Month: PTR," *The Times of India*, November 22, 2023, <https://timesofindia.indiatimes.com/city/chennai/it-sector-tamil-nadu-aiming-create-jobs/articleshow/105400152.cms>, Interview with PTR, in Paris, in June 2024.

not only very sophisticated training centers but also IT parks. TIDEL Park, inaugurated in 2000 in Chennai, is the largest IT park in Asia. This explains why the city is the third-largest software exporter in India after Bangalore and Hyderabad. About 800,000 people work in the IT sector in Tamil Nadu—to say nothing of the indirect jobs created by the formal IT sector.²⁸ Interestingly, even Gautam Adani, the Gujarati oligarch-in-chief of Modi’s India, is investing massively in Tamil Nadu’s IT sector.²⁹ **Tamil Nadu is becoming a hub of artificial intelligence.**³⁰

3 When the South Refuses to Pay for the North—Or to Be under Its Political Domination

The divergence between the trajectories of the North and the South (as well as the West) is creating tensions in the Indian Union³¹—which, to some extent, call to mind those we see in the European Union when

²⁸ Malini Goyal, “Chennai Is Quickly Turning into the New Hotbed for Deep-Tech Startup,” *The Economic Times*, August 8, 2019, <https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/chennai-is-the-new-hotbed-for-deep-tech/articleshow/70514504.cms>.

²⁹ “Adani to Invest ₹2,500 cr to Set Up Hyperscale Data Centre in Chennai”, *The Hindu Businessline*, December 20, 2020, <https://www.thehindubusinessline.com/info-tech/adani-to-invest-2500-cr-to-set-up-hyperscale-data-centre-in-chennai/article33379310.ece>.

³⁰ “Tamil Nadu Emerging as India’s AI Hub, Attracting Major Investments and Projects from Google, Amazon and More,” *Business Today*, September 3, 2024, <https://www.businesstoday.in/technology/news/story/tamil-nadu-emerging-as-indias-ai-hub-attracting-major-investments-and-projects-from-google-amazon-and-more-444151-2024-09-03>.

³¹ It is useful here to go beyond our three states to show the magnitude of the challenges at a meta-regional level: The index of interstate inequality in per capita income has come up from 0.25 in 2000 to 0.30 in 2020 and if we take the ratio of per capita income of Karnataka to Bihar and the UP, it has gone up from 1.9 to 3.91 while it has gone up from 2.6 to 5.5 for Bihar. This means that today, an average person in Karnataka earns almost 5.5 times more than an average person in Bihar. The per capita income of Andhra Pradesh (€1,276.08), Karnataka (€1,720.31), Maharashtra (€1,488.51), Kerala (€1,505.50) and Tamil Nadu (€1,624.38) is more than twice (and sometimes more than thrice) the per capita income of Bihar (€313.95), Chhattisgarh (€806.30), Madhya Pradesh (€651.12), Rajasthan (€826.09) and Uttar Pradesh (€439.46).

the most affluent and disciplined countries of the North (including Germany) are asked to show solidarity with the less rich and organized countries of the South (like Greece, a few years ago). In India, too, the **redistribution of financial resources remains a contentious issue**, not only because of the very uneven development of the country region-wise but also because of demographic reasons.

In India, the main taxes are collected by the central government, which then allocates funds to the states according to a **complex distribution key**: population accounts for 15 percent, surface area for 15 percent, forest and ecology for 10 percent, income distance for 45 percent, tax and fiscal efforts for 2.5 percent, and demographic performance in terms of limiting population growth for 12.5 percent.³² This weighting disadvantages the southern states, which pay a great deal of taxes but receive little in return: “The five southern states, by virtue of their low population growth rates and higher levels of urbanization, have lost out the most....”³³ Kerala lost 27.7 percent of the funds allocated to it between the twelfth and fifteenth Finance Commissions, and Tamil Nadu 23.1 percent.³⁴

Today, when we calculate the difference between tax collection in a state as a percentage of its GSDP and what it receives from New Delhi, again as a proportion of its GSDP, we see that **all the states in the South and East are losing out (except Andhra Pradesh) and are therefore subsidizing those in the North (starting with Bihar!) and the East.**³⁵

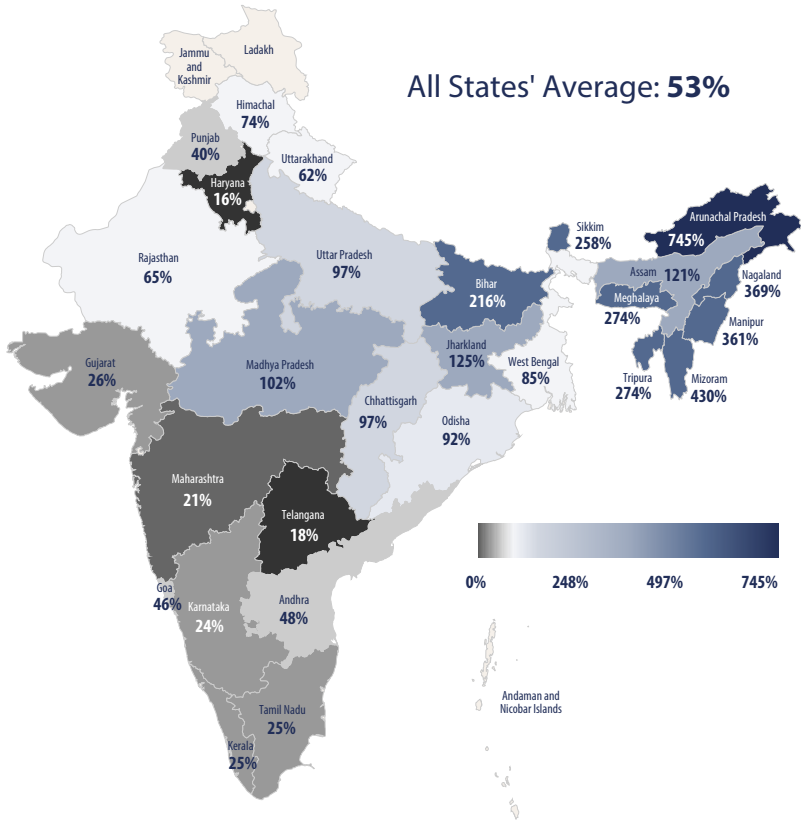
³² “Committee Reports: Report of the 15th Finance Commission for 2021–26,” PRS Legislative Research, February 3, 2021, <https://prsindia.org/policy/report-summaries/report-15th-finance-commission-2021-26>.

³³ Nilakantan, *South vs North: India's Great Divide*, p. 193.

³⁴ Nilakantan, *South vs North: India's Great Divide*, p. 194.

³⁵ Nilakantan, *South vs North: India's Great Divide*, p. 197.

Graph 1: Money received by States (as a share in the Union Taxes) to the Percentage of their Respective (Own Tax Revenue) during the Fiscal Year 2022-2023.



Source: *State Finances: A Study of Budgets* published by the Reserve Bank of India

The widening gap between the South and the North has provoked a hostile reaction from the former. The heads of government of the southern cone states have mobilized, although they each belong to different parties. Notably, none of them are members of the BJP, the party in

power in New Delhi. Some, like M. K. Stalin, the chief minister of Tamil Nadu, advocate for a “Dravidian model” common to the South, emphasizing priority investment in human capital.³⁶ In February 2024, the head of Karnataka’s government, Siddaramaiah, went up to Delhi with part of his cabinet to take part in a sit-in denouncing the tax grab from which the South was suffering, to the benefit of the North.³⁷ The idea of creating a “Southern States Forum” on this topic was born.³⁸ Such tensions are likely to increase for political, economic, and social reasons.

On the political front, Narendra Modi’s government is considering not renewing the 50-year freeze on the number of electoral constituencies decided in 1976. At the time, this choice was part of a policy to combat population growth: in order not to penalize states that observed what was then called “family planning” and whose population was therefore not growing as much as elsewhere, **it was agreed not to increase the number of constituencies in line with demographic trends.** To do otherwise would have enabled the North to send even more MPs to parliament. This is precisely what the government is preparing to do, taking advantage of the expiry of the moratorium in 2026. With this in mind, the census that should have taken place in 2021 will be organized in 2025. But even before the results are known, it is possible to visualize the constituency map that will be used for the 2029 elections, given the demographic projections available.

Since demography lends itself more to forecasting than most other social sciences, Bihar’s population is expected to grow strongly, from 116 million in 2021 to 137.7 million in 2051, while Gujarat’s population

³⁶ Pramod Madhav, “MK Stalin Stirs Up North-South Debate, Says South Supports North’s Growth,” *India Today*, November 6, 2024, <https://www.indiatoday.in/india/tamil-nadu/story/south-providing-for-north-growth-tamil-nadu-cm-mk-stalin-north-south-divide-2628994-2024-11-06>.

³⁷ “South Indian States Protest Alleged Financial Discrimination,” posted February 7, 2024 by India Today, YouTube, 0:16:10, https://www.youtube.com/watch?v=177_diG0l2U.

³⁸ B. V. Shiva Shankar, “Karnataka Congress Netas Plan to Mobilise South against Delhi,” *The Times of India*, February 5, 2024, <https://timesofindia.indiatimes.com/city/bengaluru/karnataka-congress-netas-plan-to-mobilise-south-against-delhi/articleshow/107408497.cms>.

is expected to increase from 61.2 million to 64 million over the same period, and Tamil Nadu's population will decline, falling from 69.9 million to 67.5 million. Table 6 shows that **most of the Hindi Belt states will see their populations increase massively**, except Haryana, **whereas most of the southern states will register some demographic decline**.

Table 6. Demographic projections for India
(2021–2051, regional variations)

State	Average variant		Variations (in %)
	2021	2051	
Andhra Pradesh	87,485,896	86,659,896	−1.15
Assam	32,616,000	34,403,300	+6.25
Bihar	115,984,000	137,740,000	+19.13
Chhattisgarh	29,068,700	33,740,000	+13.79
Gujarat	61,244,900	64,064,000	+4.92
Haryana	26,136,200	27,993,500	+3.85
Jharkhand	34,897,700	39,012,300	+14.71
Karnataka	63,319,100	64,524,500	+1.59
Kerala	36,348,400	35,747,000	−2.78
Maharashtra	114,336,000	116,786,000	+1.75
Madhya Pradesh	82,203,400	98,350,600	+19.51
Orissa	43,207,900	43,579,800	–
Punjab	28,221,400	27,973,500	−3.57
Rajasthan	80,096,104	114,619,000	+42.5
Tamil Nadu	69,934,104	67,458,200	−2.90
Uttar Pradesh	255,864,000	424,812,000	+66.27
Uttarakhand	13,222,700	21,880,200	+61.54
West Bengal	94,565,584	95,154,536	+1.06

Source: Aslam Mahmood and Anik Kundu, "Demographic Projections for India 2006–2051: Regional Variations," in *Strategic Analyses of the National Linking Project (NRLP) of India. Series 1*, ed. Upali A. Amarasinghe, Tushaar Shah, and R. P. S. Malik (International Water Management Institute, 2009), <https://doi.org/10.5337/2011.002>.

On this basis, the most likely redelimitation process would increase the number of seats in the Hindi-speaking North from 196 to 248, and the number of seats in the South would fall from 105 to 81: “Taken together, **the five southern states will lose as many as twenty-four seats, a loss of nearly one-fifth of the total number of seats they now have.** Kerala is at risk of losing about one-third of the Lok Sabha seats it has. On the other hand, four Hindi heartland states together—Uttar Pradesh, Bihar, Rajasthan, and Madhya Pradesh—will add a whopping thirty-four seats to their kitty.”³⁹

Table 7. Proportional allocation of seats for major states
(on the basis of the projected population in 2026)

	Number of elected seats (Lok Sabha) *	Projected population in 2026 (in thousands) **	Proportionnal seat (2026)	Gain/Loss
India	543	1,425,908	–	–
Andhra Pradesh	25	53,709	20	–5
Assam	14	36,717	14	0
Bihar	40	132,265	50	+10
Chhattisgarh	11	31,211	12	+1
Gujarat	26	74,086	28	+2
Haryana	10	31,299	12	+2
Jharkhand	14	40,958	16	+2
Karnataka	28	68,962	26	–2
Kerala	20	36,207	14	–6
Madhya Pradesh	29	89,673	34	+5
Maharashtra	48	129,308	49	+1
Odisha	21	47,147	18	–3
Punjab	13	31,318	12	–1
Rajasthan	25	83,642	32	+7

³⁹ Mohd. Sanjeer Alam, “India’s Delimitation Dilemma: Challenges and Consequences,” *The India Forum*, October 16, 2024, <https://www.theindiaforum.in/politics/indias-delimitation-dilemma-challenges-and-consequences>.

	Number of elected seats (Lok Sabha) *	Projected population in 2026 (in thousands) **	Proportionnal seat (2026)	Gain/Loss
Tamil Nadu	39	77,546	30	-9
Telangana	17	38,636	15	-2
Uttar Pradesh	80	242,859	92	+12
Wast Bengal	42	100,522	38	-4

Source: * Election Commission of India; ** Report of the Technical Group on Population Projection (2020); National Commission on Population, Ministry of Health and Family Welfare.

Note: Calculation of population per seat is done by dividing projected population of the country for 2026 by total number of current elected seats in Lok Sabha, $1,425,908,000/543 = 2,625,982$ (rounded off). If we set aside the population and seats of smaller states and union territories, the quota per seat for the major states will not change significantly.

Milan Vaishnav has proposed increasing the Lok Sabha to 848 seats to ensure that no state loses representation.⁴⁰ However, even under this scenario, some states would gain more seats than others—predominantly in the Hindi-speaking North—while the South would experience a relative decline in influence. This prospect has already led many southern leaders to mobilize against the implications of redistricting.

4 European companies in Bihar, Gujarat, and Tamil Nadu

It is important to know which state(s) of the Indian Union European companies have already invested in. This is not just because expatriates who are living and working there can provide a great deal of practical and

⁴⁰ Milan Vaishnav and Jamie Hintson, "India's Emerging Crisis of Representation," carnegieendowment.org, March 14, 2019, <https://carnegieendowment.org/research/2019/03/indias-emerging-crisis-of-representation?lang=en>.

professional information to companies that intend to do the same, but also because the people who have created a subsidiary in this or that state can share their experiences and compare different *modus operandi*.

Among the EU-based companies that have invested in India, **German and French companies represent about twice the investments of all other EU countries.**⁴¹ A dozen German companies have created subsidiaries in India in key sectors including automobiles (BMW, Audi, Volkswagen), engineering and electronics (Siemens and Bosch), information technology (SAP), telecoms (Deutsch Telecom), chemicals and pharmaceuticals (Bayer), sports (Adidas), air travel (Lufthansa), and opto-electronics (Carl Zeiss). On the French side, an equally large number of companies have invested in India since at least the first decade of the twenty-first century, including Alstom, Capgemini, Saint Gobain, Renault, L'Oréal, Schneider Electric, BNP Paribas, Groupe Auchan/Decathlon, etc.

In geographical terms, **very few European companies have chosen Bihar**, for all the reasons mentioned above. Alstom constitutes a major exception in this respect. Indeed, the French company has set up a factory for making all-electric locomotives in the city of Madhera, and in 2015, the government of India signed a \$3.5 billion (approximately €3.15 billion) order comprising 800 such locomotives.⁴²

There are not many French companies in Gujarat either, but Germany has a stronger presence in the pharmaceutical sector—a key industry in Gujarat—with German Remedies; in chemicals, with German Dyes; in iron and steel, with German TMX; and in machine tools, with Dürr India.

⁴¹ Adith Charlie, “European Companies in India: Reigniting Economic Growth Foreign Direct Investment,” 2014, https://www.europeindia.eu/wp-content/uploads/2016/10/EICC_Study_report_2014.pdf.

⁴² “Press Release: Alstom Completes Most Powerful All-Electric Make-In-India Locomotive from Madhepura and Announces Contract Wins Worth 75 million in India,” Alstom, March 10, 2018, <https://www.alstom.com/press-releases-news/2018/3/alstom-completes-most-powerful-all-electric-make-in-india-locomotive-from-madhepura-and-announces-contract-wins-worth-75-million-in-india>.

For both France and Germany, Tamil Nadu is a real hub. Among the French companies, Saint Gobain, Michelin, and Renault (which has already produced one million vehicles in its local plant⁴³) form an automobile-related (and largely export-oriented) ecosystem. On the German side, in Tamil Nadu, one finds not only industrial firms—namely Daimler, BMW, Siemens, Schaffer, Thyssen, Bosch, Continental, and Schwing Stetter—but also IT companies such as SAP and T-Systems and insurance companies such as Allianz and Munich Re.⁴⁴

5 Bihar, Gujarat, and Tamil Nadu in 2050

The prospective data we have compiled show that, **by 2050, our three states will have achieved a fair amount of development.** In fact, most of the indicators are better in these three states than the Indian average. For instance, the infant mortality rate will stand between 4.5/1,000 and 8/1,000 when the Indian figure will still be at 12/1,000—which would be 50 percent less than today, an impressive trajectory. Similarly, the literacy rate will reach 95 percent by the 2051 census, suggesting that universal education would be offered to almost everyone. India will have made huge progress on the front of poverty alleviation too: by the early 2050s, only 1.79 percent of its population should be living below the poverty line, compared to 12.5 percent today. However, poverty will not be eradicated to the same extent in our three states: Bihar will continue to lag behind, and Gujarat will be more developed in economic terms than in social terms (the strong point of Tamil Nadu, in contrast).

⁴³ “Renault India Reaches 1 Mn Production Milestone at Tamil Nadu Plant,” *Business Standard*, June 14, 2023, https://www.business-standard.com/industry/news/renault-india-reaches-1-mn-production-milestone-at-tamil-nadu-plant-123061400643_1.htm.

⁴⁴ “Bringing German Precision and Innovation to Chennai: A Look at Top German Companies in Chennai,” *Sprachlingua*, <https://sprachlingua.com/german-companies-in-chennai>.

5.1. BIHAR CONTINUES TO LAG BEHIND

The main lesson one can learn from this prospective exercise is suggested by Bihar's trajectory. Despite massive investments in social programs, **the state will continue to lag behind the other two**. This has significant implications, not just domestically but also in the context of India's economic relationship with Europe. First, **the relative stagnation of the Hindi Belt**, which will represent more than 50 percent of the Indian population by 2050, **limits India's ability to fully integrate into the global economy as a developed country**, affecting its attractiveness as a strategic partner for European nations. Second, the economic divide within India exacerbates regional disparities, with states like Bihar and its neighbors remaining unattractive to investors—including European companies—who prioritize regions with robust infrastructure and a skilled workforce. This defies the trickle-down theory, whereby poorer regions typically grow faster by attracting investment due to lower labor costs. Instead, the lack of development in the North perpetuates inequality, shaping India's overall economic landscape and its appeal to Europe as a trade and investment destination.

Among the indicators of social progress that best lend themselves to prospective analysis, the infant mortality rate bears witness to a significant change, as our three states will find themselves below the national average as early as 2030, with very low figures. Bihar's progress is such that it will have almost caught up with Gujarat by that time, a state with very little inclination toward social progress, as we have seen. In 2050, the gap between our three states will be minimal: 4.5/1,000 for Tamil Nadu, 5.5/1,000 for Gujarat, and 8/1,000 in Bihar. This achievement partly explains why the population of Bihar will jump from 116 million in 2021 to almost 138 million in 2051. But Bihar nonetheless lags behind if its trajectory is assessed in light of other indicators.

While Tamil Nadu will have completely eradicated poverty by 2037 (when less than 1 percent of its population will be living below the poverty line), **a level Gujarat will achieve by 2050, more than 6 percent of Bihar's population will still be victims of this scourge.**

These data are confirmed by the evolution of the Multidimensional Poverty Index (MPI), according to which poverty will have disappeared definitively from Tamil Nadu by the 2030s, while it will remain present at a significant level in Bihar.

The literacy rate is by far the most alarming indicator, so far as Bihar is concerned. While the two other states will have reached excellent levels—97.82 percent for Gujarat and 98.49 percent for Tamil Nadu—by 2050, in Bihar, about 20% of the population will still be illiterate by the middle of the century—a problem partly due to demographic growth.

5.2. GUJARAT: A TYPICAL CASE OF UNEQUAL DEVELOPMENT

To capture the evolution of living standards in the three states on which our analysis focuses, we have adopted a linear (progressive) regression model (see the statistical prospective appendix below). This model predicts that by 2050, Gujarat—though still having more people living in poverty than Tamil Nadu—will have widened the gap with this state in terms of the average income of its inhabitants, while the per capita net state domestic product was 14.2 percent higher in Gujarat than in Tamil Nadu in 2024, the difference will jump to 23.9 percent in 2050.

Bihar will be left behind both states to unprecedented levels due not only to its low level of industrialization but also to its demographic growth. These two factors will lead to a widening income gap, such that Bihar, which in 2024 had a per capita income over 6 times lower than Gujarat's and 5.5 times lower than Tamil Nadu's, will see these ratios increase to 8 for Gujarat and 6.4 for Tamil Nadu by 2050.

These figures confirm that, instead of narrowing, the gap between the North and the geographical group formed by the South and West will continue to widen—in such a way that fiscal transfers will have to continue to increase to maintain national cohesion.

Gujarat's strong point will continue to be its industry, whose growth should be supported by a real boom in power generation.

The comparative advantage that Gujarat already enjoys in terms of per capita electricity production will become even more pronounced by the 2030s. It will then be almost eight times higher than in Tamil Nadu. By contrast, Bihar will continue to lag far behind due both to its demographic dynamism and its low level of electricity production: by 2034, it will produce almost three times less electricity per capita than Tamil Nadu and almost twenty-four times less than Gujarat. Gujarat's power generation capacity will be 1.3 times that of Tamil Nadu in 2037 and more than twice that of Bihar (10). Today, Gujarat is selling electricity to states as far away as Andhra Pradesh. By the middle of the century, it may sell to a still larger number of states.

While Gujarat will continue to make the most of its industrial strength—electricity production being a key asset in this respect—it will continue to invest less in human capital than the other two states on our panel.

5.3. TAMIL NADU: A MODEL OF SOCIAL DEVELOPMENT

In the future, **Tamil Nadu will have to combine economic development with social progress.**

The trajectory of social spending in our three states is to Tamil Nadu's advantage—and even to Bihar's advantage to some extent—but Bihar's economic backwardness is too deep-rooted for its efforts to translate into significant progress.

The diverging trajectories of our three states in terms of social expenditures are truly fascinating:

Bihar, to fight against poverty, malnutrition, etc., will multiply by two the share of its social expenditures in the GSDP, from 20.16 percent in 2024 to 40.82 percent in 2050. This amazing figure is also due to the state's limited growth rate and the correlative fact that this large percentage represents, proportionately, a modest amount.

Gujarat, in spite of the low level of its social expenditure and the need to fight remaining challenges like infant mortality and malnutrition more effectively **will divide the share of its social expenditure in the GSDP by almost two**, from 4.2 percent in 2024 to 2.15 percent in 2050—partly because of a good growth rate too: the amount may remain the same or increase, but the GSDP makes more progress at the same time.

By contrast, Tamil Nadu—already developed by the 2030s—will keep a percentage of its social expenditures in the GSDP more than twice as large as Gujarat's in 2050 at 5.29 percent (against 5.48 percent in 2024).

Healthcare spending offers a great illustration of these divergences. They will remain the same in Gujarat—at a very low level of 0.65 percent of GSDP, a clear indication that the government will continue, under the privatization of healthcare logic, not to prioritize this type of service, which its inhabitants will need to pay for themselves. In contrast, Tamil Nadu's health care spending is set to continue growing, from 0.88 percent of GSDP in 2024 to 1.38 percent in 2050, despite already being high, while Bihar's is projected to more than double its effort in terms of share of GSDP, from 1.95 in 2024 to 4.23 in 2050.

Education spending, arguably the most critical type of social expenditure, reflects a state's investment in human resources. Literacy rates serve as a key indicator of the progress achieved in this area. Logarithmic

regression can help predict trends in literacy rates in a growing population. Early on, literacy rates may increase quickly as education programs reach more people. However, over time, as most of the population becomes literate, the rate of increase naturally slows down and levels off. Logarithmic regression fits this kind of pattern well, capturing the initial rapid growth in literacy and the eventual slowdown, making it useful for projecting future literacy rates as they approach a maximum limit. Tamil Nadu is once again a model, given that by the middle of this century, it will have reached a level close to universal literacy (98.5 percent), a figure almost reached by Gujarat—where private schools will no doubt have compensated for the shortcomings of public education—while one-fifth of Bihar’s population will still be illiterate (Table 16).

Tamil Nadu is all the more exemplary in that, alongside its industry, it has a thriving service sector—unlike Gujarat, which has not made a name for itself in information technology.

A Tale of Three Indias

This tale of three Indian states, including its prospective dimension, suggests two types of conclusion: one turned toward the national context and the other one toward international actors.

Regarding the issues this note deals with, the Indian debate is bound to revolve around two considerations. First, as mentioned above, **the growing gap between the North and the South will foster tensions.** Second, the economic policies followed by the Modi government since 2014 will be more and more discussed in this very context: while they replicate those of Gujarat, there is an alternative “model” epitomized by Tamil Nadu that is supported by the opposition on behalf of a more inclusive and human resources-oriented development strategy. The success story that is Tamil Nadu may attract more and more supporters—at the expense of the “Gujarat model”—because of the rise in unemployment and impoverishment of the lower-middle class.

Regarding international actors, **when a foreign company invests in India, it needs to pay attention to all kinds of parameters before choosing the place where it will open an office or build a plant.** The location of its partners matters a great deal if it is a joint venture. The price and availability of land is a major factor, especially if it opens a factory. State regulations, including the tax landscape, are a concern. The way the company relates to the state authorities is another important variable, especially when the bureaucracy resists the ongoing liberalization process and if corruption remains a problem.

In this note, we have addressed another dimension that is usually underestimated: the types of development experienced by three major states of the Indian Union and their future trajectories. We consider this entry point very important because the level of economic development

(in terms of transport and energy infrastructure) and social development (education, health, etc.) plays a major role locally: can people and merchandise move easily, is electricity available, are the locals educated and in good health? These are key facets of the environment in which foreigners have to operate.

In addition, **engaging the state governments is critical**. There are many different routes to achieving good results in this regard. First, direct contacts are easy in the case of Gujarat and Tamil Nadu, a state whose key minister, Palanivel Thiaga Rajan (“PTR”), keeps traveling around the world to find economic partners. Second, creating a joint venture with a state company (or a company established in the state for quite some time) should help foreign investors circumvent challenges like bureaucratic procedures and corruption—but foreign companies have preferred to sever their links with partners who tend not to observe elementary rules like intellectual property. Third, intermediaries like consultancy companies well entrenched in the state’s economic landscape can also play the role of facilitators—at a price. Finally, transnational companies with one foot in the West and one foot in India, sometimes because they have been created by members of the diaspora, can also play the role of middlemen vis-à-vis the state governments—even if they are not in a joint venture with the foreign company intending to invest in India. The Gujarati diaspora, which is very well represented in the United Kingdom and in the United States, tends to lend itself to such arrangements.

The three states we have studied help us document the growing differentiation of Indian territory. While the North–South divide is often referred to because of the reluctance of the latter to pay for the former, we have also brought the West into the picture to offer a more comprehensive analysis. This approach allows us to establish a typology in which Bihar epitomizes the low level of development type, Gujarat a successful growth strategy relying on industrialization and investments in infrastructure, and Tamil Nadu a trajectory combining economic

growth and social development. **Each of them is a prototype of their region: the Hindi Belt, the West, and the South.**

Note, in this regard, **that the case of Bihar is of particular importance, as it stands as the representative of the Hindi-speaking North, whose demographic weight continues to grow, to the point of representing more than half of the population.** Bihar, Uttar Pradesh, Madhya Pradesh, and other heavyweights in the area will be pulling the country down over the coming decades and creating tensions within India, especially if the re-delimitation of the electoral constituencies is rejected by the South.

A Summary of the Existing Contrasts between Bihar, Gujarat, and Tamil Nadu: The Multidimensional Poverty Index

To capture the various aspects of the disparities in living standards between North, South, and West, we have a synthetic index in India—as in other countries—the Multidimensional Poverty Index (MPI).⁴⁴ The MPI captures many dimensions of Indians' living standards, including nutrition, child and adolescent mortality, maternal health, years of schooling, school attendance, assets, bank accounts, access to cooking fuel, sanitation, drinking water, housing, and electricity.⁴⁵

In the North, the MPI ranges from 0.160 in Bihar—which has the worst score—to 0.131 in Jharkhand, 0.103 in Uttar Pradesh, 0.090 in Madhya Pradesh, 0.070 in Chhattisgarh, 0.065 in Rajasthan, 0.41 in Uttarakhand, 0.031 in Haryana, and 0.020 in Himachal Pradesh.

Only the last three states mentioned do as well or better than the worst-ranked southern states, Karnataka (0.031) and Andhra Pradesh (0.025). The other two southern states are far ahead: Kerala at 0.002 and Tamil Nadu at 0.009.

It should be noted that none of the western states performed as well as those in the South, but they fared better than most northern states: Maharashtra recorded a score of 0.033, and Gujarat 0.050.

⁴⁴ “State-Wise Population Estimates – Multi-Dimensional Poverty Index,” Reserve Bank of India, November 15, 2023, <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=22082>.

⁴⁵ “India: National Multidimensional Poverty Index – A Progress Review, 2023,” NITI Ayog, 2023, https://ophi.org.uk/sites/default/files/2024-03/India_National_MPI_2023.pdf.

As for our three states, the evolution of their MPI between 2015–16 and 2019–21 corroborates the results obtained from poverty rates: Bihar's index fell from 0.265 to 0.160, a reduction of 0.105; Gujarat's from 0.083 to 0.050 (–0.033); and Tamil Nadu's from 0.019 to 0.009 (–0.01). Although poverty is declining in Bihar more than elsewhere, it remains pervasive, with the difference in indices between this state and Gujarat narrowing from 0.182 to 0.110 (–0.72) and between Bihar and Gujarat from 0.246 to 0.151 (–0.095), which is considerable in both cases. Meanwhile, the reduction in the gap between Gujarat and Tamil Nadu, from 0.064 to 0.041 (–0.023), does not reflect a very spectacular catch-up.

Prospective Statistical Appendix

For this prospective analysis, we used different methods.

The exponential regression model is particularly effective when dealing with data that follow an exponential decay or growth pattern over time. It provides a mathematical way to model data that does not follow a linear path and can capture both rapid growth and gradual decline with more flexibility than CAGR or linear decay.

Logarithmic regression can help predict trends in a growing population when government programs make a strong impact initially by reaching more people, boosting the growth of different indicators before seeing a slowing down and leveling off of the growth rates over time.

A polynomial model is used to capture nonlinear trends in the data, such as fluctuations and recent shifts, which a straight-line (linear) model cannot do. This allows the projections to reflect the data's actual trajectory more accurately, especially if growth patterns vary across intervals.

A logistic model is often used when growth is constrained by a certain maximum limit or capacity, resulting in an S-shaped (sigmoidal) curve. It begins with a period of slow growth, followed by a phase of rapid increase, and eventually tapers off as the system approaches its carrying capacity. This model is particularly useful when studying population growth or adoption rates for policies or technologies, as it accounts for both the initial accelerating phase and the eventual slowdown due to limitations such as resource availability or market saturation.

The linear (progressive) regression model establishes a relationship between a dependent variable and one or more independent variables by fitting a straight line (linear equation) to the data points. This model assumes a constant rate of increase or decrease over time, making it well suited for data that show a steady trend. However, it may not capture nonlinear patterns or growth rates that change significantly over time.

Prospective Statistics: Bihar, Gujarat, and Tamil Nadu in 2050

Table 8. State-wise infant mortality rates
(Per thousand)

State	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bihar	61	61	60	58	56	52	48	44	43	42	42	42	38	35	32	29	27
Gujarat	53	54	53	52	50	48	44	41	38	36	35	33	30	30	28	25	23
Tamil Nadu	41	37	37	35	31	28	24	22	21	21	20	19	17	16	15	15	13
All India	58	58	57	55	53	50	47	44	42	40	39	37	34	33	32	30	28

Table 8.1. Projected values: Using historical trend data since 2014–2015
(logistic regression model)

Year	India	Bihar	Gujarat	Tamil Nadu
2021	26.5	25.0	21.5	12.0
2025	23.0	20.0	17.0	10.0
2030	20.0	16.5	13.5	8.5
2040	15.0	11.0	8.0	6.0
2050	12.0	8.0	5.5	4.5

Table 9. State-wise poverty rate
(Mixed Recall Method, Persons in Lakh = 100,000)

State	2004–05 (Based on MRP Consumption)#		2009–10 (Based on MRP Consumption)#		2011–12 (Based on MRP Consumption)#	
	No. of Persons	Percentage	No. of Persons	Percentage	No. of Persons	Percentage
Bihar	485.6	54.4	543.5	53.5	358.2	33.7
Gujarat	172.2	31.8	136.2	23.0	102.2	16.6
Tamil Nadu	186.8	28.9	121.8	17.1	82.6	11.3
India	4,076.1	37.2	3,546.8	29.8	2,697.8	21.9

Table 9.1. Projected values: Percentages using all historical data above
(exponential regression method)

Year	India	Bihar	Gujarat	Tamil Nadu
2017	17.32	32.17	11.96	6.78
2022	12.52	25.46	7.92	3.69
2027	9.05	20.15	5.25	2.01
2032	6.55	15.95	3.48	1.1
2037	4.73	12.62	2.3	0.6

Year	India	Bihar	Gujarat	Tamil Nadu
2042	3.42	9.99	1.52	0.33
2047	2.47	7.91	1.01	0.18
2052	1.79	6.26	0.67	0.10

Table 10. The Multidimensional Poverty Index
(state-wise population estimates)

State/Union Territory	NFHS-4 Headcount Ratio (%)	NFHS-4 Intensity (%)	NFHS-4 MPI	NFHS-5 Headcount Ratio (%)	NFHS-5 Intensity (%)	NFHS-5 MPI
Bihar	51.89	51.01	0.265	33.76	47.40	0.160
Gujarat	18.47	44.97	0.083	11.66	43.25	0.050
Tamil Nadu	4.76	39.97	0.019	2.20	38.70	0.009
India	24.85	47.14	0.117	14.96	44.39	0.066

Table 10.1. Projected values: Using all historical data above
(exponential regression method)

States	Projection 1 (Headcount Ratio (%) in 2023)	Projection 2 (Headcount Ratio (%) in 2027)	Projection 3 (Headcount Ratio (%) in 2031)	Projection 1 (Intensity (%) in 2023)	Projection 2 (Intensity (%) in 2027)	Projection 3 (Intensity (%) in 2031)	Projection 1 (MPI in 2023)	Projection 2 (MPI in 2027)	Projection 3 (MPI in 2031)
Bihar	21.964	14.29	9.297	44.045	40.928	38.032	0.097	0.058	0.035
Gujarat	7.361	4.647	2.934	41.596	40.005	38.475	0.030	0.018	0.011
Tamil Nadu	1.017	0.470	0.217	37.470	36.280	35.127	0.004	0.002	0.001
India	9.006	5.422	3.264	41.80	39.362	37.066	0.037	0.021	0.012

Table 11. Per capita NSDP at constant prices
(2011-2012 base year, in euros)

States	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Bihar	242.77	247.81	254.22	259.21	268.60	284.13	298.24	324.72	332.60	299.36	320.11
Gujarat	976.46	1,079.17	1,145.09	1,243.11	1,347.06	1,448.13	1,602.90	1,728.84	1,831.23	1,744.45	1,901.82
Tamil Nadu	1,039.31	1,085.58	1,140.65	1,195.64	1,293.39	1,375.22	1,484.86	1,583.26	1,616.75	1,601.54	1,725.16

Table 11.1. Projected values:
Using all historical data above
(in euros, linear—progressive—regression model)

Year	Bihar	Gujarat	Tamil Nadu	Year	Bihar	Gujarat	Tamil Nadu
2022	338.64	2,035.67	1,806.75	2037	473.47	3,477.53	2,882.40
2023	347.63	2,131.80	1,878.46	2038	482.45	3,573.66	2,954.11
2024	356.61	2,227.93	1,950.17	2039	491.44	3,669.78	3,025.82
2025	365.60	2,324.04	2,021.88	2040	500.44	3,765.90	3,097.53
2026	374.60	2,420.17	2,093.59	2041	509.42	3,862.03	3,169.24
2027	383.58	2,516.30	2,165.30	2042	518.41	3,958.15	3,240.95
2028	392.57	2,612.42	2,237.01	2043	527.39	4,054.28	3,312.66
2029	401.56	2,708.54	2,308.72	2044	536.39	4,150.40	3,384.37
2030	410.55	2,804.67	2,380.43	2045	545.37	4,246.52	3,456.08
2031	419.53	2,900.79	2,452.14	2046	554.36	4,342.65	3,527.79
2032	428.52	2,996.92	2,523.85	2047	563.36	4,438.78	3,599.50
2033	437.52	3,093.03	2,595.56	2048	572.34	4,534.89	3,671.21
2034	446.50	3,189.16	2,667.27	2049	581.33	4,631.02	3,742.92
2035	455.49	3,285.29	2,738.98	2050	590.31	4,727.15	3,814.63
2036	464.47	3,381.42	2,810.69				

Table 12. State-wise per capita availability of power

Year	Bihar	Gujarat	Tamil Nadu	All India
kilowatt-hour				
2004–05	78.0	1,040.5	762.3	532.9
2005–06	87.0	1,034.8	863.0	562.7
2006–07	93.3	1,067.3	968.6	607.1
2007–08	95.6	1,137.0	1,024.8	647.5
2008–09	106.0	1,201.0	1,028.9	671.8
2009–10	119.4	1,326.6	1,146.8	725.9
2010–11	129.8	1,332.8	1,203.4	766.4
2011–12	108.5	1,232.6	1,063.3	708.9
2012–13	123.6	1,549.0	1,055.8	750.8
2013–14	142.2	1,465.4	1,219.6	793.1
2014–15	180.7	1,593.3	1,285.7	851.8
2015–16	227.9	1,714.7	1,338.9	901.4
2016–17	242.1	1,717.4	1,448.4	938.1
2017–18	256.3	1,821.2	1,467.2	978.1
2018–19	287.3	1,930.5	1,514.8	1,028.9
2019–20	303.8	1,890.4	1,506.9	1,042.6
2020–21	327.7	1,852.0	1,401.4	1,031.4
2021–22	344.5	2,051.9	1,520.6	1,115.3
2022–23	373.4	2,288.3	1,588.7	1,221.0

Table 12.1. Projected values: Using historical trend data since 2014–2015
(exponential regression model)

Year	Bihar	Gujarat	Tamil Nadu	All India
kilowatt-hour				
2024	378.01	2,256.59	1,692.28	1,226.70
2025	395.02	2,321.79	1,734.12	1,251.35
2026	412.03	2,387.00	1,775.96	1,286.00

Year	Bihar	Gujarat	Tamil Nadu	All India
2027	429.04	2,452.21	1,817.79	1,320.65
2028	446.04	2,517.42	1,859.63	1,355.29
2029	463.05	2,582.63	1,901.47	1,389.94
2030	480.06	2,647.83	1,943.31	1,424.59
2031	497.07	2,713.04	1,985.15	1,459.24
2032	514.08	2,778.25	2,026.98	1,493.89
2033	531.09	2,843.46	2,068.82	1,528.54
2034	548.10	2,908.67	2,110.66	1,563.19
2035	565.11	2,973.87	2,152.50	1,597.84
2036	582.12	3,039.08	2,194.34	1,632.48
2037	599.13	3,104.29	2,236.18	1,667.13
2038	616.14	3,169.50	2,278.01	1,701.78
2039	633.15	3,234.71	2,319.85	1,736.43
2040	650.16	3,299.91	2,361.69	1,771.08
2041	667.17	3,365.12	2,403.53	1,805.73
2042	684.18	3,430.33	2,445.37	1,840.38
2043	701.19	3,495.54	2,487.21	1,875.03
2044	718.20	3,560.74	2,529.04	1,909.68
2045	735.21	3,625.95	2,570.88	1,944.32
2046	752.22	3,691.16	2,612.72	1,978.97
2047	769.23	3,756.37	2,654.56	2,013.62
2048	786.24	3,821.58	2,696.40	2,048.27
2049	803.25	3,886.78	2,738.23	2,082.92
2050	820.26	3,951.99	2,780.07	2,117.57

Table 13. State-wise installed capacity of power

Year	Bihar	Gujarat	Tamil Nadu	All India
Megawatts				
2004	1,644	9,291	11,493	120,514
2005	1,629	9,848	12,331	124,287
2006	1,629	10,270	12,376	128,182

Year	Bihar	Gujarat	Tamil Nadu	All India
2007	1,970	11,052	13,563	143,061
2008	1,970	12,110	14,089	147,965
2009	1,846	13,908	14,410	159,398
2010	1,922	15,723	15,515	173,626
2011	1,834	21,972	17,602	199,877
2012	1,868	26,414	19,433	223,344
2013	2,248	27,570	21,639	248,554
2014	2,809	28,881	23,258	274,904
2015	3,050	29,788	25,630	305,163
2016	3,608	30,716	29,112	326,833
2017	4,341	30,794	29,903	344,002
2018	4,566	32,291	31,059	356,100
2019	5,792	35,211	32,840	370,106
2020	6,321	37,893	33,695	382,151
2021	7,323	42,208	35,139	399,497
2022	7,555	45,913	37,514	416,059

Table 13.1. Projected values: Using historical trend data since 2014–2015
(exponential regression model)

Year	Bihar	Gujarat	Tamil Nadu	India
2023	8,263.89	46,201.58	39,043.39	434,787.39
2024	8,908.56	47,270.90	40,670.96	451,193.42
2025	9,553.22	49,340.22	42,298.52	467,599.46
2026	10,197.89	51,409.53	43,926.09	484,005.49
2027	10,842.56	53,478.85	45,553.66	500,411.52
2028	11,487.22	55,548.17	47,181.22	516,817.56
2029	12,131.89	57,617.48	48,808.79	533,223.59
2030	12,776.56	59,686.80	50,436.36	549,629.62
2031	13,421.22	61,756.12	52,063.92	566,035.66
2032	14,065.89	63,825.43	53,691.49	582,441.69

Year	Bihar	Gujarat	Tamil Nadu	India
2033	14,710.56	65,894.75	55,319.06	598,847.72
2034	15,355.22	67,964.07	56,946.62	615,253.76
2035	15,999.89	70,033.38	58,574.19	631,659.79
2036	16,644.56	72,102.70	60,201.76	648,065.82
2037	17,289.22	74,172.02	61,829.32	664,471.86
2038	17,933.89	76,241.33	63,456.89	680,877.89
2039	18,578.56	78,310.65	65,084.46	697,283.92

Table 14. State social sector expenditures
(in percentage of the gross state domestic product)

State/Union Territory (Base 2011–12)	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Bihar	9.73	10.89	11.01	12.37	14.18	14.38	14.56	14.31	12.37	15.23	22.25
Gujarat	4.93	5.25	5.19	5.13	5.20	4.80	4.56	4.48	4.44	4.70	4.46
Tamil Nadu	5.58	5.47	5.69	5.85	5.95	5.35	4.90	5.29	4.96	6.01	5.86

Table 14.1. Projected values: Using all historical data above
(polynomial regression model)

Year	Bihar	Gujarat	Tamil Nadu
2022	18.56	4.35	5.49
2023	19.36	4.28	5.49
2024	20.16	4.20	5.48
2025	20.96	4.12	5.47
2026	21.76	4.04	5.46
2027	22.56	3.96	5.46
2028	23.36	3.88	5.45
2029	24.16	3.80	5.44
2030	24.95	3.72	5.44
2031	25.75	3.64	5.43

Year	Bihar	Gujarat	Tamil Nadu
2032	26.55	3.56	5.42
2033	27.34	3.49	5.41
2034	28.14	3.41	5.41
2035	28.93	3.33	5.40
2036	29.73	3.25	5.39
2037	30.52	3.17	5.38
2038	31.32	3.09	5.38
2039	32.11	3.01	5.37
2040	32.90	2.94	5.36
2041	33.70	2.86	5.36
2042	34.49	2.78	5.35
2043	35.28	2.70	5.34
2044	36.07	2.62	5.33
2045	36.86	2.54	5.33
2046	37.66	2.46	5.32
2047	38.45	2.39	5.31
2048	39.24	2.31	5.31
2049	40.03	2.23	5.30
2050	40.82	2.15	5.29

Note: The data available were in absolute numbers. However, due to different economy sizes—the expenditure was calculated as a percentage of GDP at Current Prices (Base Year 2011–12). These percentages were then projected.

Table 15. State-wise health expenditure
(in percentage of the gross state domestic product)

State (Base 2011–12)	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Bihar	0.91	0.84	1.08	1.25	1.33	1.36	1.47	1.39
Gujarat	0.65	0.64	0.70	0.70	0.67	0.65	0.68	0.64
Tamil Nadu	0.64	0.64	0.72	0.72	0.68	0.74	0.81	0.75

Projected values of all the data above (exponential regression model)

Table 15.1. Projected values of all the data above
(exponential regression model)

Year	Bihar	Gujarat	Tamil Nadu
2020	1.60	0.66	0.80
2021	1.69	0.66	0.82
2022	1.78	0.66	0.84
2023	1.87	0.66	0.86
2024	1.95	0.66	0.88
2025	2.04	0.66	0.90
2026	2.13	0.66	0.92
2027	2.22	0.66	0.94
2028	2.31	0.66	0.96
2029	2.39	0.66	0.98
2030	2.48	0.66	0.99
2031	2.57	0.66	1.01
2032	2.66	0.66	1.03
2033	2.75	0.66	1.05
2034	2.83	0.66	1.07
2035	2.92	0.65	1.09
2036	3.01	0.65	1.11
2037	3.10	0.65	1.13
2038	3.18	0.65	1.15
2039	3.27	0.65	1.17
2040	3.36	0.65	1.19
2041	3.45	0.65	1.21
2042	3.53	0.65	1.23
2043	3.62	0.65	1.25
2044	3.71	0.65	1.27
2045	3.79	0.65	1.28
2046	3.88	0.65	1.30

Year	Bihar	Gujarat	Tamil Nadu
2047	3.97	0.65	1.32
2048	4.06	0.65	1.34
2049	4.14	0.65	1.36
2050	4.23	0.65	1.38

Note: The data available were in absolute numbers. However, due to different economy sizes, the expenditure was calculated as a percentage of GDP at Current Prices (Base Year 2011–12). These percentages were then projected.

Table 16. The literacy rates of Bihar, Gujarat, and Tamil Nadu in 2051

Year	Bihar	Gujarat	Tamil Nadu	India
1951	13.49	21.82	–	18.33
1961	21.95	31.47	36.39	28.3
1971	23.17	36.95	45.4	34.45
1981	32.32	44.92	54.39	43.57
1991	37.49	61.29	62.66	52.21
2001	47	69.14	73.45	64.84
2011	61.8	78.03	80.09	72.99
2021	67.30	87.00	88.97	81.63
2031	72.36	92.66	94.18	87.96
2041	76.90	95.96	97.01	92.31
2051	80.90	97.82	98.49	95.18

Note: The last four lines are the projected values using historical trend data since 1951 (1961 for TN).

Acknowledgements

The author wants to thank **Marie-Pierre de Baillencourt, Mathieu Duchâtel, Rosalie Klein, Pierre Pinhas, Alix Lemaire** and **Arsène Vassy** for their helpful comments, suggestions and assistance. He also thanks **Matthieu Mercier** for his work on the publication's layout and visuals.

*Institut Montaigne welcomes thoughts and ideas
on how to address these issues collectively
and put forward recommendations which serve
the public interest.*



Institut Montaigne
59 rue La Boétie, 75008 Paris
Tél. +33 (0)1 53 89 05 60
institutmontaigne.org/en

Printed in France
Legal filing: February 2024
ISSN: 1771-6756

ABB France	Dassault Systèmes	Jeantet Associés	RATP
AbbVie	Delair	Johnson & Johnson	Renault
Accenture	Deloitte	Jolt Capital	Ricol Lasteyrie
Accor	De Pardieu Brocas	Katalyse	Rivolier
Accuracy	Maffei	Kea	Roche
Actual Group	Domia Group	Kearney	Roche Diagnostics
Adeo	Edenred	KPMG S.A.	Rokos Capital
ADIT	EDF	Kyndryl	Management
Air Liquide	EDHEC Business	La Banque Postale	Rothschild & Co
Allianz	School	La Compagnie	RTE
Amazon	Edmond de	Fruitière	Safran
Amber Capital	Rothschild	LCH SA	Sanofi
Amundi	Ekimetrics France	Lenovo ISG	SAP France
Antidox	Engie	Linedata Services	Schneider Electric
Antin Infrastructure	EQT	Lloyds Europe	ServiceNow
Partners	ESL & Network	L'Oréal	Servier
ArchiMed	Eurogroup	LVMH - Moët-	SGS
Ardian	Consulting	Hennessy - Louis	SIER Constructeur
Arqus	FGS Global	Vuitton	SNCF
Arthur D. Little	Forvis Mazars	M.Charraire	SNCF Réseau
AstraZeneca	Getlink	MACSF	Sodexo
August Debouzy	Gide Loyrette Nouel	Média-Participations	SPVIE
AXA	Gigalis	Mediobanca	SUEZ
AXA IARD	Google	Mercer	Synergie
A&O Shearman	Groupama	Meridian	Teneo
Bain & Company	Groupe Bel	Microsoft France	The Boston
France	Groupe M6	Mitsubishi France	Consulting Group
Baker & McKenzie	Groupe Orange	S.A.S	Tilder
BearingPoint	Hameur et Cie	Moelis & Company	Tofane
Bessé	Henner	Moody's France	TotalÉnergies
BNP Paribas	Hitachi Energy	Morgan Stanley	TP ICAP
Bolloré	France	Natixis	Transformation
Bouygues	Hogan Lovells	Natural Grass	Factory
Bristol Myers Squibb	Howden	Naval Group	Unicancer
Brousse Vergez	HSBC Continental	Nestlé	Veolia
Brunswick	Europe	OCIRP	Verian
Capgemini	IBM France	ODDO BHF	Verlingue
Capital Group	IFPASS	Ondra Partners	VINCI
CAREIT	Incyte Biosciences	Optigestion	Vivendi
Carrefour	France	Orano	Vodafone Group
Chubb	Inkarn	PAI Partners	Wavestone
CIS	Institut Mérieux	Pelham Media	Wendel
Clariane	International SOS	Pergamon	White & Case
Clifford Chance	Interparfums	Polytane	Willis Towers Watson
CNP Assurances	Intuitive Surgical	Publicis	France
Cohen Amir-Aslani	Ionis Education	PwC France &	Zurich
Conseil supérieur du	Group	Maghreb	
notariat	iQo	Qualisocial	
D'Angelin & Co.Ltd	ISRP	Raise	

As Europe deepens its partnership with India—both to hedge against global uncertainties and reduce reliance on China—it must understand India’s internal development dynamics. A one-size-fits-all approach risks overlooking deep regional disparities. Instead, a regionally informed strategy will allow Europe to support India’s industrial transformation while advancing its own economic and geopolitical interests.

India is not a single, homogenous market but a mosaic of distinct economic models. This report examines Bihar, Gujarat, and Tamil Nadu to illustrate these variations. Bihar struggles with underdevelopment, poor infrastructure, and persistent poverty. Gujarat thrives on capital-intensive industrial growth but faces widening inequalities. Tamil Nadu prioritizes human capital investment, fostering inclusive, high-tech-driven growth. These regions reflect broader trends—the North’s economic lag, the West’s industrial dynamism, and the South’s social progress.

India’s regional inequalities are exacerbated by its federal structure, fueling tensions over resource distribution and political representation. For European investors, these differences highlight the need for a tailored engagement strategy. To become a key partner in India’s industrial rise, Europe must invest in the right regions, build long-term relationships, and adapt to India’s evolving political and economic landscape.



10 €

ISSN: 1771-6756

NCL2502-02